

Table of Contents

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

FORM 10-K

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2006
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period from _____ to _____

Commission File Number 0-21923

Wintrust Financial Corporation

(Exact name of registrant as specified in its charter)

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)

Registrant's telephone number, including area code: **(847) 615-4096**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, no par value	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (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, 2006 (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 \$50.85, as reported by the Nasdaq National Market, was \$1,248,267,326.

As of February 26, 2007, the registrant had 25,009,364 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the year ended December 31, 2006, 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 24, 2007 are incorporated by reference into Part III.

TABLE OF CONTENTS

	<u>Page</u>	
PART I		
ITEM 1	Business	2
ITEM 1A.	Risk Factors	26
ITEM 1B.	Unresolved Staff Comments	31
ITEM 2.	Properties	32
ITEM 3.	Legal Proceedings	32
ITEM 4.	Submission of Matters to a Vote of Security Holders	32
PART II		
ITEM 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	33
ITEM 6.	Selected Financial Data	35
ITEM 7.	Management's Discussion and Analysis of Financial Condition and Results of Operation	35
ITEM 7A.	Quantitative and Qualitative Disclosures About Market Risk	35
ITEM 8.	Financial Statements and Supplementary Data	35
ITEM 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	36
ITEM 9A.	Controls and Procedures	36
ITEM 9B.	Other Information	36
PART III		
ITEM 10.	Directors, Executive Officers and Corporate Governance	37
ITEM 11.	Executive Compensation	37
ITEM 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	38
ITEM 13.	Certain Relationships and Related Transactions and Director Independence	38
ITEM 14.	Principal Accountant Fees and Services	38
PART IV		
ITEM 15.	Exhibits and Financial Statement Schedules	39
	Signatures	44
	Employment Agreement	
	Form of Nonqualified Stock Option Agreement	
	Form of Restricted Stock Award	
	Computation of Ratio of Earnings to Fixed Charges	
	2006 Annual Report to Shareholders	
	Subsidiaries	
	Consent of Independent Auditors	
	Certification of CEO	
	Certification of the CFO	

Section 1350 Certifications
First Amendment to Credit Agreement
Second Amendment to Credit Agreement
Third Amendment to Credit Agreement
Fifth Amendment to Second Amended and Restated Loan Agreement

PART I

ITEM 1. BUSINESS

Wintrust Financial Corporation, an Illinois corporation (“Wintrust” or “the Company”), which was incorporated in 1992, is a financial holding company based in Lake Forest, Illinois, with total assets of approximately \$9.6 billion at December 31, 2006. The Company engages in the business of providing traditional community banking services, wealth management 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 in the greater Chicago, Illinois and southern Wisconsin metropolitan areas through its fifteen wholly-owned banking subsidiaries (collectively, the “Banks”). The Company controls nine Illinois-chartered banks, 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”), Northbrook Bank & Trust Company (“Northbrook Bank”), Village Bank & Trust (“Village Bank”), Wheaton Bank & Trust Company (“Wheaton Bank”), State Bank of The Lakes and St. Charles Bank & Trust Company (“St. Charles Bank”). In addition, the Company has one Wisconsin-chartered bank, Town Bank, and five nationally chartered banks, Barrington Bank and Trust Company, N.A. (“Barrington Bank”), Crystal Lake Bank & Trust Company, N.A. (“Crystal Lake Bank”), Advantage National Bank (“Advantage Bank”), Beverly Bank & Trust Company, N.A. (“Beverly Bank”) and Old Plank Trail Community Bank, N.A. (“Old Plank Trail Bank”).

The Company provides a full range of wealth management services through three separate subsidiaries, including Wayne Hummer Trust Company, N.A. (“WHTC”), Wayne Hummer Investments, LLC (“WHI”), a broker-dealer and subsidiary of North Shore Bank and Wayne Hummer Asset Management Company (“WHAMC”), a registered investment adviser. Focused Investments, LLC (“Focused”), which was a broker-dealer and subsidiary of WHI, was merged into WHI in 2006. The Company acquired WHI, Focused and WHAMC in February 2002 and these companies are referred to collectively 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 Corporation (“FIFC”), a wholly-owned subsidiary of Crabtree Capital Corporation (“Crabtree”) which is a wholly-owned subsidiary of Lake Forest Bank. In addition, the Company provides short-term accounts receivable financing (“Tricom finance receivables”) and out-sourced administrative services, such as data processing of payrolls, billing and cash management services, to clients in the temporary staffing industry located throughout the United States, through Tricom, Inc. of Milwaukee (“Tricom”), a wholly-owned subsidiary of Hinsdale Bank.

In May 2004, the Company acquired SGB Corporation d/b/a WestAmerica Mortgage Company (“WestAmerica”) and its affiliate Guardian Real Estate Services, Inc. (“Guardian”). WestAmerica engages primarily in the origination and purchase of residential mortgages for sale into the secondary market, and Guardian provides the document preparation and other loan closing services to WestAmerica and its network of mortgage brokers. WestAmerica and Guardian are wholly-owned subsidiaries of Barrington Bank. In September 2004, the Company also acquired Northview Mortgage, LLC, a mortgage broker, in connection with its purchase of Northview Financial Corporation.

Table of Contents

Northview Mortgage, LLC is a direct subsidiary of Wintrust and is currently inactive. Mortgage banking operations are also performed within each of the Banks.

As a mid-size financial services company, management expects to benefit from greater access to financial and managerial resources while maintaining its commitment to local decision-making and to its community banking philosophy. Management also believes the Company is positioned to compete more effectively with other larger and more diversified banks, bank holding companies and other financial services companies as it continues to execute its growth strategy through additional branch openings and *de novo* bank formations, expansion of its wealth management and premium finance business, development of additional specialized earning asset niches and potential acquisitions of other community-oriented banks or specialty finance companies.

Additional information regarding the Company's business and strategies is included in the "Management's Discussion and Analysis of Financial condition and Results of Operations" section of the 2006 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 primarily 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 deposit products such as 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 also offer home equity, home mortgage, consumer, real estate and commercial loans, safe deposit facilities, ATMs, internet banking and other innovative and traditional services specially tailored to meet the needs of customers in their market areas.

Wintrust developed its banking franchise through the *de novo* organization of nine banks and the purchase of seven banks, one of which was merged into an existing Wintrust bank. 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. Following the same business plan, the Company started Hinsdale Bank in 1993 to service the communities of Hinsdale and Burr Ridge, North Shore Bank in 1994 to service the communities of Wilmette and Kenilworth, Libertyville Bank in 1995 to service the communities of Libertyville, Vernon Hills and Mundelein, Barrington Bank in 1996 to service the greater Barrington/Inverness areas, Crystal Lake Bank in 1997 to service the communities of Crystal Lake and Cary, Northbrook Bank in 2000 to service the communities of Northbrook, Glenview and Deerfield, Beverly Bank in 2004 to service the communities of Beverly Hills and Morgan Park on the southwest side of Chicago and Old Plank Trail Bank in 2006 to serve the communities of New Lenox, Mokena and Frankfurt. Since the initial openings of these nine banks, each has opened additional branches in adjacent and nearby communities to expand their franchise.

Wintrust completed its first bank acquisitions in the fourth quarter of 2003, with the acquisitions of Advantage Bank in October 2003 and Village Bank in December 2003. In September 2004, Wintrust acquired Northview Financial Corporation and its wholly-owned subsidiary, Northview Bank & Trust Company, with banking locations in Northfield, Mundelein and Wheaton, Illinois, and in December 2004, Wintrust relocated the bank's charter to its Wheaton branch, renamed the bank Wheaton Bank &

Table of Contents

Trust Company and transferred its Mundelein branch to Libertyville Bank and its Northfield branches to Northbrook Bank. In October 2004, Wintrust acquired Town Bankshares, Ltd. and its wholly-owned subsidiary, Town Bank, with locations in Delafield and Madison, Wisconsin. Town Bank represents the Company's first banking operation outside of Illinois. In January 2005, the Company completed its acquisition of Antioch Holding Company and its wholly-owned subsidiary, State Bank of The Lakes, and on March 31, 2005 the Company acquired First Northwest Bancorp, Inc. and its wholly-owned subsidiary First Northwest Bank. First Northwest Bank was merged into Village Bank in May 2005 as both banks were located in and served the same market area. In May 2006, the Company completed its acquisition of Hinsbrook Bancshares, Inc. and its wholly-owned subsidiary, Hinsbrook Bank & Trust, with five banking locations in the western suburbs of Chicago, including Willowbrook, Downers Grove, Darien, Glen Ellyn and Geneva. In December 2005, Wintrust relocated the bank's charter to its Geneva branch, renamed the bank St. Charles Bank & Trust Company, and transferred the Willowbrook, Downers Grove and Darien branches to Hinsdale Bank and the Glen Ellyn branch to Wheaton Bank. These branch transactions were done to align the Banks' branches within the same market area under one bank charter. As of December 31, 2006, the Company had 73 banking locations.

All of the banks acquired by Wintrust share the same commitment to community banking and customer service as the banks the Company organized. Each of the acquired banks, with the exception of Hinsbrook Bank and State Bank of The Lakes, began operations within the same time frame in which Wintrust organized its Banks. The charters of Hinsbrook Bank and State Bank of The Lakes, however, date back to 1987 and 1894, respectively.

The deposits of each of the Banks are insured by the FDIC up to the applicable limits. Currently the standard maximum deposit insurance amount is \$100,000 per non-retirement account capacity, subject to possible cost-of-living adjustments after 2010, and up to \$250,000 for certain retirement accounts. In addition, each Bank is subject to regulation, supervision and regular examination by: (1) the Secretary of the Illinois Department of Financial and Professional Regulation ("Illinois Secretary") and the Board of Governors of the Federal Reserve System ("Federal Reserve") for Illinois-chartered banks; (2) the Office of the Comptroller of the Currency ("OCC") for nationally-chartered banks or (3) the Wisconsin Department of Financial Institutions ("Wisconsin Department") and the Federal Reserve for Town Bank.

Wealth Management Activities

The Company currently offers a full range of wealth management services through three separate subsidiaries, including trust and investment services, asset management and securities brokerage services, marketed primarily under the Wayne Hummer name. Wintrust acquired the Wayne Hummer Companies, headquartered in Chicago, in February 2002. To further expand the Company's wealth management business, in February 2003, the Company acquired Lake Forest Capital Management Company, a registered investment advisor with approximately \$300 million of assets under management upon acquisition. Lake Forest Capital Management Company was merged into WHAMC.

WHTC, the Company's trust subsidiary, offers trust and investment management services to clients through offices located in downtown Chicago and at various banking offices of the Company's fifteen banks. Assets under administration and/or management by WHTC as of December 31, 2006 were approximately \$824 million. WHTC is subject to regulation, supervision and regular examination by the OCC.

WHI, the Company's registered broker/dealer subsidiary, has been in operations since 1931. Through WHI, the Company provides a full range of private client and securities brokerage services to clients

Table of Contents

located primarily in the Midwest. WHI client assets were approximately \$5.4 billion at December 31, 2006. WHI is headquartered in downtown Chicago, operates an office in Appleton, Wisconsin, and as of December 31, 2006, established branch locations in offices at a majority of the Company's banks. WHI also provides a full range of investment services to clients through a network of relationships with community-based financial institutions primarily located in Illinois.

WHAMC, a registered investment adviser, provides money management services and advisory services to individuals and institutional municipal and tax-exempt organizations. In addition, WHAMC also provides portfolio management and financial supervision for a wide range of pension and profit-sharing plans. WHAMC had approximately \$561 million of assets under management at December 31, 2006.

Specialty Lending

The Company conducts its specialty lending business through indirect non-bank subsidiaries and divisions of its Banks.

FIFC, headquartered in Northbrook, Illinois, is the Company's most significant specialized lending niche. 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. Due to 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 the loans originated by FIFC have been purchased by the Banks in order to more fully utilize their lending capacity. These loans generally provide the Banks with higher yields than alternative investments. During 2006, FIFC originated approximately \$3.0 billion of premium finance receivables and sold approximately \$303 million, or 10%, of the premium finance receivables generated during the year to an unrelated third party, with servicing retained. The Company has been selling these loans to a third party since 1999. Doing so allowed the Company to originate loans without compromising the liquidity position of the Banks. However, due to capacity at the Banks, the Company did not sell any premium finance loans to a third party in the second half of 2006. 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 and is an operating subsidiary of Hinsdale Bank. It is located in Milwaukee, Wisconsin and has been in business since 1989. 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 2006, Tricom processed payrolls with associated client billings of approximately \$531 million and contributed approximately \$8.5 million of revenue, net of interest expense, to the Company.

The Company also engages in several other specialty lending areas through divisions of 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

Table of Contents

credit standards. Management regards substantially all of these loans as prime quality loans and continually monitors the dealer relationships to deter third party fraud. The Banks are not dependent on any one dealer as a source of such loans. At December 31, 2006, indirect auto loans totaled \$232 million and comprised approximately 3.6% of the Company's loan portfolio. Other specialty lending conducted through the Banks include 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. These specialty loans (including the indirect auto loans) generated through divisions of the Banks comprised approximately 6.0% of the Company's loan and lease portfolio at December 31, 2006.

WestAmerica and Guardian were acquired by Barrington Bank in May 2004 to enhance and diversify the Company's revenue sources and earning asset base. WestAmerica engages primarily in the origination and purchase of residential mortgages for sale into the secondary market, and Guardian provides the document preparation and other loan closing services to WestAmerica and its network of mortgage brokers. WestAmerica sells its loans servicing released and does not currently engage in mortgage loan servicing. WestAmerica maintains principal origination offices in nine states, including Illinois, and originates loans in other states through wholesale and correspondent offices. WestAmerica provides the Banks with the ability to use an enhanced loan origination and documentation system which allows WestAmerica and the Banks to better utilize existing operational capacity and improve the product offering for the Banks' customers. WestAmerica's production of adjustable rate mortgage loan products may be purchased by the Banks for their loan portfolios resulting in additional earning assets to the combined organization.

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 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 a community banking and marketing strategy. In keeping with this strategy, the Banks provide highly personalized and responsive service, a characteristic of locally-owned and managed institutions. As such, the Banks compete for deposits principally by offering depositors a variety of deposit programs, convenient office locations, hours and other services, and for loan originations primarily through the interest rates and loan fees they charge, the efficiency and quality of services they provide to borrowers and the variety of their loan and cash management 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 or Wisconsin state banks 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

Table of Contents

industry, flexibility in structuring financing transactions, and the timely purchase of qualifying contracts. FIFC believes that its commitment to service also distinguishes it from its competitors.

The Company's wealth management companies (WHTC, WHI and WHAMC) 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 wealth management companies, which is expected to help in attracting new customer relationships.

WestAmerica and Guardian, as well as the mortgage banking functions within the Banks, compete with large mortgage brokers as well as other banking organizations. The mortgage banking business is very competitive and significantly impacted by changes in mortgage interest rates. The Company believes that mortgage banking revenue will be a continuous source of revenue, but the level of revenue will be impacted by changes in mortgage interest rates.

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's 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.

Employees

At December 31, 2006, the Company and its subsidiaries employed a total of 1,897 full-time-equivalent employees. The Company provides its employees with comprehensive medical and dental benefit plans, life insurance plans, 401(k) plans and an employee stock purchase plan. The Company considers its relationship with its employees to be good.

Available Information

The Company's internet address is www.wintrust.com. 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 with, or furnished to, the SEC.

Forward-looking Statements

This document contains forward-looking statements within the meaning of federal securities laws. Forward-looking information in this document can be identified through the use of words such as "may," "will," "intend," "plan," "project," "expect," "anticipate," "should," "would," "believe," "estimate," "contemplate," "possible," and "point." The forward-looking information is premised on many factors, some of which are outlined below. 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

Table of Contents

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 acquisitions 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:

- Competitive pressures in the financial services business which may affect the pricing of the Company's loan and deposit products as well as its services (including wealth management services).
- Changes in the interest rate environment, which may influence, among other things, the growth of loans and deposits, the quality of the Company's loan portfolio, the pricing of loans and deposits and interest income.
- The extent of defaults and losses on our loan portfolio.
- Unexpected difficulties or unanticipated developments related to the Company's strategy of *de novo* bank formations and openings. *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.
- The ability of the Company to obtain liquidity and income from the sale of premium finance receivables in the future and the unique collection and delinquency risks associated with such loans.
- Failure to identify and complete acquisitions in the future or unexpected difficulties or unanticipated developments related to the integration of acquired entities with the Company.
- Legislative or regulatory changes or actions, or significant litigation involving the Company.
- Changes in general economic conditions in the markets in which the Company operates.
- The ability of the Company to receive dividends from its subsidiaries.
- The loss of customers as a result of technological changes allowing consumers to complete their financial transactions without the use of a bank.
- The ability of the Company to attract and retain senior management experienced in the banking and financial services industries.

Therefore, there can be no assurances that future actual results will correspond to these forward-looking statements. The reader is cautioned not to place undue reliance on any forward looking statement made by or on behalf of Wintrust. Any such statement speaks only as of the date the statement was made or as of such date that may be referenced within the statement. Wintrust does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Persons are advised, however, to consult any further disclosures management makes on related subjects in its reports filed with the SEC and in its press releases.

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, Tricom, WestAmerica and Guardian. 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, Tricom, WestAmerica or Guardian. 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

The Company has elected to be treated by the Federal Reserve as a financial holding company for purposes of the Bank Holding Company Act of 1956, as amended, including regulations promulgated by the Federal Reserve (the “BHC Act”), as augmented by the provisions of the Gramm-Leach-Bliley Act (the “GLB Act”), which established a comprehensive framework to permit affiliations among commercial banks, insurance companies and securities firms. Bank holding companies that elect to be treated as financial holding companies may engage in an expanded range of activities, including the businesses conducted by the Wayne Hummer Companies. Financial holding companies, unlike traditional bank holding companies, can engage in certain activities without prior Federal Reserve approval, subject to certain post-commencement notice procedures. 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 that is not a financial holding company. Moreover, during the period of noncompliance, the Federal Reserve can place any limitations on the financial holding company that it believes to be appropriate. Furthermore, if the Federal Reserve determines that a financial holding company has not maintained at least a satisfactory rating under the Community Reinvestment Act at all of its controlled banking subsidiaries, the Company will not be able to commence any new financial activities or acquire a company that engages in such activities, although the Company will still be allowed to engage in activities closely related to banking and make investments in the ordinary course of conducting merchant banking activities. The Company became a financial holding company in 2002 and currently satisfies the requirements to maintain its status as a financial holding company.

The Company continues to be subject to supervision and regulation by the Federal Reserve under 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 for financial holding companies, the BHC Act prohibits a bank 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.

Table of Contents

Under the BHC Act and Federal Reserve regulations, the Banks are prohibited from engaging in certain tying 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 (loans, deposits or trust services), 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.

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 even when the Company otherwise would not consider itself able to do so.

The Federal Reserve has adopted risk-based capital requirements for assessing capital adequacy of all bank holding companies, including financial holding companies. These standards define regulatory capital and establish minimum capital ratios in relation to assets, both on an aggregate basis and as adjusted for credit risks and off-balance sheet exposures. Under the Federal Reserve's risk-based guidelines, capital is classified into two categories. For bank holding companies, Tier 1 capital, or "core" capital, consists of common stockholders' equity, qualifying noncumulative perpetual preferred stock (including related surplus), qualifying cumulative perpetual preferred stock (including related surplus) (subject to certain limitations), minority interests in the common equity accounts of consolidated subsidiaries and qualifying trust preferred securities, and is reduced by goodwill, specified intangible assets and certain other items ("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 credit 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 acquisition, are expected to maintain strong capital positions substantially above the minimum levels. Recent regulations proposed by the federal banking regulators referred to as the Basel II and Basel IA proposals could alter the capital adequacy frameworks for banking organizations.

As of December 31, 2006, the Company's total capital to risk-weighted assets ratio was 11.3%, its Tier 1 Capital to risk-weighted asset ratio was 9.8% and its leverage ratio was 8.2%.

Since the Company's bank subsidiaries include Illinois-chartered Banks and a Wisconsin-chartered Bank, the Company is also subject to regular examination by the Illinois Secretary and supervision by the Wisconsin Department.

Under the Illinois Banking Act, any person who acquires 25% or more of the Company's stock may be required to obtain the prior approval of the Illinois Secretary. Similarly, under the Change in Bank

Table of Contents

Control Act, a person may be required to obtain the prior regulatory consent of the Federal Reserve before acquiring control of 10% or more of any class of the Company's outstanding stock. Generally, an acquisition of more than 10% of the Company's stock by a corporate entity, including a corporation, partnership or trust, would require prior Federal Reserve approval under the BHC Act.

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 *Financial Institution Regulation Generally — Dividends* 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 parent company's revenue is dividends it 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, Village Bank, Wheaton Bank, State Bank of The Lakes and St. Charles Bank are Illinois-chartered banks and as such they and their subsidiaries are subject to supervision and examination by the Illinois Secretary. Each of these Illinois-chartered Banks, is a member of the Federal Reserve and, as such, is subject to additional examination by the Federal Reserve as their primary federal regulator. Barrington Bank, Crystal Lake Bank, Advantage Bank, Beverly Bank, Old Plank Trail Bank and WHTC are federally-chartered and are subject to supervision and examination by the OCC pursuant to the National Bank Act and regulations promulgated thereunder. Town Bank is a Wisconsin-chartered bank and a member of the Federal Reserve, and as such is subject to supervision by the Wisconsin Department and the Federal Reserve.

The deposits of the Banks are insured by the Deposit Insurance Fund under the provisions of the Federal Deposit Insurance Act, as amended (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 in the case of Lake Forest Bank, North Shore Bank, Hinsdale Bank, Libertyville Bank, Northbrook Bank, Village Bank, Wheaton Bank, State Bank of The Lakes, Town Bank and St. Charles Bank and the OCC in the case of Barrington Bank, Crystal Lake Bank, Advantage Bank, Beverly Bank and Old Plank Trail 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 and any change-in-control of an insured bank that is not subject to review by the Federal Reserve as a holding company regulator. 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. Transactions between banking affiliates may be subject to certain exemptions under applicable federal law.

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, 2006, each of the Company’s Banks was categorized as “well capitalized.” Because the Company is designated as a financial holding company, each of the Banks is required to maintain capital ratios at or above the “well capitalized” levels.

Prompt Corrective Action . The FDIA requires the federal banking regulators 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, investments activities, capital distributions and management fees 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, the FDIA 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 the FDIA and their implementing regulations generally apply to all 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 the FDIA.

Dividends. As Illinois state-chartered banks, Lake Forest Bank, North Shore Bank, Hinsdale Bank, Libertyville Bank, Northbrook Bank, Village Bank, Wheaton Bank, State Bank of The Lakes and St. Charles 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. As a Wisconsin state-chartered bank, Town Bank may declare dividends out of its undivided profits, after provision for payment of all expenses, losses, required reserves, taxes, and interest. In addition, if Town Bank's dividends declared and paid in either of the prior two years exceeded net income for such year, then the bank may not declare a dividend that exceeds year-to-date net income. Furthermore, federal regulations also prohibit any Federal Reserve member bank, including each of the Company's Illinois-chartered banks and Town Bank, 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, Beverly Bank, Advantage Bank, Old Plank Trail 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, nor may any of them declare a dividend in excess of undivided profits. 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 FDIA, 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 requires the 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 bank regulatory agencies have adopted a set of guidelines prescribing safety and soundness standards pursuant to the FDIA. The guidelines establish general standards relating to internal controls and information systems, informational security, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, each of the Federal Reserve and the OCC adopted regulations that authorize, but do not require, the Federal Reserve or the OCC, as the case may be, to order an institution that has been given notice by the Federal Reserve or the OCC, as the case may be, that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted compliance plan, the Federal Reserve or the OCC, as the case may be, must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized association is subject under the "prompt corrective action" provisions of the FDIA. 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 the FDIA 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 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, federal regulators 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 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 the FDIA, as an FDIC-insured institution, each of the Banks is required to pay deposit insurance premiums based on the risk it poses to the Deposit Insurance Fund ("DIF"). The FDIC has authority to raise or lower assessment rates on insured deposits in order to achieve statutorily required reserve ratios in the DIF and to impose special additional assessments. Each institution's assessment rate depends on the capital category and supervisory category to which it is assigned. During 2006, the Banks recognized expense for deposit insurance premiums in the aggregate amount of \$911,000.

In November 2006, the FDIC adopted a new risk-based insurance assessment system effective Jan. 1, 2007 designed to tie what banks pay for deposit insurance more closely to the risks they pose. The FDIC also adopted a new base schedule of rates that the FDIC can adjust up or down, depending on the needs of the DIF, and set initial premiums for 2007 that range from 5 cents per \$100 of domestic deposits in the lowest risk category to 43 cents per \$100 of domestic deposits for banks in the highest risk category. The new assessment system is expected to result in increased annual assessments on the deposits of the Company's bank subsidiaries of 5 to 7 cents per \$100 of deposits. An FDIC credit available to the Company's bank subsidiaries for prior contributions is expected to offset some of the assessments for the next two years. Significant increases in the insurance assessments of the Company's bank subsidiaries will increase the Company's costs once the credit is fully utilized. In addition, the Deposit Insurance Fund Act of 1996 authorizes the Financing Corporation ("FICO") to impose assessments on DIF assessable deposits in order to service the interest on FICO's bond obligations. The amount assessed is in addition to the amount, if any, paid for deposit insurance under the FDIC's risk-related assessment rate schedule. FICO assessment rates may be adjusted quarterly to reflect a change in assessment base. The FICO annual assessment rate is approximately 1.25 cents per \$100 of deposits.

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.

Under the "cross-guarantee" provision of the FDIA, as augmented by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), insured depository institutions such as the Banks may be liable to the FDIC with respect to any loss or reasonably anticipated loss incurred by the FDIC resulting from the default of, or FDIC assistance to, any commonly controlled insured depository

institution. The Banks are commonly controlled within the meaning of the FIRREA cross-guarantee provision.

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). For 2006, the first \$7.8 million of otherwise reservable balances (subject to adjustments by the Federal Reserve of each Bank) were exempt from the reserve requirements. A 3% reserve ratio applied to balances over \$7.8 million up to and including \$48.3 million and a 10% reserve ratio applied to balances in excess of \$48.3 million. The Banks were in compliance with the applicable requirements in 2006. For 2007, the first \$8.5 million of otherwise reservable balances are exempt, balances over \$8.5 million and up to \$45.8 million are subject to the 3% reserve ratio, and balances over \$45.8 million are subject to the 10% reserve ratio.

Anti-Money Laundering. On October 26, 2001, the USA PATRIOT Act of 2001 (the "PATRIOT Act") was enacted into law, amending in part the Bank Secrecy Act ("BSA"). The BSA and the PATRIOT Act contain anti-money laundering ("AML") and financial transparency laws as well as enhanced information collection tools and enforcement mechanics for the U.S. government, including: standards for verifying customer identification at account opening; rules to promote cooperation among financial institutions, regulators, and law enforcement entities in identifying parties that may be involved in terrorism or money laundering; reports by nonfinancial entities and businesses filed with the U.S. Department of the Treasury's Financial Crimes Enforcement Network for transactions exceeding \$10,000; and due diligence requirements for financial institutions that administer, maintain, or manage private bank accounts or correspondence accounts for non-U.S. persons. Each Bank is subject to the PATRIOT Act and, therefore, is required to provide its employees with AML training, designate an AML compliance officer and undergo an annual, independent audit to assess the effectiveness of its AML Program. The Company has established policies, procedures and internal controls that are designed to comply with these AML requirements.

Protection of Client Information. Many aspects of the Company's business are subject to increasingly comprehensive legal requirements concerning the use and protection of certain client information including those adopted pursuant to the GLB Act as well as the Fair and Accurate Credit Transactions Act of 2003 (the "FACT Act"). Provisions of the GLB Act require a financial institution to disclose its privacy policy to customers and consumers, and require that such customers or consumers be given a choice (through an opt-out notice) to forbid the sharing of nonpublic personal information about them with certain nonaffiliated third persons. The Company and each of the Banks have a written privacy notice that is delivered to each of their customers when customer relationships begin, and annually thereafter, in compliance with the GLB Act. In accordance with that privacy notice, the Company and each Bank protect the security of information about their customers, educate their employees about the importance of protecting customer privacy, and allow their customers to remove their names from the solicitation lists they use and share with others. The Company and each Bank require business partners with whom they share such information to have adequate security safeguards and to abide by the redisclosure and reuse provisions of the GLB Act. The Company and each Bank have developed and implemented programs to fulfill the expressed requests of customers and consumers to opt out of information sharing subject to the GLB Act. The federal banking regulators have interpreted the requirements of the GLB Act to require banks to take certain actions in the event that certain information about customers is compromised. If the federal or state regulators of the financial subsidiaries establish further guidelines for addressing customer privacy issues, the Company and/or each Bank may need to amend their privacy policies and adapt their internal procedures. The Company and the Banks may also be subject to additional requirements under state laws.

Moreover, like other lending institutions, each of the Banks utilizes credit bureau data in their underwriting activities. Use of such data is regulated under the Fair Credit Report Act (the "FCRA"), including credit reporting, prescreening, sharing of information between affiliates, and the use of credit data. The FCRA was amended by the FACT Act in 2003, which imposes a number of new requirements, many of which are still in the process of being implemented by federal regulators. The Company and the Banks may also be subject to additional requirements under state laws.

Community Reinvestment . Under the Community Reinvestment Act ("CRA"), a financial institution has a continuing and affirmative obligation, consistent with the safe and sound operation of such institution, to help meet the credit needs of its entire community, including low and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. However, institutions are rated on their performance in meeting the needs of their communities. Performance is judged in three areas: (a) a lending test, to evaluate the institution's record of making loans in its assessment areas; (b) an investment test, to evaluate the institution's record of investing in community development projects, affordable housing and programs benefiting low or moderate income individuals and business; and (c) a service test, to evaluate the institution's delivery of services through its branches, ATMs and other offices. The CRA requires each federal banking agency, in connection with its examination of a financial institution, to assess and assign one of four ratings to the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by the institution, including applications for charters, branches and other deposit facilities, relocations, mergers, consolidations, acquisitions of assets or assumptions of liabilities, and savings and loan holding company acquisitions. The CRA also requires that all institutions make public disclosure of their CRA ratings. Each of the Banks received a "satisfactory" rating from the Federal Reserve, the OCC or the FDIC 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 adequately capitalized institutions are able to accept, renew or rollover brokered deposits only with a waiver from the FDIC and subject to certain restrictions on the rate paid on such deposits. Undercapitalized institutions are not permitted to accept brokered deposits. An adequately capitalized institution that receives a waiver is not permitted to offer interest rates on brokered deposits significantly exceeding the market rates in the institution's home area or nationally, and undercapitalized institutions may not solicit any deposits by offering such rates. Each of the Banks is eligible to accept brokered deposits (as a result of their 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 Truth in Lending Act, the Truth in Savings Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Electronic Fund Transfer Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Soldiers' and Sailors' Civil Relief Act and the Home Mortgage Disclosure Act. WestAmerica must also comply with many of these consumer

Table of Contents

protection statutes and regulations. Violation of these statutes can lead to significant potential liability, in litigation by consumers as well as enforcement actions by regulators. Among other things, these acts:

- require creditors to disclose credit terms in accordance with legal requirements;
- require banks to disclose deposit account terms and electronic fund transfer terms in accordance with legal requirements;
- impose requirements and limitations on the users of credit reports and those who provide information to credit reporting agencies;
- 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 amounts with respect to real estate transactions; and
- prescribe possible penalties for violations of the requirements of consumer protection statutes and regulations.

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 Company and the Banks 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, 78 and 79 of the 2006 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 2006 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, 2006, 2005 and 2004 (in thousands):

	2006	2005	2004
U.S. Treasury	\$ 34,072	34,586	140,707
U.S. Government agencies	690,574	714,715	545,887
Municipal	49,209	48,397	25,412
Corporate notes and other debt	60,080	8,358	8,329
Mortgage-backed	866,288	874,067	533,726
Federal Reserve/FHLB Stock and other equity securities	139,493	119,261	89,416
Total available-for-sale securities	\$1,839,716	1,799,384	1,343,477

Tables presenting the carrying amounts and gross unrealized gains and losses for securities available-for-sale at December 31, 2006 and 2005, are included by reference to Note 3 to the Consolidated Financial Statements included in the 2006 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.

Table of Contents

Maturities of available-for-sale securities as of December 31, 2006, 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	\$ 1,517	4,088	28,467	—	—	—	34,072
U.S. Government agencies	450,807	30,942	208,825	—	—	—	690,574
Municipal	5,735	16,293	13,032	14,149	—	—	49,209
Corporate notes and other debt	799	6,491	36,934	15,856	—	—	60,080
Mortgage-backed ⁽¹⁾	—	—	—	—	866,288	—	866,288
Federal Reserve/FHLB stock and other equity securities	—	—	—	—	—	139,493	139,493
Total available-for-sale securities	\$458,858	57,814	287,258	30,005	866,288	139,493	1,839,716

⁽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.

The weighted average yield for each range of maturities of securities, on a tax-equivalent basis, is shown below as of December 31, 2006.

	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	1.35%	2.23%	3.43%	—	—	—	3.21%
U.S. Government agencies	5.07%	4.47%	4.45%	—	—	—	4.85%
Municipal	4.96%	5.30%	5.67%	7.52%	—	—	5.97%
Corporate notes and other debt	—	6.43%	—	6.53%	—	—	6.53%
Mortgage-backed ⁽¹⁾	—	—	—	—	5.06%	—	5.06%
Federal Reserve/FHLB stock and other equity securities	—	—	—	—	—	4.17%	4.17%
Total available-for-sale securities	5.05%	4.76%	4.65%	6.98%	5.06%	4.17%	4.95%

⁽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.

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):

	2006		2005		2004		2003		2002	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial and commercial real estate	\$4,068,437	63%	3,161,734	61	2,465,852	57	1,648,022	50	1,320,598	52
Home equity	666,471	10	624,337	12	574,668	13	466,812	14	365,521	14
Residential real estate	207,059	3	275,729	5	248,118	5	173,625	5	156,213	6
Premium finance receivables	1,165,846	18	814,681	16	770,792	18	746,895	23	461,614	18
Indirect consumer loans	249,534	4	203,002	4	171,926	4	174,071	5	178,234	7
Tricom finance receivables	43,975	1	49,453	1	29,730	1	25,024	1	21,048	1
Consumer and other loans	95,158	1	84,935	1	87,260	2	63,345	2	52,858	2
Total loans, net of unearned income	\$6,496,480	100%	5,213,871	100	4,348,346	100	3,297,794	100	2,556,086	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. Commercial real estate is predominantly owner occupied and secured by a first mortgage lien and assignment of rents on the property. Working capital lines are generally renewable annually and supported by business assets, personal guarantees and, oftentimes, additional collateral. Equipment loans are generally secured by titles and/or U.C.C. filings. 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 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 bank acquisitions, opening of 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 in 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 and southern Wisconsin metropolitan areas 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. Through the Banks and the Company's WestAmerica subsidiary, the Company can 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 Company 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, 2006 and 2005 was \$492 million and \$522 million, respectively. All other mortgage loans sold into the secondary market were sold without the retention of servicing rights.

Premium finance receivables . The Company originates premium finance receivables through FIFC. Most of the receivables originated by FIFC are sold to the Banks and retained within their loan portfolios. FIFC began selling loans to an unrelated third party in 1999. During 2006, FIFC originated approximately \$3.0 billion of loans and sold approximately \$303 million of those loans to an unrelated financial institution. FIFC recognized gains of \$2.9 million related to this activity. The Company suspended the sale of premium finance receivables to an unrelated financial institution in the second half of 2006 as the Banks had sufficient capacity to retain all of the originations during this period. As of December 31, 2006 and 2005, the balance of these receivables that FIFC services for others totaled approximately \$58 million and \$261 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 working with insurance agents and brokers throughout the United States. As of December 31, 2006, FIFC had the necessary licensing or 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 average balance of premium finance loans originated during 2006 was approximately \$29,000 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 (e.g. 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.

Indirect consumer 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 and to a lesser extent boat loans funded through unaffiliated boat dealers, as a result of the State Bank of The Lakes acquisition in 2005. In 2006, the Company increased its volume of originations of auto loans as market conditions indicated it was prudent to do so, and expects the portfolio to grow in future periods depending on market conditions. 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 \$23,000 and have an original maturity of 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 the Company's portfolios 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 consumer 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.

Table of Contents

Consumer and Other. Included in the consumer and other loan category is a wide variety of personal and consumer loans to individuals. The Banks originate consumer loans 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 2006.

Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table classifies the commercial loan portfolios at December 31, 2006 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	\$1,904,047	1,946,411	217,979	4,068,437
Premium finance receivables, net of unearned income	1,165,846	—	—	1,165,846
Tricom finance receivables	43,975	—	—	43,975

Of those loans maturing after one year, approximately \$1.66 billion have fixed rates.

Risk Elements in the Loan Portfolio

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

	2006		2005		2004		2003		2002	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Allowance for loan losses:										
Commercial and commercial real estate	\$32,943	70%	28,288	70	20,016	57	7,421	50	6,837	52
Home equity	1,985	5	1,835	5	1,404	13	467	14	563	14
Residential real estate	1,381	3	1,372	3	993	5	417	5	200	6
Consumer and other	1,757	4	1,516	4	1,585	2	418	2	358	2
Premium finance receivables	4,838	11	4,586	11	7,708	18	5,495	23	3,613	18
Indirect consumer loans	3,019	6	2,538	6	2,149	4	915	5	941	7
Tricom finance receivables	132	1	148	1	372	1	143	1	120	1
Unallocated	—	—	—	—	—	—	10,265	—	5,758	—
Totals	\$46,055	100%	40,283	100	34,227	100	25,541	100	18,390	100
Allowance for losses on lending-related commitments:										
Commercial and commercial real estate	\$ 457	100%	491	100	—	—	—	—	—	—

Management has determined that the allowance for loan losses and the allowance for losses on lending-related commitments were adequate at December 31, 2006. The Company's loan rating process is an integral component of the methodology utilized in determining the adequacy of 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 ("Problem Loan Report") 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 Problem Loan

Table of Contents

Report is presented, showing 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 Problem Loan Report, which exhibit a higher than normal credit risk. These Problem Loan Report 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 Problem Loan Report.

In 2004, the Company refined its methodology for determining certain elements of the allowance for loan losses. This refinement resulted in allocation of the allowance to specific loan portfolio groupings. The Company maintains its allowance for loan losses at a level believed adequate by management to absorb probable losses inherent in the loan portfolio and is based on the size and current risk characteristics of the loan portfolio, an assessment of Problem Loan Report loans and actual loss experience, changes in the composition of the loan portfolio, historical loss experience, changes in lending policies and procedures, including underwriting standards and collections, charge-off and recovery practices, changes in the experience, ability and depth of lending management and staff, changes in national and local economic and business conditions and developments, including the condition of various market segments and changes in the volume and severity of past due and classified loans and trends in the volume of non-accrual loans, troubled debt restructurings and other loan modifications. The allowance for loan losses also includes an element for estimated probable but undetected losses and for imprecision in the credit risk models used to calculate the allowance. The methodology used since 2004 refined the process so that this element was calculated for each loan portfolio grouping. In prior years, this element of the allowance was associated with the loan portfolio as a whole rather than with a specific loan portfolio grouping. In 2006, the increase in the amount of allowance for loan losses can be primarily attributed to the acquisition of Hinsbrook Bank and growth in the core loan portfolio, specifically commercial and commercial real estate. Determination of the allowance is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current environmental factors and economic trends, all of which may be susceptible to significant change. Loan losses are charged off against the allowance, while recoveries are credited to the allowance. A provision for credit losses is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. Evaluations are conducted at least quarterly and more frequently if deemed necessary.

The Company also maintains an allowance for lending-related commitments, specifically unfunded loan commitments and letters of credit, to provide for the risk of loss inherent in these arrangements. The allowance is computed using a methodology similar to that used to determine the allowance for loan losses. This allowance is included in other liabilities on the Consolidated Statement of Condition while the corresponding provision for these losses is recorded as a component of the provision for credit losses.

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 Problem Loan Report and for pools of loans based on the loan types and the risk ratings assigned. The Company separately measures the fair value of impaired commercial and commercial real estate loans using either the present value of expected future cash flows discounted at the loan's effective interest rate, the observable market price of the loan, or the fair value of the collateral if the

Table of Contents

loan is collateral dependent. Problem Loan Report loans, which include nonperforming loans, are subject to impairment evaluation. 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 home equity, residential real estate, consumer and other loan allocations are based on analysis of historical delinquency and charge-off statistics and trends and the current economic environment. Allocations for niche loans such as premium finance receivables, indirect consumer and Tricom finance receivables are based on an analysis of historical delinquency and charge-off statistics, historical growth trends and historical economic trends.

For analysis and review of the credit 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 2006 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, 2006 (in thousands):

Maturing within 3 months	\$ 613,214
After 3 but within 6 months	560,578
After 6 but within 12 months	794,749
After 12 months	669,957
Total	<u>\$2,638,498</u>

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:

	2006	2005	2004
Return on average total assets	0.74%	0.88%	0.94%
Return on average shareholders' equity	9.47%	11.00%	13.12%
Dividend payout ratio	10.9%	8.7%	8.5%
Average equity to average total assets	7.9%	8.0%	7.2%
Ending total risk-based capital ratio	11.3%	11.9%	12.2%
Leverage ratio	8.2%	8.3%	8.4%

Short-Term Borrowings

The following table presents details regarding Federal funds purchased and securities sold under repurchase agreements (in thousands):

	2006	2005	2004
Balance at year end:			
Federal funds purchased	\$ —	\$ 235	\$ 78,576
Securities sold under repurchase agreements	\$159,883	\$ 93,312	\$118,669
Weighted interest rate for amounts outstanding at year end:			
Federal funds purchased	N/A	4.25%	2.47%
Securities sold under repurchase agreements	4.91%	2.61%	2.05%
Maximum outstanding at any month end:			
Federal funds purchased	\$ 99,400	\$129,150	\$ 78,576
Securities sold under repurchase agreements	\$239,105	\$232,685	\$206,620
Average amount outstanding:			
Federal funds purchased	\$ 18,318	\$ 20,341	\$ 31,567
Securities sold under repurchase agreements	\$122,650	\$132,233	\$ 83,264
Weighted daily average interest rate:			
Federal funds purchased	5.24%	3.42%	1.82%
Securities sold under repurchase agreements	4.13%	2.10%	1.25%

N/A = not applicable

Federal funds purchased and securities sold under repurchase agreements have maturities of six months or less. Securities sold under repurchase agreements represent short-term borrowings from banks and brokers as well as sweep accounts in connection with master repurchase agreements at the Banks.

Further information regarding short-term borrowings is contained in Note 14 to the Consolidated Financial Statements and 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 2006 Annual Report to Shareholders filed herewith as Exhibit 13.1, and incorporated herein by reference.

ITEM 1A. Risk Factors

An investment in Wintrust's common stock is subject to risks inherent to Wintrust's business. The material risks and uncertainties that management believes affect Wintrust are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this report. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair Wintrust's business operations. This report is qualified in its entirety by these risk factors. If any of the following risks actually occur, Wintrust's financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of Wintrust's common stock could decline significantly, and you could lose all or part of your investment.

The financial services industry is very competitive.

We face competition in attracting and retaining deposits, making loans, and providing other financial services (including wealth management services) throughout our market area. Our competitors include other community banks, larger banking institutions, and a wide range of other financial institutions such as credit unions, government-sponsored enterprises, mutual fund companies, insurance companies and other non-bank businesses. Many of these competitors have substantially greater resources than us. If we are unable to compete effectively, we will lose market share and income from deposits, loans, and other products may be reduced. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Wintrust's ability to compete successfully depends on a number of factors, including, among other things:

- the ability to develop, maintain and build upon long-term customer relationships based on top quality service and high ethical standards;
- the scope, relevance and pricing of products and services offered to meet customer needs and demands;
- the rate at which the Company introduces new products and services relative to its competitors;
- customer satisfaction with the Company's level of service; and
- industry and general economic trends.

Failure to perform in any of these areas could significantly weaken the Company's competitive position, which could adversely affect the Company's growth and profitability, which, in turn, could have a material adverse effect on the Company's financial condition and results of operations.

Wintrust may be adversely affected by interest rate changes.

Wintrust's interest income and interest expense are affected by general economic conditions and by the policies of regulatory authorities, including the monetary policies of the Federal Reserve. Changes in interest rates may influence the growth rate of loans and deposits, the quality of the loan portfolio, loan and deposit pricing, the volume of loan originations in Wintrust's mortgage banking business and the value that Wintrust can recognize on the sale of mortgage loans in the secondary market. Wintrust expects the results of its mortgage banking business in selling loans into the secondary market will be negatively impacted during periods of rising interest rates.

With the relatively low interest rates that prevailed from 2002 through 2005, Wintrust had been able to augment the total return of its investment securities portfolio by selling call options on fixed-income securities it owns. However, as a result of rising interest rates, Wintrust's ability to engage in such transactions has been greatly limited. During 2006, Wintrust recorded fee income of approximately \$3.2 million from premiums earned on these option transactions, compared to approximately \$11.4 million in 2005. In a rising interest rate environment, particularly if interest rates continue to increase, the amount of premium income Wintrust earns on these transactions will likely continue to decline. Wintrust's opportunities to sell covered call options may be limited in the future if rates continue to rise. The loss of such premium income or changes in the growth rate, quality and pricing of Wintrust's loan and deposit portfolio caused by changes in interest rates could have a material adverse effect on Wintrust's financial condition and results of operations.

Wintrust is subject to lending risk.

There are inherent risks associated with the Company's lending activities. Increases in interest rates and/or weakening economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans. A significant portion of the Company's loan portfolio consisted of commercial and commercial real estate loans. These types of loans are generally viewed as having more risk of default than residential real estate loans or consumer loans. These types of loans are also typically larger than residential real estate loans and consumer loans. Because the Company's loan portfolio contains a significant number of commercial and commercial real estate loans, the deterioration of these loans could cause a significant increase in non-performing loans. An increase in non-performing loans could result in a net loss of earnings from these loans, an increase in the provision for credit losses and an increase in loan charge-offs, all of which could have a material adverse effect on the Company's financial condition and results of operations.

Wintrust's allowance for loan losses may prove to be insufficient to absorb losses that may occur in its loan portfolio.

Wintrust's allowance for loan losses is established in consultation with management of its operating subsidiaries and is maintained at a level considered adequate by management to absorb loan losses that are inherent in the portfolios. At December 31, 2006, Wintrust's allowance for loan losses was 123.9% of total nonperforming loans and 0.71% of total loans. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, that may be beyond its control, and such losses may exceed current estimates. Estimating loan loss allowances for Wintrust's newer banks is more difficult because rapidly growing and *de novo* bank loan portfolios are, by their nature, unseasoned. Therefore, the Banks may be more susceptible to changes in estimates, and to losses exceeding estimates, than banks with more seasoned loan portfolios. There can be no assurance that the allowance for loan losses will prove sufficient to cover actual loan or lease losses in the future, which could result in a material adverse effect on Wintrust's financial condition and results of operations.

De novo operations and branch openings impact Wintrust's profitability.

Wintrust's financial results have been and will continue to be impacted by its strategy of *de novo* bank formations and branch openings. Wintrust expects to undertake additional *de novo* bank formations or branch openings. Based on Wintrust's experience, its management believes that it generally takes from 13 to 24 months for *de novo* banks to first achieve operational profitability, depending on the number of banking facilities opened, 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. However, it may take longer than expected or than the amount of time Wintrust has historically experienced for new banks and/or banking facilities to reach profitability, and there can be no guarantee that these new banks or branches will ever be profitable. To the extent Wintrust undertakes additional *de novo* bank, branch and business formations, its level of reported net income, return on average equity and return on average assets will be impacted by start-up costs associated with such operations, and it is likely to continue to experience the effects of higher expenses relative to operating income from the new operations. These expenses may be higher than Wintrust expected or than its experience has shown, which could have a material adverse effect on Wintrust's financial condition and results of operations.

Wintrust's premium finance business involves unique operational risks and could expose it to significant losses.

Of Wintrust's total loans at December 31, 2006, 18%, or approximately \$1.2 billion, were comprised of commercial insurance premium finance receivables that it generates through FIFC. These loans involve a different, and possibly higher, level of risk of delinquency or collection than generally associated with

loan portfolios of more traditional community banks because Wintrust conducts lending in this segment primarily through relationships with a large number of unaffiliated insurance agents and because the borrowers are located nationwide. FIFC also faces unique operational and internal control challenges due to the relatively rapid turnover of the premium finance loan portfolio and high volume of new loan originations. As a result, risk management and general supervisory oversight may be more difficult than in the Banks. FIFC may also be more susceptible to third party fraud. Acts of fraud are difficult to detect and deter, and Wintrust cannot assure investors that its risk management procedures and controls will prevent losses from fraudulent activity. For example, in the third quarter of 2000, FIFC recorded a non-recurring after-tax charge of \$2.6 million in connection with a series of fraudulent loan transactions perpetrated against FIFC by one independent insurance agency located in Florida. Although Wintrust has since enhanced its internal controls system at FIFC, it may continue to be exposed to the risk of significant loss in its premium finance business, which could result in a material adverse effect on Wintrust's financial condition and results of operations. Additionally, 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.

Wintrust may not be able to obtain liquidity and income from the sale of premium finance receivables in the future.

Wintrust has sold some of the loans FIFC originates to an unrelated third party. Wintrust recognized gains on the sales of these receivables, and the proceeds of such sales have provided Wintrust with additional liquidity. However, Wintrust did not sell any of these loans in the second half of 2006 due to capacity to retain such loans with the Banks. Consistent with its strategy to be asset driven, Wintrust may pursue similar sales of premium finance receivables in the future; however, it cannot assure you that there will continue to be a market for the sale of these loans and the extent of Wintrust's future sales of these loans will depend on the level of new volume growth in relation to its capacity to maintain the loans within the Banks' loan portfolios. Because Wintrust has a recourse obligation to the purchaser of premium finance loans that it sells, it could incur losses in connection with the loans sold if collections on the underlying loans prove to be insufficient to repay to the purchaser the principal amount of the loans sold plus interest at the negotiated buy-rate and if the collection shortfall on the loans sold exceeds Wintrust's estimate of losses at the time of sale. An inability to sell premium finance receivables in the future or the failure of collections on the underlying loans to be sufficient to repay the principal amount of such loans could result in a material adverse effect on Wintrust's financial condition and results of operations.

Wintrust historically has engaged in a large number of acquisitions. Wintrust may not be able to continue to implement such an acquisition strategy in the future and there are risks associated with such acquisitions.

In the past several years, Wintrust has completed numerous acquisitions of banks and other financial service related companies and may continue to make such acquisitions in the future. Wintrust seeks merger or acquisition partners that are culturally similar and have experienced management and possess either significant market presence or have potential for improved profitability through financial management, economies of scale or expanded services. Failure to successfully identify and complete acquisitions likely will result in Wintrust achieving slower growth. Acquiring other banks, businesses, or branches involves various risks commonly associated with acquisitions, including, among other things:

- potential exposure to unknown or contingent liabilities or asset quality issues of the target company;
- difficulty and expense of integrating the operations and personnel of the target company;

Table of Contents

- potential disruption to Wintrust's business, including diversion of Wintrust's management's time and attention;
- the possible loss of key employees and customers of the target company;
- difficulty in estimating the value of the target company; and
- potential changes in banking or tax laws or regulations that may affect the target company.

Acquisitions typically involve the payment of a premium over book and market values, and, therefore, some dilution of Wintrust's tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from an acquisition could have a material adverse effect on Wintrust's financial condition and results of operations.

Wintrust is subject to extensive government regulation and supervision.

The Company and its subsidiaries are subject to extensive federal and state regulation and supervision. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the level of our allowance for loan losses. These regulations affect the Company's lending practices, capital structure, investment practices, dividend policy and growth, among other things. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect Wintrust in substantial and unpredictable ways. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on the Company's business, financial condition and results of operations. See the section captioned "Supervision and Regulation" in Item 1. Business for additional information.

Wintrust's profitability depends significantly on economic conditions in the state of Illinois.

Wintrust's success depends primarily on the general economic conditions of the State of Illinois and the specific local markets in which the Company operates. Unlike larger national or other regional banks that are more geographically diversified, Wintrust provides banking and financial services to customers primarily in the greater Chicago and southeast Wisconsin metropolitan areas. The local economic conditions in these areas have a significant impact on the demand for Wintrust's products and services as well as the ability of Wintrust's customers to repay loans, the value of the collateral securing loans and the stability of Wintrust's deposit funding sources. A significant decline in economic conditions, caused by inflation, recession, acts of terrorism, outbreak of hostilities or other international or domestic occurrences, unemployment, changes in securities markets or other factors with impact on these local markets could, in turn, have a material adverse effect on our financial condition and results of operations.

Wintrust relies on dividends from its subsidiaries for most of its revenue.

Wintrust is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on the Company's common stock and interest and principal on its debt. Various federal and state laws and regulations limit the amount of dividends that the Banks and certain non-bank subsidiaries may pay to Wintrust. In the event that the Banks are unable to pay dividends to Wintrust, it may not be able to service debt, pay obligations or pay dividends on the Company's common stock. The inability to receive dividends from the Banks could have a material adverse effect on the Company's business, financial condition and results of operations. See the section captioned "Supervision and Regulation" in Item 1. — Business for more information.

Wintrust's information systems may experience an interruption or breach in security.

Wintrust relies heavily on communications and information systems to conduct its business. Any failure, interruption, or breach in security of these systems could result in failures or disruptions in customer relationship management, general ledger, deposit, loan or other systems. While Wintrust has policies and procedures designed to prevent or limit the effect of such a failure, interruption, or security breach of its information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of our information systems could damage Wintrust's reputation, result in a loss of customer business, subject Wintrust to additional regulatory scrutiny or civil litigation and possible financial liability, any of which could have a material and adverse effect on Wintrust's financial condition and results of operations.

Wintrust may issue additional securities, which could dilute the ownership percentage of holders of Wintrust's common stock.

The Company may issue additional securities to raise additional capital or finance acquisitions or upon the exercise or conversion of outstanding equity awards, and if it does, the ownership percentage of holders of our common stock could be diluted.

Consumers may decide not to use banks to complete their financial transactions.

Technology and other changes are allowing parties to complete financial transactions that historically have involved banks through alternative methods. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts or mutual funds. Consumers can also complete transactions such as paying bills and transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost deposits as a source of funds could have a material adverse effect on the Company's financial condition and results of operations.

Wintrust's future success depends, in part, on its ability to attract and retain experienced and qualified personnel.

Wintrust believes that its future success depends, in part, on its ability to attract and retain experienced personnel, including its senior management and other key personnel. The loss of any of its senior managers or other key personnel, or its inability to identify, recruit and retain such personnel, could materially and adversely affect Wintrust's business, operating results and financial condition.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. PROPERTIES

The Company's executive offices are located in the banking facilities of Lake Forest Bank. Certain corporate functions are also located at the various Bank subsidiaries.

The Company's Banks operate through 73 banking facilities, the majority of which are owned. The Company owns 103 Automatic Teller Machines, the majority of which are housed at banking locations. The banking facilities are located in communities throughout the Chicago metropolitan area and Southern Wisconsin. The Banks also own two locations that are used as operations centers. Excess space in certain properties is leased to third parties.

Wayne Hummer Investments, LLC has two locations, one in downtown Chicago and one in Appleton, Wisconsin, both of which are leased. WestAmerica Mortgage has 18 locations in 9 states, all of which are leased. First Insurance Funding Corp, Tricom, Inc. and Wintrust Information Technology Services, each has one location, all of which are owned. In addition, the Company owns other real estate acquired for further expansion that, when considered in the aggregate, is not material to the Company's financial position.

See Note 9 to the Consolidated Financial Statements contained in the 2006 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 2006.

A Special Meeting of Shareholders was held on January 9, 2007, and the following matter was submitted to a vote of the shareholders:

1. A proposal to adopt the 2007 Stock Incentive Plan and the issuance of up to 500,000 shares of common stock thereunder.

<u>Votes For</u>	<u>Votes Against</u>	<u>Abstentions</u>
18,284,299	2,351,057	72,403

This proposal received the requisite approval of a majority of the shares represented and passed.

PART II.

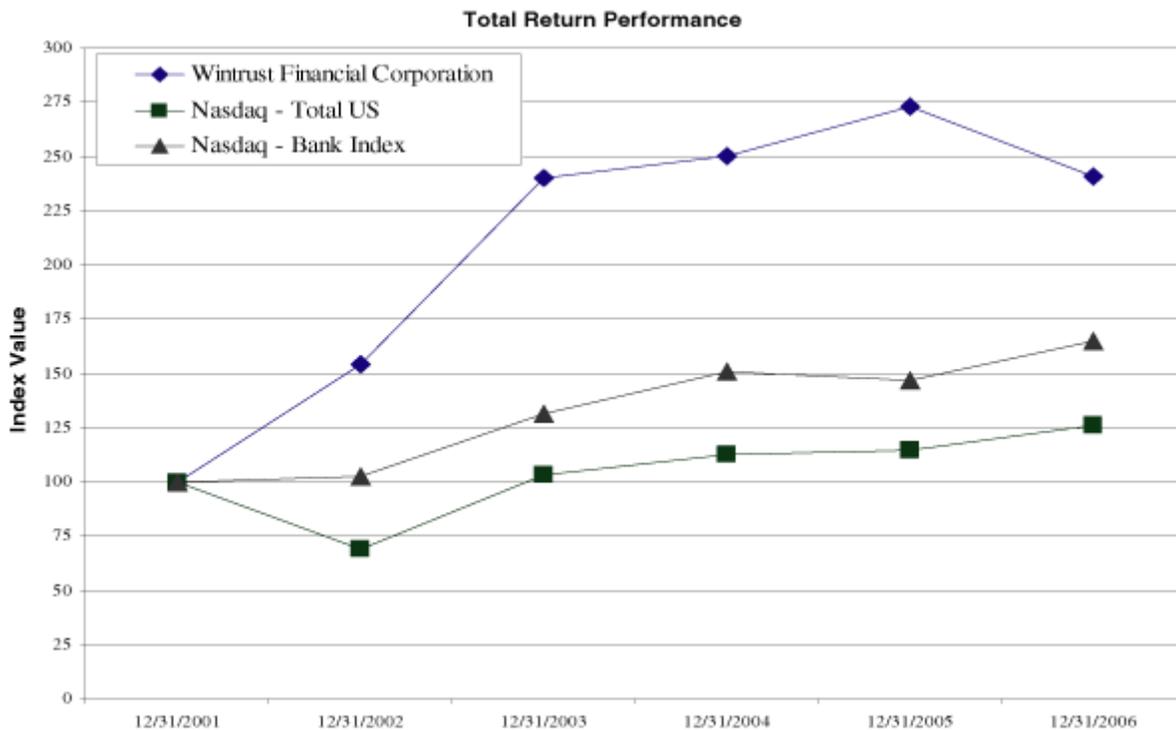
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is traded on The Nasdaq Stock Market under the symbol WTFC. The following table sets forth the high and low sales prices reported on Nasdaq for the common stock during 2006 and 2005.

	2006		2005	
	High	Low	High	Low
Fourth quarter	\$50.29	\$45.08	\$59.63	\$48.00
Third quarter	\$51.90	\$46.14	\$55.50	\$49.01
Second quarter	\$59.64	\$49.08	\$52.93	\$45.00
First quarter	\$58.94	\$49.79	\$57.23	\$46.78

Stock Performance Graph

The following performance graph compares the percentage change in the Company's cumulative shareholder return on common stock compared with the cumulative total return on composites of (1) all Nasdaq National Market stocks for United States companies (broad market index) and (2) all Nasdaq National Market bank stocks (peer group index). Cumulative total return is computed by dividing the sum of the cumulative amount of dividends for the measurement period and the difference between the Company's share price at the end and the beginning of the measurement period by the share price at the beginning of the measurement period. The Nasdaq National Market for United States companies' index comprises all domestic common shares traded on the Nasdaq National Market and the Nasdaq Small-Cap Market. The Nasdaq National Market bank stocks index comprises all banks traded on the Nasdaq National Market and the Nasdaq Small-Cap Market.



Approximate Number of Equity Security Holders

As of February 26, 2007 there were approximately 1,689 shareholders of record of the Company's common stock.

Dividends on Common Stock

The Company's Board of Directors approved the first semi-annual cash dividend on its common stock in January 2000 and has continued to approve a semi-annual dividend since that time.

Following is a summary of the cash dividends paid in 2005 and 2006.

Record Date	Payable Date	Dividend per Share
February 8, 2005	February 22, 2005	\$0.12
August 9, 2005	August 23, 2005	\$0.12
February 9, 2006	February 23, 2006	\$0.14
August 10, 2006	August 24, 2006	\$0.14

In January 2007, the Company's Board of Directors approved a 14% increase in its semi-annual dividend to \$0.16 per share. The dividend was paid on February 22, 2007 to shareholders of record as of February 8, 2007.

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

Because the Company's consolidated net income consists largely of net income of the Banks, WestAmerica, FIFC, Tricom, WHTC and the Wayne Hummer Companies, the Company's ability to pay dividends depends upon its receipt of dividends from these entities. The Banks' ability to pay dividends is regulated by banking statutes. See "Financial Institution Regulation Generally — Dividends" on page 12 of this Form 10-K. During 2006, 2005 and 2004, the Banks paid \$76.8 million and \$45.1 million and \$25.5 million, respectively, in dividends to the Company. *De novo* banks are prohibited from paying dividends during their first three years of operations. As of January 1, 2007, Beverly Bank, which began operations in April 2004, and Old Plank Trail Bank, which began operations in March 2006, were subject to this additional dividend restriction. The *de novo* periods for Beverly Bank and Old Plank Trail Bank will end in April 2007 and March 2009, respectively.

Reference is made to Note 19 to the Consolidated Financial Statements and "Liquidity and Capital Resources" contained in the 2006 Annual Report to Shareholders, attached hereto as Exhibit 13.1, which are 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

None.

Issuer Purchases of Equity Securities

On July 31, 2006, the Company’s Board of Directors approved the repurchase of up to 2,000,000 shares of its outstanding common stock over the next 18 months. This repurchase plan replaces the previous share repurchase plan that was announced in January 2000. The Company began to repurchase shares in October 2006. Following is a summary of the stock repurchases made during the fourth quarter of 2006.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 — October 31	111,200	\$47.57	111,200	1,888,800
November 1 — November 30	132,889	\$47.64	132,889	1,755,911
December 1 — December 31	100,000	\$47.21	100,000	1,655,911
Total	344,089	\$47.50	344,089	

All shares repurchased were made in open market trades except for 889 shares which were repurchased in connection with the issuance of shares pursuant to the Company’s Stock Incentive Plan.

ITEM 6. SELECTED FINANCIAL DATA

Certain information required in response to this item is contained in the 2006 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 2006 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 2006 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 2006 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 2006 Annual Report to Shareholders.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required in response to this item is contained in the 2006 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

Disclosure 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 defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 ("the Exchange Act"). 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 were effective, in ensuring the information relating to the Company (and its consolidated subsidiaries) required to be disclosed by the Company in the reports it files or submits under the Exchange Act was recorded, processed, summarized and reported in a timely manner.

Internal Control Over Financial Reporting

Management's responsibilities relating to establishing and maintaining effective disclosure controls and procedures include establishing and maintaining effective internal control over financial reporting that is designed to produce reliable financial statements in accordance with accounting principles generally accepted in the United States. As disclosed in the Report on Management's Assessment of Internal Control Over Financial Reporting, on page 26 of the Company's Annual Report, which is included as Exhibit 13.1, management assessed the Company's system of internal control over financial reporting as of December 31, 2006, in relation to criteria for the effective internal control over financial reporting as described in "Internal Control — Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2006, the Company's system of internal control over financial reporting met those criteria and is effective.

Management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, has been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in their report which appears on page 27 of the Company's Annual Report which is included herein as Exhibit 13.1.

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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 24, 2007 under the captions "Election of Directors," "Executive Officers of the Company," "Board of Directors' Committees and Governance" 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 included as Exhibit 14.1 and posted on the Company's website (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, Directors and Management” that will be included in the Company’s Proxy Statement.

The following table summarizes information as of December 31, 2006, relating to equity compensation plans of the Company pursuant to which common stock is authorized for issuance:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders:			
• WTFC 1997 Stock Incentive Plan, as amended	2,982,309	\$29.65	8,761
• WTFC Employee Stock Purchase Plan	N/A	N/A	166,368
• WTFC Directors Deferred Fee and Stock Plan	N/A	N/A	190,628
	<u>2,982,309</u>	<u>\$29.65</u>	<u>365,757</u>
Equity compensation plans not approved by security holders ⁽¹⁾			
• N/A	—	—	—
Total ⁽¹⁾	<u>2,982,309</u>	<u>\$29.65</u>	<u>365,757</u>

⁽¹⁾ Excludes 139,659 shares of the Company’s common stock issuable pursuant to the exercise of options previously granted under the plans of Advantage National Bancorp, Inc., Village Bancorp, Inc., Northview Financial Corporation, Town Bankshares, Ltd., First Northwest Bancorp, Inc. and Hinsbrook Bancshares, Inc. The weighted average exercise price of those options is \$25.47. No additional awards will be made under these plans .

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

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

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(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 2006 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, 2006 and 2005
- Consolidated Statements of Income for the Years Ended December 31, 2006, 2005 and 2004
- Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2006, 2005 and 2004
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2006, 2005 and 2004
- Notes to Consolidated Financial Statements
- Report of Independent Registered Public Accounting Firm

Financial statement schedules have been omitted as they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

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, as amended (incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q for the quarter ended June 30, 2006).
- 3.2 Amended and Restated By-laws of Wintrust Financial Corporation, as amended (incorporated by reference to Exhibit 3.2 of the Company's Form 10-Q for the quarter ended June 30, 2006).
- 4.1 Certain instruments defining the rights of the holders of long-term debt of the Corporation and certain of its subsidiaries, none of which authorize a total amount of indebtedness in excess of 10% of the total assets of the Corporation and its subsidiaries on a consolidated basis, have not been filed as Exhibits. The Corporation hereby agrees to furnish a copy of any of these agreements to the Commission upon request.
- 10.1 Junior Subordinated Indenture dated as of August 2, 2005, between Wintrust Financial Corporation and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed with the Securities and Exchange Commission on August 4, 2005).
- 10.2 Amended and Restated Trust Agreement, dated as of August 2, 2005, among Wintrust Financial Corporation, as depositor, Wilmington Trust Company, as property trustee and Delaware trustee, and the Administrative Trustees listed therein (incorporated by

Table of Contents

- reference to Exhibit 10.2 of the Company's Form 8-K filed with the Securities and Exchange Commission on August 4, 2005).
- 10.3 Guarantee Agreement, dated as of August 2, 2005, between Wintrust Financial Corporation, as Guarantor, and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed with the Securities and Exchange Commission on August 4, 2005)
- 10.4 Amended and Restated Loan Agreement (\$75 million) between Wintrust Financial Corporation and LaSalle Bank 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).
- 10.5 Credit Agreement, dated as of November 1, 2005, among Wintrust Financial Corporation, the various financial institutions party thereto and LaSalle Bank National Association, as Administrative Agent (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed with the Securities and Exchange Commission on December 15, 2005).
- 10.6 \$25 million Subordinated Note between Wintrust Financial Corporation and LaSalle Bank 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 Amendment and Allonge made as of June 7, 2005 to that certain \$25 million Subordinated Note dated October 29, 2002 executed by Wintrust Financial Corporation in favor of LaSalle Bank National Association (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed with the Securities and Exchange Commission on August 5, 2005).
- 10.8 \$25 million Subordinated Note between Wintrust Financial Corporation and LaSalle Bank 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).
- 10.9 Amendment and Allonge made as of June 7, 2005 to that certain \$25 million Subordinated Note dated April 30, 2003 executed by Wintrust Financial Corporation in favor of LaSalle Bank National Association (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed with the Securities and Exchange Commission on August 5, 2005).
- 10.10 \$25.0 million Subordinated Note between Wintrust Financial Corporation and LaSalle Bank, National Association, dated October 25, 2005 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed with the Securities and Exchange Commission on October 28, 2005).
- 10.11 Amended and Restated \$1.0 million Note between Wintrust Financial Corporation and LaSalle Bank, National Association, dated as of May 29, 2005, executed August 26, 2005 (incorporated by reference to Exhibit 10.8 of the Company's Form 10-Q for the quarter ending September 30, 2005).

Table of Contents

- 10.12 \$50.0 million Revolving Note between Wintrust Financial Corporation and LaSalle Bank, National Association, dated as of July 25, 2005, executed August 26, 2005 (incorporated by reference to Exhibit 10.9 of the Company's Form 10-Q for the quarter ending September 30, 2005).
- 10.13 Amended and Restated Pledge and Security Agreement dated as of May 29, 2005, executed August 26, 2005, between Wintrust Financial Corporation and LaSalle Bank, National Association (incorporated by reference to Exhibit 10.10 of the Company's Form 10-Q for the quarter ending September 30, 2005).
- 10.14 Amended and Restated Collateral Safekeeping Agreement dated as of May 29, 2005, executed August 26, 2005, among Wintrust Financial Corporation, LaSalle Bank, National Association and Standard Federal Bank, N.A. (incorporated by reference to Exhibit 10.11 of the Company's Form 10-Q for the quarter ending September 30, 2005).
- 10.15 Amended and Restated Confirmation, dated as of December 14, 2005, between Wintrust Financial Corporation and RBC Capital Markets Corporation as agent for Royal Bank of Canada (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed with the Securities and Exchange Commission on December 16, 2005).
- 10.16 Indenture dated as of September 1, 2006, between Wintrust Financial Corporation and LaSalle Bank National Association, as trustee (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on September 6, 2006).
- 10.17 Amended and Restated Declaration of Trust, dated as of September 1, 2006, among Wintrust Financial Corporation, as depositor, LaSalle Bank National Association, as institutional trustee, Christiana Bank & Trust Company, as Delaware trustee, and the Administrators listed therein (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Commission on September 6, 2006).
- 10.18 Guarantee Agreement, dated as of September 1, 2006, between Wintrust Financial Corporation, as Guarantor, and LaSalle Bank National Association, as trustee (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Commission on September 6, 2006).
- 10.19 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).*
- 10.20 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 and Richard B. Murphy, Executive Vice President and Chief Credit Officer during 2005 in substantially identical form to this exhibit (incorporated by reference to Exhibit of the Company's Form 10-K for the year ending December 31, 2004).*
- 10.21 Form of Employment Agreement entered into between the Company and David L. Stoehr, Executive Vice President and Chief Financial Officer. The Company entered into

Table of Contents

an Employment Agreement with Robert F. Key, Executive Vice President/Marketing, during 2005 in substantially identical form to this exhibit (incorporated by reference to Exhibit 10.23 of the Company's Form 10-K for the year ending December 31, 2004).*

- 10.22 Employment Agreement entered into between the Company and Thomas P. Zidar, dated June 6, 2006 (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended June 30, 2006).*
- 10.23 Employment Agreement entered into between Lake Forest Bank & Trust Company and Randolph M. Hibben, dated March 25, 2005.*
- 10.24 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).*
- 10.25 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).*
- 10.26 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 99.3 of Form S-8 filed July 1, 2004).*
- 10.27 Third Amendment to Wintrust Financial Corporation 1997 Stock Incentive Plan adopted by the Board of Directors on May 27, 2004 (incorporated by reference to Exhibit 99.4 of Form S-8 filed July 1, 2004).*
- 10.28 Wintrust Financial Corporation 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on January 16, 2007).*
- 10.29 Form of Nonqualified Stock Option Agreement (incorporated by reference to Exhibit 10.30 of the Company's Form 10-K for the year ending December 31, 2004).*
- 10.30 Form of Restricted Stock Award (incorporated by reference to Exhibit 10.31 of the Company's Form 10-K for the year ending December 31, 2004).*
- 10.31 Form of Nonqualified Stock Option Agreement under the Company's 2007 Stock Incentive Plan.*
- 10.32 Form of Restricted Stock Award under the Company's 2007 Stock Incentive Plan.*
- 10.33 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).*
- 10.34 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).*

Table of Contents

- 12.1 Computation of Ratio of Earnings to Fixed Charges.
- 13.1 2006 Annual Report to Shareholders.
- 14.1 Code of Ethics (incorporated by reference to Exhibit 14.1 of the Company's Form 10-K for the year ending December 31, 2005)
- 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.
- 99.1 First Amendment dated as of June 1, 2006, to Credit Agreement dated as of November 1, 2005, among Wintrust Financial Corporation, the various financial institutions party thereto and LaSalle Bank National Association, as Administrative Agent.
- 99.2 Second Amendment dated as of August 1, 2006, to Credit Agreement dated as of November 1, 2005, among Wintrust Financial Corporation and LaSalle Bank National Association, in its individual capacity.
- 99.3 Third Amendment dated as of January 1, 2007, to Credit Agreement dated as of November 1, 2005, among Wintrust Financial Corporation and LaSalle Bank National Association, in its individual capacity.
- 99.4 Fifth Amendment to Second Amended and Restated Loan Agreement (relating to \$50 million Revolving Note executed August 26, 2005) dated as of June 1, 2006, between Wintrust Financial Corporation, and LaSalle Bank National Association, in its individual capacity.

SIGNATURES

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

WINTRUST FINANCIAL CORPORATION
(Registrant)

Edward J. Wehmer /s/ EDWARD J. WEHMER March 1, 2007
President and Chief Executive Officer

David L. Stoehr /s/ DAVID L. STOEHR March 1, 2007
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

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

John S. Lillard /s/ JOHN S. LILLARD March 1, 2007
Chairman of the Board of Directors

Edward J. Wehmer /s/ EDWARD J. WEHMER March 1, 2007
President and CEO and Director

Allan E. Bulley, Jr. /s/ ALLAN E. BULLEY, JR. March 1, 2007
Director

Peter D. Crist /s/ PETER D. CRIST March 1, 2007
Director

Table of Contents

Bruce K. Crowther	<u>/s/ BRUCE K. CROWTHER</u> Director	March 1, 2007
Joseph F. Damico	<u>/s/ JOSEPH F. DAMICO</u> Director	March 1, 2007
Bert A. Getz, Jr.	<u>/s/ BERT A. GETZ, JR.</u> Director	March 1, 2007
James B. McCarthy	<u>/s/ JAMES B. MCCARTHY</u> Director	March 1, 2007
Albin F. Moschner	<u>/s/ ALBIN F. MOSCHNER</u> Director	March 1, 2007
Thomas J. Neis	<u>/s/ THOMAS J. NEIS</u> Director	March 1, 2007
Hollis W. Rademacher	<u>/s/ HOLLIS W. RADEMACHER</u> Director	March 1, 2007
J. Christopher Reyes	<u>/s/ J. CHRISTOPHER REYES</u> Director	March 1, 2007
John J. Schornack	<u>/s/ JOHN J. SCHORNACK</u> Director	March 1, 2007
Ingrid S. Stafford	<u>/s/ INGRID S. STAFFORD</u> Director	March 1, 2007

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made by and between **Lake Forest Bank & Trust Company** ("Employer"), a state chartered bank, and **Randolph M. Hibben**, an individual resident in the State of Illinois ("Executive") as of March 25, 2005.

WITNESSETH THAT:

WHEREAS, Employer is engaged in the business of general banking;

WHEREAS, Employer is an affiliate of Wintrust Financial Corporation ("Wintrust"), an Illinois bank holding company;

WHEREAS, Executive has particular expertise and knowledge concerning the business of Employer and its operations and is a valued member of Employer's senior management;

WHEREAS, by virtue of Executive's employment with Employer, Executive will become acquainted with certain confidential information regarding the services, customers, methods of doing business, strategic plans, marketing, and other aspects of the business of Employer, Wintrust or its Affiliates;

WHEREAS, Employer and Executive desire to state and set forth in this Agreement the terms, conditions and obligations of the parties with respect to such employment effective as of the date first written above (the "Effective Date") and this Agreement is intended by the parties to supersede all previous agreements and understanding, whether written or oral, concerning such employment.

NOW THEREFORE, in consideration of the covenants and agreements contained herein, of Executive's employment, of the compensation to be paid by Employer for Executive's services, and of Employer's other undertakings in this Agreement, the parties hereto do hereby agree as follows:

1. Scope of Employment. Executive will be employed as Chairman and Chief Executive Officer of Employer and shall perform such duties as may be assigned to Executive by the Board of Directors of Employer in such position. Executive agrees that during Executive's employment Executive will be subject to and abide by the written policies and practices of Employer and Wintrust, Executive also agrees to assume such new or additional positions and responsibilities as Executive may from time to time be assigned for or on behalf of Employer, Wintrust, or any Affiliate of Wintrust Notwithstanding the foregoing, during the Term (as defined in Section 8 herein) of this Agreement, Executive will not be required without Executive's consent to move Executive's principal business location to another location more than a .35 mile radius from Executive's principal business location. For purposes of this Agreement, the term "Affiliate" shall include but not be limited to the entities listed in Exhibit A to this

Agreement and any subsidiary of any of such entities and shall further include any present or future affiliate of any of them as defined by the rules and regulations of the Federal Reserve Board. In the event Executive shall perform services for Wintrust or any Affiliate in addition to serving as Chairman and Chief Executive Officer of Employer, the provisions of this Agreement shall also apply to the performance of such services by Executive on behalf of Wintrust or any Affiliate.

2. Compensation and Benefits . Executive will be paid such base salary as may from time to time be agreed upon between Executive and Employer. Executive will be entitled to coverage under such compensation plans, insurance plans and other fringe benefit plans and programs as may from time to time be established for employees of Wintrust and its Affiliates in accordance with the terms and conditions of such plans and programs. Executive shall also be eligible to participate in the Wintrust 1997 Stock Incentive Plan or any successor Plan thereto.

3. Extent of Service . Executive shall devote Executive's entire time, attention and energies to the business of Employer during the Term of this Agreement; but this shall not be construed as preventing Executive from (a) investing Executive's personal assets in such form or manner as will not require any services on the part of Executive in the operation or the affairs of the corporations, partnerships and other entities in which such investments are made and in which Executive's participation is solely that of an investor (subject to any and all rules and regulations of applicable banking regulators or policies of the Employer governing transactions with affiliates and ownership interests in customers); (b) engaging (whether or not during normal business hours) in any other business, professional or civic activities provided that the Board of Directors of Employer approves of such activities and Executive's engagement does not result in a violation of Executive's covenants under this Section or Sections 4 or 5 hereof; or (c) accepting appointments to the boards of directors of other companies provided that the Board of Directors of Employer approves of such appointments and Executive's performance of Executive's duties on such boards does not result in a violation of Executive's covenants under this Section or Sections 4 and 5 hereof.

4 Competition . Other than in connection with Executive's performance of Executive's duties hereunder, during the period in which Executive performs services for Employer and for a period of **two years** after termination of Executive's employment with Employer, regardless of the reason, Executive shall not directly or indirectly, either alone or in conjunction with any other person, firm, association, company or corporation:

(a) serve as an owner, principal, senior manager, or in a position comparable to that held by Executive at any time during Executive's employment with Employer, for a bank or other financial institution (or any branch or affiliate thereof) which offers to its customers commercial and community banking and/or trust and investment services, and which is located within ten miles of the principal office or any branch office of the Employer;

(b) solicit or conduct business which involves commercial and community banking and/or trust and investment services with any person, corporation or other entity which was (i) a customer of the Employer, Wintrust or any other Affiliate of Wintrust with whom Executive had direct or indirect contact while employed by Employer or about whom Executive obtained Confidential Information during the fifteen months prior to the termination of Executive's employment with Employer, or (ii) a potential customer with whom Employer, Wintrust, or any Affiliate has, at the time of Executive's termination of employment with Employer, an outstanding oral or written proposal to provide commercial and community banking and/or trust and investment services and with whom Executive had direct or indirect contact while employed by Employer;

(c) request, advise or directly or indirectly invite any of the existing customers, suppliers or service providers of Employer, Wintrust or any other Affiliate of Wintrust to withdraw, curtail or cancel its business with Employer, Wintrust or any other Affiliate of Wintrust, other than through mass mailings or general advertisements not specifically directed at customers of Employer, Wintrust or any Affiliate;

(d) hire, solicit, induce or attempt to solicit or induce any employee, consultant, or agent of Employer, Wintrust or any other Affiliate of Wintrust (i) to terminate his employment or association with Employer or (ii) to become employed by or serve in any capacity by a bank or other financial institution which operates or is planned to operate at any facility which is located within a ten mile radius of the principal office or any branch office of the Employer; or

(e) in any way participate in planning or opening a bank or other financial institution which is located or will be located within a ten mile radius of the principal office or any branch office of the Employer. For the purposes of this Agreement, in the event Executive's geographic area of responsibility as specified herein shall change during employment with Employer, or as the result of performing services for Wintrust or any Affiliate of Wintrust, the Executive's obligation stated in Sections 4(a), 4(d)(ii) and 4(e) shall apply to a ten mile radius of Executive's revised geographic area of responsibility.

Notwithstanding the foregoing, (a) Executive shall not be prevented from: (i) investing or owning shares of stock of any corporation engaged in any business provided that such shares are regularly traded on a national securities exchange or any over-the-counter market; (ii) retaining any shares of stock in any corporation which Executive owned prior to the date of Executive's employment with Employer (subject to any and all rules and regulations of applicable banking regulators or policies of the Employer governing transactions with affiliates and ownership interests in customers); or (iii) investing as a limited partner (without decision-making authority) in any private equity fund, provided that Executive's involvement in such investment is solely that of a passive investor (subject to any and all rules and regulations of applicable banking regulators or policies of the Employer governing transactions with affiliates and ownership interests in customers), and (b) Executive shall not be in violation of Sections 4(a) or 4(e) of this

Agreement if, during the two-year period following termination of employment Executive accepts employment or invests in a bank or other financial institution which is within a 10 mile radius of the principal offices or any branch office of Wintrust or any Affiliate of Wintrust (other than Employer) as long as such facility is not within a ten mile radius of the principal office or any branch office of the Employer.

5. Confidential Information . Executive acknowledges that, during Executive's employment with Employer, Executive has and will obtain access to Confidential Information of and for Employer, Wintrust or its Affiliates. For purposes of this Agreement, "Confidential Information" shall mean information not generally known or available without restriction to the trade or industry, including, without limitation, the following categories of information and documentation: (a) documentation and information relating to lending customers of Employer, Wintrust or any Affiliate, including, but not limited to, lists of lending clients with their addresses and account numbers, credit analysis reports and other credit files, outstanding loan amounts, repayment dates and instructions, information regarding the use of the loan proceeds, and loan maturity and renewal dates; (b) documentation and information relating to depositors of Employer, Wintrust or any Affiliate, including, but not limited to, lists of depositors with their addresses and account numbers, amounts held on deposit, types of depository products used and the number of accounts per customer; (c) documentation and information relating to trust customers of Employer, Wintrust or any Affiliate, including, but not limited to, lists of trust customers with their addresses and account numbers, trust investment management contracts, identity of investment managers, trust corpus amounts, and grantor and beneficiary information; (d) documentation and information relating to investment management clients of Employer, Wintrust or any Affiliate, including, but not limited to, lists of investors with their addresses, account numbers and beneficiary information, investment management contracts, amount of assets held for management, and the nature of the investment products used; (e) the identity of actual or potential customers of Employer, Wintrust or any Affiliate, including lists of the same; (f) the identity of suppliers and service providers of Employer, Wintrust or any Affiliate, including lists of the same and the material terms of any supply or service contracts; (g) marketing materials and information regarding the products and services offered by Employer, Wintrust or any Affiliate and the nature and scope of use of such marketing materials and product information; (h) policy and procedure manuals and other materials used by Employer, Wintrust or any Affiliate in the training and development of its employees; (i) identity and contents of all computer systems, programs and software utilized by Employer, Wintrust or any Affiliate to conduct its operations and manuals or other instructions for their use; (j) minutes or other summaries of Board of Directors or other department or committee meetings held by Employer, Wintrust or any Affiliate; (k) the business and strategic growth plans of Employer, Wintrust or any Affiliate; and (l) confidential communication materials provided for shareholders of Employer, Wintrust or any Affiliate. Absent prior authorization by Employer or as required in Executive's duties for Employer, Executive will not at any time, directly or indirectly, use, permit the use of, disclose or permit the disclosure to any third party of any such Confidential Information to which Executive will be provided access. These obligations apply both

during Executive's employment with Employer and shall continue beyond the termination of Executive's employment and this Agreement.

6. Inventions. All discoveries, designs, improvements, ideas, and inventions, whether patentable or not, relating to (or suggested by or resulting from) products, services, or other technology of Employer, Wintrust or any Affiliate or relating to (or suggested by or resulting from) methods or processes used or usable in connection with the business of Employer, Wintrust or any Affiliate that may be conceived, developed, or made by Executive during employment with Employer (hereinafter "Inventions"), either solely or jointly with others, shall automatically become the sole property of Employer, Wintrust or an Affiliate. Executive shall immediately disclose to Employer all such Inventions and shall, without additional compensation, execute all assignments and other documents deemed necessary to perfect the property rights of Employer, Wintrust or any Affiliate therein. These obligations shall continue beyond the termination of Executive's employment with respect to Inventions conceived, developed, or made by Executive during employment with Employer. The provisions of this Section 6 shall not apply to any Invention for which no equipment, supplies, facility, or trade secret information of Employer, Wintrust or any Affiliate is used by Executive and which is developed entirely on Executive's own time, unless (a) such Invention relates (i) to the business of Employer, Wintrust or an Affiliate or (ii) to the actual or demonstrably anticipated research or development of Employer, Wintrust or an Affiliate, or (b) such Invention results from work performed by Executive for Employer.

7. Remedies. Executive acknowledges that compliance with the terms of this Agreement is necessary to protect the Confidential Information and goodwill of Employer, Wintrust and its Affiliates and that any breach by Executive of this Agreement will cause continuing and irreparable injury to Employer, Wintrust and its Affiliates for which money damages would not be an adequate remedy. Executive acknowledges that Wintrust and all other Affiliates are and are intended to be third party beneficiaries of this Agreement. Executive acknowledges that Employer, Wintrust and any Affiliate shall, in addition to any other rights or remedies they may have, be entitled to injunctive relief for any breach by Executive of any part of this Agreement. This Agreement shall not in any way limit the remedies in law or equity otherwise available to Employer, Wintrust and its Affiliates.

8. Term of Agreement. Unless terminated sooner as provided in Section 9, the initial term of Executive's employment pursuant to this Agreement ("Initial Term") shall be **three years**, commencing on the date of this Agreement. After such Initial Term, this Agreement shall be extended automatically for successive one-year terms, unless either Executive or Employer gives contrary written notice not less than 60 days in advance of the expiration of the Initial Term or any succeeding term of this Agreement or unless terminated sooner as provided in Section 9. Notwithstanding the foregoing, if at any time during the Initial Term or any successive one-year term there is a Change in Control of Employer (as defined in Section 9(f)), then upon the first occurrence of such a Change in Control, the Initial Term or the successive one-year term of this Agreement (whichever is in effect as of the date of the Change in Control) shall automatically extend

for the greater of: (a) the amount of time remaining on Executive's Initial Term of employment if such first occurrence of a Change in Control occurs during the Initial Term, or (b) two years from the date of such first occurrence of a Change in Control. In the event that Executive's Initial Term or successive one-year term is extended due to such a Change in Control, such extension shall further be extended automatically for successive one-year terms unless either Executive or Employer gives contrary written notice not less than 60 days in advance of the expiration of the extension of this Agreement or unless terminated sooner as provided in Section 9. The Initial Term, together with any extension thereof in accordance with this Section 8, shall be referred to herein as the "Term."

9. Termination of Employment.

(a) General Provisions. Executive's employment may be terminated by Employer at any time for any reason, with or without cause, and, except as otherwise provided in this Section 9, any and all of Employer's obligations under this Agreement shall terminate, other than Employer's obligation to pay Executive, within 30 days of Executive's termination of employment, the full amount of any earned but unpaid base salary and accrued but unpaid vacation pay earned by Executive pursuant to this Agreement through and including the date of termination and to observe the terms and conditions of any plan or benefit arrangement which, by its terms, survives such termination of Executive's employment. The payments to be made under this Section 9(a) shall be made to Executive, or in the event of Executive's death, to such beneficiary as Executive may designate in writing to Employer for that purpose, or if Executive has not so designated, then to the spouse of Executive, or if none is surviving, then to the estate of Executive. Notwithstanding the foregoing, termination of employment shall not affect the obligations of Executive that, pursuant to the express provisions of this Agreement, continue in effect.

(b) Termination Due to Death.

(i) Payment. If Executive should die during the Term of this Agreement, which event shall result in the termination of Executive's employment, Employer shall pay Executive an amount equal to **two times (2x)** the sum of (A) Executive's base annual salary in effect at the time of Executive's death plus (B) an amount equal to any Cash Bonus amounts paid to Executive during the twelve-month period prior to Executive's death and any Stock Bonus amounts awarded or granted to Executive during the twelve-month period prior to Executive's death, in a lump sum within 30 days following the date of Executive's death. For the purposes of this Agreement, "Cash Bonus" shall mean any cash bonus amounts that are included in Executive's annual bonus plan, as approved in writing by Employer's Board of Directors or the Compensation Committee or any successor committee of Employer's Board of Directors. For the purposes of this Agreement, "Stock Bonus" shall mean any restricted shares that are included in Executive's annual bonus plan, as approved in writing by the Employer's Board of Directors or the Compensation Committee or any successor committee of Employer's Board of Directors. Any bonuses (whether in cash or in the

form of restricted shares) that are not included in such annual bonus plan shall not be considered to be Cash Bonus amounts or Stock Bonus awards for purposes of this Agreement. The value of the Stock Bonus amounts shall be determined as of the date they are awarded or granted to Executive.

(ii) Reduction of Payment Due To Life Insurance Benefits. The amount to be paid to Executive pursuant to this Section 9(b) shall be reduced by the amount of any life insurance benefit payments paid or payable to Executive from policies of insurance maintained and/or paid for by Employer or Wintrust; provided that in the event the life insurance benefits exceed the amount to be paid to Executive pursuant to this Section 9(b), Executive shall remain entitled to receive the excess life insurance payments. The Executive will cooperate with the Employer or Wintrust in order to enable the Employer or Wintrust to pay for a policy or policies of life insurance on the life of the Executive. To the extent that the Executive is not insurable or a life insurance policy is not reasonably obtainable, then the payments due under this Section 9(b) shall be reduced by 50%.

(iii) Beneficiary. The payments to be made under this Section 9(b) shall be made to such beneficiary as Executive may designate in writing to Employer for that purpose, or if Executive has not so designated, then to the spouse of Executive, or if none is surviving, then to the estate of Executive.

(c) Termination Due to Permanent Disability.

(i) Payment. If Executive should suffer a permanent disability during the Term of this Agreement, Employer shall have the right to terminate Executive's employment. In such event, Employer shall pay Executive an amount equal to **two times (2x)** the sum of (A) Executive's base annual salary in effect at the time of Executive's permanent disability plus (B) an amount equal to any Cash Bonus amounts paid to Executive during the twelve-month period prior to Executive's permanent disability and any Stock Bonus amounts awarded or granted to Executive during the twelve-month period prior to Executive's permanent disability. Such amount shall be paid to Executive ratably over a 24-month period beginning on the first payroll period following such termination and on each payroll period thereafter during the 24-month period. For the purposes of this Agreement, "permanent disability" means any mental or physical illness, disability or incapacity that renders Executive unable to perform Executive's duties hereunder where (x) such permanent disability has been determined to exist by a physician selected by Employer or (y) Employer has reasonably determined, based on such physician's advice, that such disability will continue for 180 days or more within any 365-day period, of which at least 90 days are consecutive. Executive shall cooperate in all respects with Employer if a question arises as to whether he has become disabled (including, without limitation, submitting to an examination by a physician or other health care specialist selected by Employer and authorizing such physician or other health care specialist to discuss Executive's condition with Employer).

(ii) Reduction of Payment Due To Long Term Disability Insurance Benefits. The amount to be paid to Executive pursuant to this Section 9(c) shall be reduced by the amount of any long-term disability benefit payments paid or payable to Executive during such payment period from policies of insurance maintained and/or paid for by Employer or Wintrust; provided that in the event the long-term disability benefits exceed the amount to be paid to Executive pursuant to this Section 9(c), Executive shall remain entitled to receive the excess long-term disability insurance payments.

(iii) Reduction of Payment Due To Earned Income. The amount to be paid to Executive under this Section 9(c) shall also be reduced by any income earned by Executive, whether paid to Executive immediately or deferred until a later date, during the applicable Severance Pay period from employment of any sort, including without limitation full, part time or temporary employment or work as an independent contractor or as a consultant; provided that, if Executive was a member of the board of directors of another company at the time of Executive's termination, the amount of Severance Pay under this Section 9(c) shall not be reduced by any income earned by Executive during the applicable Severance Pay period due to Executive's continued service in such capacity. Notwithstanding the foregoing, Executive's Severance Pay to be paid under this Section 9(c) shall be not less than an amount to provide Executive with a gross monthly payment of \$8,333.34 during the 24-month Severance Pay period. Executive agrees to promptly notify Employer if Executive obtains employment of any sort during the applicable Severance Pay period and to provide Employer with a copy of any W-2 or 1099 forms or other payroll or income records and a summary of contributions received under any deferred compensation arrangement.

(iv) Continued Participation In Benefit Plans. In the event of termination due to a permanent disability, Executive's or Executive's dependents' participation in any medical, health, accident, disability, death, life insurance or similar plan in which Executive was participating immediately prior to termination shall continue (to the extent Executive and Executive's dependents are eligible to participate in such plans pursuant to the terms of such plans) for the period in which payments are being made under this Section 9(c) at Employer's or Wintrust's expense (subject to any normal employee contributions, if any), although any continuation of health coverage shall count toward the "COBRA" continuation of coverage period.

(d) Termination Without Cause.

(i) Payment. In the event Executive's employment is terminated without Cause (as such term is defined in Section 9(h) hereof) by Employer during the Term of this Agreement, other than upon the expiration of the Term of this Agreement, Employer shall pay Severance Pay to Executive in the amount equal to **two times (2x)** the sum of (A) Executive's base annual salary in effect at the time of Executive's termination plus (B) an amount equal to any Cash Bonus amounts paid to Executive during the twelve-month period prior to termination and any Stock Bonus

amounts awarded or granted to Executive during the twelve-month period prior to termination Severance Pay under this Section 9(d) shall be paid ratably over a 24-month period beginning on the first payroll period following such termination and on each payroll period thereafter during such Severance Pay period.

(ii) Reduction of Payment Due To Earned Income. The amount of Severance Pay under this Section 9(d) shall also be reduced by any income earned by Executive, whether paid to Executive immediately or deferred until a later date, during the applicable Severance Pay period from employment of any sort, including without limitation full, part time or temporary employment or work as an independent contractor or as a consultant; provided that, if Executive was a member of the board of directors of another company at the time of Executive's termination, the amount of Severance Pay under this Section 9(d) shall not be reduced by any income earned by Executive during the applicable Severance Pay period due to Executive's continued service in such capacity. Notwithstanding the foregoing, Executive's Severance Pay to be paid under this Section 9(d) shall not be less than an amount to provide Executive with a gross monthly payment of \$8,333 34 during the 24-month Severance Pay period Executive agrees to promptly notify Employer if Executive obtains employment of any sort during the applicable Severance Pay period and to provide Employer with a copy of any W-2 or 1099 forms or other payroll or income records and a summary of any contributions received under any deferred compensation arrangement.

(iii) Company-Paid Health Insurance. In the event of Executive's termination pursuant to this Section 9(d), from the termination date through the earliest of (A) the expiration of the maximum period of COBRA coverage, (B) the date on which Executive becomes eligible for coverage under another group health insurance plan with no pre-existing condition limitation or exclusion, or (C) the date on which Executive becomes entitled to benefits under Medicare, Executive (and any qualified dependents) shall be entitled to group health insurance coverage under the Employer's group health insurance plan for employees (as such plan is then in effect and as it may be amended at any time and from time to time during the period of coverage) in which Executive was participating immediately prior to termination, at Employer's expense, subject to any normal employee contributions, if any. The period during which Executive is being provided with health insurance under this Agreement shall be credited against Executive's period of COBRA coverage, if any. Executive shall promptly notify Employer if, prior to the expiration of the maximum period of COBRA coverage, Executive becomes eligible for coverage under another group health plan with no preexisting condition limitation or exclusion or Executive becomes entitled to benefits under Medicare.

(e) Constructive Termination.

(i) Payment. If Executive suffers a Constructive Termination during the Term of this Agreement, other than upon the expiration of the Term of this Agreement, Employer shall pay Severance Pay to Executive in the amounts and at the times described in Section 9(d) hereof. For the purposes of this Agreement,

“Constructive Termination” means (A) a material reduction by Employer in the duties and responsibilities of Executive or (B) a reduction by Employer of Executive’s “Adjusted Total Compensation” (as hereinafter defined), to (1) less than seventy-five percent (75%) of the Adjusted Total Compensation of Executive for the twelve-month period ending as of the last day of the month immediately preceding the month in which the Constructive Termination occurs; or (2) less than seventy-five percent (75%) of the Executive’s Adjusted Total Compensation for the twelve-month period ending as of the last day of the month preceding the Effective Date, whichever is greater. A Constructive Termination does not include termination for Cause as defined in Section 9(h), termination without Cause as defined in Section 9(d), or termination due to a permanent disability as defined in Section 9(c)

(ii) Reduction of Payment Due To Earned Income. The amount of Severance Pay under this Section 9(e) shall be reduced by any income earned by Executive, whether paid to Executive immediately or deferred until a later date, during such Severance Pay period from employment of any sort, including without limitation full, part time or temporary employment or work as an independent contractor or as a consultant; provided that, if Executive was a member of the board of directors of another company at the time of Executive’s termination, the amount of Severance Pay under this Section 9(e) shall not be reduced by any income earned by Executive during the applicable Severance Pay period due to Executive’s continued service in such capacity, Notwithstanding the foregoing, Executive’s Severance Pay to be paid under this Section 9(e) shall not be less than an amount to provide Executive with a gross monthly payment of \$ 8,333,34 during the 24-month Severance Pay period. Executive agrees to promptly notify Employer if Executive obtains employment of any sort during the applicable Severance Pay period and to provide Employer with a copy of any W-2 or 1099 forms or other payroll or income records and a summary of any contributions received under any deferred compensation arrangement.

(iii) Company-Paid Health Insurance. In the event of Executive’s termination pursuant to this Section 9(e), from the termination date through the earliest of (A) the expiration of the maximum period of COBRA coverage, (B) the date on which Executive becomes eligible for coverage under another group health insurance plan with no pre-existing condition limitation or exclusion, or (C) the date on which Executive becomes entitled to benefits under Medicare, Executive (and any qualified dependents) shall be entitled to group health insurance coverage under the Employer’s group health insurance plan for employees (as such plan is then in effect and as it may be amended at any time and from time to time during the period of coverage) in which Executive was participating immediately prior to termination, at Employer’s expense, subject to any normal employee contributions, if any. The period during which Executive is being provided with health insurance under this Agreement shall be credited against Executive’s period of COBRA coverage, if any Executive shall promptly notify Employer if, prior to the expiration of the maximum period of COBRA coverage, Executive becomes eligible for coverage under another group health plan with no preexisting condition limitation or exclusion or Executive becomes entitled to benefits under Medicare.

(iv) Definitions.

(A) For the purposes of this Agreement, "Adjusted Total Compensation" means the aggregate base salary earned by the Executive plus the dollar value of all perquisites (i.e. Employer provided car, club dues and supplemental life insurance) as estimated by Employer in respect of the Executive for the relevant twelve-month period. Adjusted Total Compensation shall exclude any Cash Bonus, Stock Bonus, or other bonus payments paid or earned by the Executive. For the purpose of illustration, attached as Exhibit B to this Agreement is the base salary paid and the dollar value of the Executive's perquisites for the last fiscal year of Employer.

(B) For the purposes of this Section 9(e), the Executive will not be deemed to have incurred a reduction by Employer of Executive's Adjusted Total Compensation if there is a general reduction in base salaries and/or perquisites applicable to the President, Chief Executive Officer and all Vice Presidents of Employer.

(f) Termination Upon Change In Control.

(i) Payment. In the event that within eighteen months after a Change in Control (as defined below) of Employer or Wintrust (A) Executive's employment is terminated without Cause (as such term is defined in Section 9(h) hereof) prior to the expiration of the Term of this Agreement or (B) Executive suffers a Constructive Termination prior to the expiration of the Term of this Agreement, Employer (or the successor thereto) shall pay Severance Pay to Executive in the amount that is equivalent to the amount described in Section 9(d) hereof in a lump sum within 30 days following the date of Executive's termination or Constructive Termination.

(ii) Change In Control. For the purposes of this Agreement, a "Change in Control" of Employer means (A) the acquisition by any person of 50% or more of Employer's then outstanding capital stock; or (B) approval by the stockholders of Employer of a merger or consolidation effecting a change in ownership of 50% or more of the voting power of the outstanding capital stock of Employer or a sale for cash of all or substantially all of the assets of Employer; in each case, the acquiring persons in such merger, consolidation or sale shall be persons other than the stockholders of Employer, Wintrust or any Affiliate immediately prior to such transaction. For the purposes of this Agreement, a "Change in Control" of Wintrust shall have the same meaning as provided in Section 12(b) of the Wintrust 1997 Stock Incentive Plan.

(iii) Section 280G. Notwithstanding the foregoing, if the payment required to be paid under this Section 9(f), when considered either alone or with other payments paid or imputed to the Executive from Wintrust or an Affiliate that would be deemed "excess parachute payments" under Section 280G(b)(1) of the Internal Revenue Code of 1986, as amended (the "Code"), is deemed by Wintrust to be a "parachute payment" under Section 280G(b)(2) of Code, then the amount of Severance Pay required to be paid under this Section 9(f) shall be automatically reduced to an

amount equal to \$1,00 less than three times (3x) the “base amount” (as defined in Section 280G(3) of the Code) (the “Reduced Amount”). Provided, however, the preceding sentence shall not apply if the sum of (A) the amount of Severance Pay described in this Section 9(f) less (B) the amount of excise tax payable by the Executive under Section 4999 of the Code with respect to the amount of such Severance Pay and any other payments paid or imputed to the Executive from Wintrust or an Affiliate that would be deemed to be “excess parachute payments” under Section 280G(b)(1) of the Code, is greater than the Reduced Amount. The decision of Wintrust (based upon the recommendations of its tax counsel and accountants) as to the characterization of payments as parachute payments, the value of parachute payments, the amount of excess parachute payments, and the payment of the Reduced Amount shall be final.

(iv) Company-Paid Health Insurance. In the event Executive becomes entitled to payments under this Section 9(f), from the termination date through the earliest of (A) the expiration of the maximum period of COBRA coverage, (B) the date on which Executive becomes eligible for coverage under another group health insurance plan with no pre-existing condition limitation or exclusion, or (C) the date on which Executive becomes entitled to benefits under Medicare, Executive (and any qualified dependents) shall be entitled to group health insurance coverage under the Employer’s group health insurance plan for employees (as such plan is then in effect and as it may be amended at any time and from time to time during the period of coverage) in which Executive was participating immediately prior to termination, at Employer’s expense, subject to any normal employee contributions, if any. The period during which Executive is being provided with health insurance under this Agreement shall be credited against Executive’s period of COBRA coverage, if any. Executive shall promptly notify Employer if, prior to the expiration of the maximum period of COBRA coverage, Executive becomes eligible for coverage under another group health plan with no pre-existing condition limitation or exclusion or Executive becomes entitled to benefits under Medicare,

(v) Definitions. For the purposes of this Section 9(f), the term “Constructive Termination” shall have the same meaning as such term is defined in Section 9(e) with the following modifications:

(A) A Constructive Termination shall be deemed to have occurred if after a Change in Control, the Executive’s Adjusted Total Compensation is reduced to less than (1) 100% of the Adjusted Total Compensation of Executive for the twelve-month period ending as of the last day of the month immediately preceding the month in which the Constructive Termination occurs or (2) 100% percent of the Executive’s Adjusted Total Compensation for the twelve-month period ending as of the last day of the month preceding the Effective Date, whichever is greater.

(B) A Constructive Termination shall also be deemed to have occurred if after a Change in Control, Employer (or the successor thereto) delivers written notice to Executive that it will continue to employ Executive but will reject this Agreement (other than due to the expiration of the Term of this Agreement).

(C) Subsection 9(e)(v)(B) shall not be applicable to a Constructive Termination following a Change in Control

(g) Voluntary Termination. Executive may voluntarily terminate employment during the Term of this Agreement by a delivery to Employer of a written notice at least 60 days in advance of the termination date, If Executive voluntarily terminates employment prior to the expiration of the Term of this Agreement, any and all of the Employer's obligations under this Agreement shall terminate immediately except for the Employer's obligations contained in Section 9(a) hereof Notwithstanding the foregoing, termination of employment shall not affect the obligations of Executive that, pursuant to the express provisions of this Agreement, continue in effect,

(h) Termination For Cause. If Executive is terminated for Cause as determined by the written resolution of Employer's Board of Directors or the Compensation Committee or any successor committee of Employer's Board of Directors, all obligations of the Employer shall terminate immediately except for Employer's obligations described in Section 9(a) hereof Notwithstanding the foregoing, termination of employment shall not affect the obligations of Executive that, pursuant to the express provisions of this Agreement, continue in effect For purposes of this Agreement, termination for "Cause" means:

(i) Executive's failure or refusal, after written notice thereof and after reasonable opportunity to cure, to perform specific directives approved by a majority of the Employer's or Wintrust's Board of Directors which are consistent with the scope and nature of Executive's duties and responsibilities as provided in Section 1 of this Agreement;

(ii) Habitual drunkenness or illegal use of drugs which interferes with the performance of Executive's duties and obligations under this Agreement;

(iii) Executive's conviction of a felony;

(iv) Any defalcation or acts of gross or willful misconduct of Executive resulting in or potentially resulting in economic loss to Employer or Wintrust or substantial damage to Employer's or Wintrust's reputation;

(v) Any breach of Executive's covenants contained in Sections 4 through 6 hereof;

(vi) A written order requiring termination of Executive from Executive's position with Employer by any regulatory agency or body; or

(vii) Executive's engagement, during the performance of Executive's duties hereunder, in acts or omissions constituting fraud, intentional breach

of fiduciary obligation, intentional wrongdoing or malfeasance, or intentional and material violation of applicable banking laws, rules, or regulations.

(i) Executive's right to receive Severance Pay per Sections 9(c) through 9(f) hereof is contingent upon (i) Executive having executed and delivered to Employer a release in such form as provided by Employer and (ii) Executive not violating any of Executive's on-going obligations under this Agreement.

(j) The payment of Severance Pay to Executive pursuant to Sections 9(c) through 9(f) hereof shall be liquidated damages for and in full satisfaction of any and all claims Executive may have relating to or arising out of Executive's employment and termination of employment by Employer, any and all claims Executive may have relating to or arising out of this Agreement and the termination thereof and any and all claims Executive may have arising under any statute, ordinance or regulation or under common law Executive expressly acknowledges and agrees that, except for whatever claim Executive may have to Severance Pay, Executive shall not have any claim for damages or other relief of any sort relating to or arising out of Executive's employment or termination of employment by Employer or relating to or arising out of this Agreement and the termination thereof.

(k) Upon termination of employment with Employer for any reason, Executive shall promptly deliver to Employer all writings, records, data, memoranda, contracts, orders, sales literature, price lists, client lists, data processing materials, and other documents, whether or not obtained from Employer, Wintrust or any Affiliate, which pertain to or were used by Executive in connection with Executive's employment by Employer or which pertain to Wintrust or any other Affiliate, including, but not limited to, Confidential Information, as well as any automobiles, computers or other equipment which were purchased or leased by Employer for Executive.

10. Resolution of Disputes . Except as otherwise provided herein, any disputes arising under or in connection with this Agreement or in any way arising out of, relating to or associated with the Executive's employment with Employer or the termination of such employment ("Claims"), that Executive may have against Employer, Wintrust or any Affiliate of Wintrust, or the officers, directors, employees or agents of Employer, Wintrust, or any Affiliate of Wintrust in their capacity as such or otherwise, or that Employer, Wintrust, or any Affiliate of Wintrust may have against Executive, shall be resolved by binding arbitration, to be held in Chicago, Illinois, in accordance with the rules and procedures of the National Rules for the Resolution of Employment Disputes of the American Arbitration Association (the "AAA") and the parties hereby agree to expedite such arbitration proceedings to the extent permitted by the AAA Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof The Claims covered by this Agreement include, but are not limited to: claims for wages or other compensation due; claims for breach of any contract or covenant, express or implied; tort claims; claims for discrimination, including but not limited to discrimination based on race, sex, sexual orientation, religion, national origin, age, marital status, handicap, disability or medical condition or harassment on any of the foregoing bases; claims for benefits, except as excluded in the following paragraph; and

claims for violation of any federal, state or other governmental constitution, statute, ordinance, regulation, or public policy. The Claims covered by this Agreement do not include claims for workers' compensation benefits or compensation; claims for unemployment compensation benefits; claims based upon an employee pension or benefit plan, the terms of which contain an arbitration or other non-judicial resolution procedure, in which case the provisions of such plan shall apply; and claims made by either Employer or the Executive for injunctive and/or other equitable relief regarding the covenants set forth in Sections 3, 4, 5 and 6 of this Agreement. Each party shall initially bear their own costs of the arbitration or litigation, except that, if Employer is found to have violated any material terms of this Agreement, Employer shall reimburse Executive for the entire amount of reasonable attorneys' fees incurred by Executive as a result of the dispute hereunder in addition to the payment of any damages awarded to Executive.

11. General Provisions

(a) All provisions of this Agreement are intended to be interpreted and construed in a manner to make such provisions valid, legal, and enforceable. To the extent that any Section of this Agreement or any word, phrase, clause, or sentence hereof shall be deemed by any court to be illegal or unenforceable, such word, clause, phrase, sentence, or Section shall be deemed modified, restricted, or omitted to the extent necessary to make this Agreement enforceable. Without limiting the generality of the foregoing, if the scope of any covenant in this Agreement is too broad to permit enforcement to its full extent, such covenant shall be enforced to the maximum extent provided by law; and Executive agrees that such scope may be judicially modified accordingly.

(b) This Agreement may be assigned by Employer. This Agreement and the covenants set forth herein shall inure to the benefit of and shall be binding upon the successors and assigns of Employer and Wintrust.

(c) This Agreement may not be assigned by Executive, but shall be binding upon Executive's executors, administrators, heirs, and legal representatives.

(d) No waiver by either party of any breach by the other party of any of the obligations, covenants, or representations under this Agreement shall constitute a waiver of any prior or subsequent breach.

(e) Where in this Agreement the masculine gender is used, it shall include the feminine if the sense so requires.

(f) Employer may withhold from any payment that it is required to make under this Agreement amounts sufficient to satisfy applicable withholding requirements under any federal, state, or local law.

(g) This instrument constitutes the entire agreement of the parties with respect to its subject matter. This Agreement may not be changed or amended orally but

only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought. Any other understandings and agreements, oral or written, respecting the subject matter hereof are hereby superseded and canceled,

(h) The provisions of Sections 4, 5, 6, 7, 9(i), 9(j), 10, 11, and 12 of this Agreement shall survive the termination of Executive's employment with Employer and the expiration or termination of this Agreement.

12. Governing Law. The parties agree that this Agreement shall be construed and governed by the laws of the State of Illinois, excepting its conflict of laws principles. Further, the parties acknowledge and specifically agree to the jurisdiction of the courts of the State of Illinois in the event of any dispute regarding Sections 3, 4, 5, or 6 of this Agreement.

13. Notice of Termination. Subject to the provisions of Section 8, in the event that Employer desires to terminate the employment of the Executive during the Term of this Agreement, Employer shall deliver to Executive a written notice of termination, stating whether the termination constitutes a termination in accordance with Section 9(c), 9(d), 9(e), 9(f), or 9(h). In the event that Executive determines in good faith that Executive has experienced a Constructive Termination, Executive shall deliver to Employer a written notice stating the circumstances that constitute such Constructive Termination. In the event that the Executive desires to effect a voluntary termination of Executive's employment in accordance with Section 9(g), Executive shall deliver a written notice of such voluntary termination to Employer.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date written opposite their signatures.

By: /s/ Edward J. Wehmer
Edward J. Wehmer
Wintrust Financial Corporation

/s/ Randolph M. Hibben
Randolph M. Hibben

Its: President and Chief Executive Officer

Dated: 3/25/05

Dated: 3/25/05

EXHIBIT A

Advantage National Bank
Barrington Bank & Trust Company, N. A.
Beverly Bank & Trust Company, N. A.
Crystal Lake Bank & Trust Company, N. A.
First Insurance Funding Corporation
Focused Investments LLC
Hinsdale Bank & Trust Company
Lake Forest Bank & Trust Company
Libertyville Bank & Trust Company
North Shore Community Bank & Trust Company
Northbrook Bank & Trust Company
Town Bank (Wisconsin)
Tricom, Inc of Milwaukee
Village Bank & Trust-Arlington Heights
Wayne Hummer Asset Management Company
Wayne Hummer Investments, LLC
Wayne Hummer Trust Company, N. A.
Wheaton Bank & Trust Company
Wintrust Information Technology Services Company

EXHIBIT B

1) EXECUTIVE NAME:

RANDOLPH M HIBBEN

**WINTRUST FINANCIAL CORP
TOTAL COMPENSATION HISTORY
SENIOR EXECUTIVE COMPENSATION**

2) CURRENT TITLE

CHAIRMAN & CEO

3) EMPLOYER

LAKE FOREST BANK & TRUST

JANUARY 2005

4) TITLE AT DATE OF HIRE

5) DATE OF HIRE



SENIOR VP — CASHIER — LAKE FOREST
BANK

OCTOBER 1991

	2005	2004	2003	2002	2001	2000	1999	1998	1997
5) SIGNING BONUS (IF ANY)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
6) SALARY HISTORY:									
BEGINNING SALARY	\$ 250,000	\$ 215,000	\$ 208,000	\$ 200,000	\$ 170,000	\$ 160,000	\$ 135,000	\$ 124,000	\$ 113,000
INTERIM RAISE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,000	\$ 0	\$ 10,000	\$ 0	\$ 0
PRIOR YEAR END RAISE	\$ 10,000	\$ 35,000	\$ 7,000	\$ 8,000	\$ 15,000	\$ 10,000	\$ 15,000	\$ 11,000	\$ 11,000
OTHER	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
ENDING SALARY	\$ 260,000	\$ 250,000	\$ 215,000	\$ 208,000	\$ 200,000	\$ 170,000	\$ 160,000	\$ 135,000	\$ 124,000
PERCENT INCREASE	4.00%	16.28%	3.37%	4.00%	17.65%	6.25%	18.52%	8.87%	9.73%
7) BONUS HISTORY:									
CURRENT YEAR END CASH BONUS	\$ 0	\$ 48,575	\$ 47,125	\$ 19,602	\$ 25,000	\$ 7,500	\$ 15,000	\$ 12,000	\$ 12,000
STOCK BONUS	\$ 75,000	\$ 18,425	\$ 17,875	\$ 25,398	\$ 0	\$ 17,200	\$ 0	\$ 0	\$ 0
TOTAL	\$ 75,000	\$ 67,000	\$ 65,000	\$ 45,000	\$ 25,000	\$ 24,700	\$ 15,000	\$ 12,000	\$ 12,000
8) STOCK OPTION HISTORY (WINTRUST EQUIV)									
BEGINNING OPTIONS	94,380	98,135	90,480	90,480	90,480	90,480	59,381	59,381	50,381
CURRENT YEAR GRANTS	—	3,500	48,500	—	—	31,100	0	9,000	—
CURRENT YEAR EXERCISES	—	7,255	40,845	—	—	—	0	0	0
ENDING OPTIONS	94,380	94,380	98,135	90,480	90,480	90,480	59,381	59,381	59,381
VESTED PORTION OF OPTIONS	112,507	47,581	48,536	73,383	66,770	60,470	51,524	49,316	—
9) AUTOMOBILE:									
2001 Audi A8									
COST	\$ 48,874	\$ 33,000	\$ 33,000	\$ 0	\$ 0	\$ 0	\$ 30,000	\$ 0	\$ 0
ESTIMATED VALUE PER YEAR	\$ 7,175	\$ 5,658	\$ 8,750	\$ 7,750	\$ 7,750	\$ 7,750	\$ 7,500	\$ 7,500	\$ 6,250
10) CLUBS:									
A) CLUB A DUES* — LAKE FOREST CLUB	\$ 2,760	\$ 2,430	\$ 2,400	\$ 2,280	\$ 2,280	\$ 2,280	\$ 2,700	\$ 2,400	\$ 2,400
B) CLUB B DUES*	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
C) CLUB C DUES*	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	\$ 2,760	\$ 2,430	\$ 2,400	\$ 2,280	\$ 2,280	\$ 2,280	\$ 2,700	\$ 2,400	\$ 2,400
COUNTRY CLUB ACCOMPANIES PROMOTION TO PRESIDENT AND CEO NSCB&T									
* — SPECIFY CLUB NAME AND INCLUDE ANY INITIATION FEES PAID									
11) SUPPLEMENTAL INSURANCE									
A) BOLI — LIFE INSURANCE: FACE AMOUNT									
i) CLARICA LIFE >>>	\$ 139,050	\$ 102	\$ 95	\$ 163	\$ 500	\$ 500	\$ 500	\$ 500	\$ 400
ii) GREAT WEST >>>	\$ 139,050	\$ 254	\$ 95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
iii) MASSMUTUAL >>>	\$ 139,050	\$ 81	\$ 108	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	\$ 417,150								
B) DISABILITY PREMIUM	N/A	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	\$ 437	\$ 298	\$ 163	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 400
12) EDUCATIONAL EXPENSES PAID	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
13) OTHER — SPECIFY BELOW	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
14) TOTAL ANNUAL CASH COMPENSATION	\$335,372	\$290,386	\$266,438	\$230,132	\$205,530	\$178,030	\$160,700	\$145,050	\$145,050
PERCENT INCREASE		15.49%	8.99%	15.78%	11.97%	15.45%	10.78%	10.79%	9.84%
15) PROMOTED TO:	4/99-PRESIDENT AND CEO NORTH SHORE COMMUNITY BANK 5/01 — CHAIRMAN AND CEO LAKE FOREST BANK & TRUST 03 — VICE CHAIRMAN NORTH SHORE COMMUNITY BANK								

16) CONTRACT (YES OR NO) YES

17) COMMENTS OR NOTES:

WINTRUST FINANCIAL CORPORATION
NONQUALIFIED STOCK OPTION AGREEMENT

This Nonqualified Stock Option Agreement (“Agreement”) is entered into as of «Date_of_Award», between Wintrust Financial Corporation (hereinafter called the “Company”) and «Name» (hereinafter called “Key Employee”).

WHEREAS, the Wintrust Financial Corporation 2007 Stock Incentive Plan (the “Plan”) was adopted by the Board of Directors of Wintrust Financial Corporation and approved by the shareholders of the Company, and the Company desires to provide the Key Employee with an opportunity to acquire an equity interest in the business of the Company, and through stock ownership an increased personal interest in its continued success and progress.

NOW, THEREFORE, in consideration of the premises, the mutual covenants hereinafter set forth and other good and valuable consideration, the Company and Key Employee agree as follows:

1. The Company hereby grants to Key Employee the option (“Option”) to purchase an aggregate of «Shares» of the Company’s Common Shares, no par value, on the terms and conditions hereinafter set forth at the purchase price of «Strike_Price» per share. The number of shares and the price per share are subject to adjustment as provided in the Plan.

2. It is understood that this Agreement is subject to the terms of the Plan, to which reference is hereby made for more detailed description of the terms to which the option is subject and by which reference the Plan is incorporated herein. The Plan shall control in the event there is any conflict between the Plan and this Agreement and on such matters as are not contained in this Agreement.

3. (a) The Key Employee’s Option will vest and become exercisable as follows:

«Date_Year_1»	«Vest_Year_1»
«Date_Year_2»	«Vest_Year_2»
«Date_Year_3»	«Vest_Year_3»
«Date_Year_4»	«Vest_Year_4»
«Date_Year_5»	«Vest_Year_5»

To the extent not exercised, installments shall be cumulative and may be exercised in whole or in part.

«Name»

Nonqualified Stock Option Agreement

Dated «Date_of_Award»

(b) The Option may not be exercised at any one time for less than 500 shares or the number of shares then purchasable under the Option, whichever is less.

(c) Unless otherwise permitted by the Committee under the terms of the Plan, during the lifetime of Key Employee the Option may be exercised only by him.

(d) In the event of a Change in Control of the Company, as defined in the Plan, all awards still then outstanding shall vest 100%, whereupon all Options shall become exercisable in full.

(e) Unless earlier terminated hereunder or under the Plan, the Option shall expire on «Term_Date».

4. The Option shall not be subject to execution, collateral assignment, attachment or similar process, unless otherwise permitted by the Committee under the terms of the Plan. Any such attempted action or other disposition of the Option contrary to the provisions of the Plan shall be null and void, and in such event the Company shall have the right to terminate the Option. Such termination shall not prejudice any rights or remedies which the Company or a subsidiary corporation may have under this Agreement or otherwise.

5. Subject to the terms and conditions of this Agreement, the Option shall be exercisable by delivery of written notice of exercise accompanied by payment of the exercise price and any applicable tax withholding in cash, shares of common stock, cash by a broker-dealer acceptable to the Company to whom the Key Employee has submitted an irrevocable notice of exercise, or a combination thereof as provided in the Plan.

6. Key Employee shall not be deemed for any purpose to be a shareholder of the Company with respect to any of the optioned shares except to the extent that this Option shall have been exercised with respect thereto and a stock certificate issued therefore. No adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

7. Termination of Employment.

(a) Termination of Employment by Reason of Death. In the event the employment of a Key Employee is terminated by reason of death, any Option that has not been exercised, including any unvested portions, shall become immediately exercisable at any time prior to the expiration date of the Options or within one year after such date of termination of employment, whichever period is shorter, by such person or persons as shall have acquired the Key Employee's rights under the Option by will or by the laws of descent and distribution.

«Name»

Nonqualified Stock Option Agreement

Dated «Date_of_Award»

(b) Termination of Employment by Reason of Disability. In the event the employment of Key Employee is terminated by reason of Disability, any Option that has not been exercised, including any unvested portions, shall become immediately exercisable at any time prior to the expiration date of the Options or within one year after such date of termination of employment, whichever period is shorter. For purposes of this Agreement, Disability means a permanent and total disability as determined by the Committee in good faith, upon receipt of sufficient competent medical advice.

(c) Termination of Employment by Reason of Retirement. In the event the employment of a Key Employee is terminated by reason of retirement (as determined by the Committee), the Option to the extent then vested shall remain exercisable until the expiration date of the Options or within one year after such date of termination, whichever period is shorter, whereupon such vested portion shall expire and the unvested portion, unless extended by the Committee, shall expire upon termination of employment.

(d) Termination of Employment for Other Reasons. If the employment of the Key Employee shall terminate for any reason other than death, Disability, retirement, or for Cause, the Option to the extent then vested shall remain exercisable until the expiration date of the Options or three months after such date of termination, whichever period is shorter, whereupon such vested portion shall expire and the unvested portion shall expire upon termination of employment.

(e) Termination of Employment for Cause. If the employment of the Key Employee shall be terminated for Cause, this Option shall expire, and the Key Employee's rights hereunder shall be immediately terminated, upon termination of employment. For purposes of this Agreement, "Cause" shall mean the following:

- (i) misappropriation of any funds or property of the Company or its subsidiaries; or
- (ii) attempting to obtain any personal profit from any transaction in which the Key Employee has a personal financial interest, unless the Key Employee shall have first obtained the consent of the Board of Directors; or
- (iii) material neglect or refusal to perform the duties reasonably assigned to the Key Employee given the Key Employee's current job description; or
- (iv) participating in a course of conduct which is injurious to the Company or its subsidiaries, as interpreted by the Board of Directors; or
- (v) being convicted of a felony; or
- (vi) being adjudicated a bankrupt; or
- (vii) suspension due to the direction of any authorized bank regulatory agency.

To the extent that there is a dispute arising over the application of the definition of Cause, the Committee or the Board of Directors of the Company shall have the authority to interpret and apply such definitions in a reasonable manner.

«Name»
Nonqualified Stock Option Agreement
Dated «Date_of_Award»

8. Each notice relating to this Agreement shall be in writing and delivered in person or by registered mail to the Company at its office, 727 North Bank Lane, Lake Forest, Illinois 60045, attention of the President, or at such other address designated by the Company. All notices to Key Employee or other person or persons then entitled to exercise the Option shall be delivered to Key Employee or such other person or persons at Key Employee's address as it then appears on the Company's records.

9. Any dispute or disagreement which shall arise under, as a result of, or in any way shall relate to the interpretation or construction of this Agreement shall be determined by the Committee or by the Board of Directors of the Company (or any successor corporation), and any such determination shall be final, binding and conclusive for all purposes.

10. This agreement shall be governed by laws of the State of Illinois and shall inure to the benefit of and be binding upon the Company and its successors and assigns and Key Employee and Key Employee's heirs, executors, administrators and successors.

Wintrust Financial Corporation by:

Edward J. Wehmer, President

Date

Key Employee:

«Name»

Date

Attest

David A. Dykstra

Date

**WINTRUST FINANCIAL CORPORATION
RESTRICTED STOCK UNIT AWARD AGREEMENT**

This Restricted Stock Unit Award Agreement (herein called the “Agreement”) is made and entered into as of [_____], by and between Wintrust Financial Corporation, an Illinois corporation (the “Company”), and «NAME» (“Employee”). The Restricted Stock Unit Award (as defined below) is governed by this Agreement and, subject to Paragraph 13(b), below, the Wintrust Financial Corporation 2007 Stock Incentive Plan (the “Plan”). Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan.

1. Award of Restricted Stock Unit Award. In order to encourage Employee’s contribution to the successful performance of the Company, and in consideration of the covenants and promises of Employee herein contained, the Company hereby awards to Employee as of the date first written above (the “Date of Grant”), pursuant to the terms of the Plan, a Restricted Stock Unit Award representing the right to acquire «RS_Shares» shares of Common Stock, subject to the conditions, restrictions and limitations set forth below and in the Plan (the “Restricted Stock Unit Award”). Employee hereby acknowledges and accepts such grant and agrees to acquire the Restricted Stock Unit Award and the shares of Common Stock covered thereby upon such terms and subject to such conditions, restrictions and limitations, subject to Paragraph 13 (b), below.

2. Vesting

(a) Subject to the termination of the Restricted Stock Unit Award pursuant to Paragraph 3 below, or the acceleration of the vesting of the Units covered pursuant to Paragraphs 2(b) and 2(c), below, on [_____] (the “Vesting Date”), Employee shall become fully vested in the total number of Units covered by the Restricted Stock Unit Award, and such Units shall become Vested Units (as hereinafter defined).

(b) In all events, Employee shall become vested in all Units not yet vested under this Agreement, and such Units shall become Vested Units, no later than the earliest of (i) [_____], (ii) the date of termination upon Employee’s Disability (as hereinafter defined), death, retirement or termination of Employee’s employment by the Company without Cause (as hereinafter defined) or by Employee for Good Reason (as hereinafter defined) or (iii) upon the occurrence of a Change in Control (as defined in the Plan as in effect as of the date of this Agreement).

(c) Notwithstanding the provisions of Paragraphs 2(a) and 2(b), above, and Paragraph 3, below, Employee shall become vested in any or all Units covered by the Restricted Stock Unit Award at an earlier date than provided in Paragraphs 2(a) and 2(b), above, and Paragraph 3, below, if the Committee expressly so determines, in its sole discretion.

Restricted Stock Unit Award Agreement

Dated [_____]

3. Effect of Certain Events. If Employee's employment with the Company is terminated by the Company for Cause or by Employee without Good Reason prior to the first date upon which all shares covered by the Restricted Stock Unit Award shall have become Vested Units pursuant to Paragraph 2 above, then the Restricted Stock Unit Award and Employee's right to receive shares hereunder (other than as to Units which are Vested Units at the date of termination) shall terminate, without any payment of consideration by the Company to Employee, unless expressly determined otherwise by the Committee, in its sole discretion.

4. Restrictions on Transfer. The Restricted Stock Unit Award granted hereunder to Employee may not be sold, assigned, transferred, pledged or otherwise encumbered, whether voluntarily or involuntarily, by operation of law or otherwise. No right or benefit under this Agreement shall be subject to transfer, anticipation, alienation, sale, assignment, pledge, encumbrance or charge, whether voluntary, involuntary, by operation of law or otherwise, and any attempt to transfer, anticipate, alienate, sell, assign, pledge, encumber or charge the same shall be void.

5. Delivery of Shares.

(a) Not more than forty (40) days after the Vesting Date, the Company shall deliver to Employee one (1) share of Common Stock for each Unit which became a Vested Unit on the Vesting Date.

(b) Within forty (40) days after the Units shall become Vested Units pursuant to Paragraph 2(b)(ii) or (iii) above, the Company shall deliver to Employee one (1) share of Common Stock for each Unit covered by the Restricted Stock Unit Award which has become a Vested Unit but only with respect to which a share of Common Stock has not yet been delivered.

6. Withholding Tax Requirements. Prior to the date on which shares of Common Stock are to be delivered pursuant to Paragraph 5, above, the Company shall deliver to Employee a notice specifying such amounts as Employee is required to pay to satisfy applicable tax withholding requirements. In the event that the Company does not exercise its right to withhold shares of stock at the time of vesting to cover such tax withholding requirements as provided in the Plan, Employee hereby agrees that Employee shall either: (i) deliver to the Company by the due date specified in such notice a check equal to the amount set forth in such notice, or (ii) make other appropriate arrangements acceptable to or required by the Company to satisfy such tax withholding requirements. Failure by Employee to comply with the foregoing shall entitle the Committee, in its sole discretion, to authorize the sale of a sufficient number of shares of Common Stock owned by Employee in order to satisfy such withholding requirements. Upon the payment of any dividend equivalents payable pursuant to Paragraph 10 hereof, Employee agrees that the Company shall be entitled to deduct therefrom such amounts as are necessary to satisfy applicable tax withholding requirements.

Restricted Stock Unit Award Agreement

Dated [_____]

7. Sale and Issuance of Common Stock. Employee agrees that Employee shall not sell Award Shares, and that the Company shall not be obligated to deliver any shares of Common Stock if counsel to the Company reasonably determines that such sale or delivery would violate any applicable law, rule or regulation of any governmental authority or any applicable rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Common Stock is listed or quoted. In the event of any such restriction (other than one due to insider trading issues), the Company shall take all such action as may be necessary or appropriate to eliminate such restriction at the earliest practicable date. All Award Shares, when issued, shall be duly authorized and shall be (a) validly issued, fully paid and non-assessable, (b) registered for sale, and for resale, by Employee under Federal and State securities laws and shall remain registered so long as the shares may not be freely sold in the absence of such registration and (c) listed, or otherwise qualified, for trading in the United States on each national securities exchange or national securities market system on which the Common Stock is listed or qualified.

8. Limitation of Rights. Nothing contained in this Agreement or the Plan, and no action of the Company with respect hereto, shall confer or be construed to confer on Employee any right to continue in the employment or service of the Company, or affect the right of the Company to terminate the employment or service of Employee at any time for any reason.

9. Prerequisites to Benefits. Neither Employee nor any person claiming through Employee shall have any right or interest in the Units awarded hereunder, unless and until all of the terms, conditions and provisions of this Agreement and the Plan, as amended hereby, which affect Employee or such other person shall have been complied with as specified herein.

10. No Rights as a Stockholder Prior to Delivery, Payment of Dividend Equivalents; Adjustment. Employee shall not have any right, title or interest in, or be entitled to vote or receive distributions in respect of, or otherwise be considered the owner of, any of the shares of Common Stock covered by the Restricted Stock Unit Award, except to the extent that such shares are Award Shares. Notwithstanding the foregoing, upon the Units becoming Vested Units pursuant to Paragraph 2, above, Employee shall be entitled to receive a cash payment in an amount equal to each cash dividend the Company would have paid to Employee during the term of the Units as if Employee had been the owner of record of the shares of Common Stock covered by such Units on the record date for the payment of such dividend. The Restricted Stock Unit Award shall be subject to adjustment (including, without limitation, as to the number of shares of Common Stock covered by the Award) pursuant to Section 10 of the Plan in connection with the occurrence of any of the events described in Section 10 of the Plan following the Date of Grant.

11. Company Representations. The Company represents and warrants that (a) it is fully authorized by its Board or the Committee (and of any person or body whose action is required) to enter into this Agreement and to perform its obligations under it, (b) the execution, delivery and performance of this Agreement by the Company does not violate any applicable law, regulation, order, judgment or decree or any agreement, plan or corporate governance document of the Company or any agreement among holders of its shares and (c) upon the

Restricted Stock Unit Award Agreement

Dated [_____]

execution and delivery of this Agreement by the Company and Employee, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms, except to the extent enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

12. Certain Definitions . For purposes of this Agreement, the following additional definitions shall be applicable:

“Award Shares” shall mean shares of Common Stock covered by the Restricted Stock Unit Award which have been delivered pursuant to Paragraph 5, above.

“Cause” shall have the following meaning

- (i) misappropriation of any funds or property of the Company or its subsidiaries; or
- (ii) attempting to obtain any personal profit from any transaction in which the Employee has a personal financial interest, unless the Employee shall have first obtained the consent of the Board of Directors; or
- (iii) material neglect or refusal to perform the duties reasonably assigned to the Employee given the Employee's current job description; or
- (iv) participating in a course of conduct which is injurious to the Company or its subsidiaries, as interpreted by the Board of Directors; or
- (v) being convicted of a felony; or
- (vi) being adjudicated a bankrupt; or
- (vii) suspension due to the direction of any authorized bank regulatory agency.

To the extent that there is a dispute arising over the application of the definition of Cause, the Committee or the Board of Directors of the Company shall have the authority to interpret and apply such definitions in a reasonable manner.

“Committee” shall mean the Compensation Committee of the Wintrust Financial Corporation Board of Directors.

“Good Reason” shall have the following meaning:

(i) a material reduction by Employer in the duties and responsibilities of Employee or (ii) a reduction by Employer of Employee's “Adjusted Total Compensation” (as hereinafter defined), to (y) less than seventy-five percent (75%) of the Adjusted Total Compensation of Employee for the twelve month period ending as of the last day of the month immediately preceding the month in which the Termination for Good Reason occurs; or (z) less than seventy-five percent (75%) of the Employee's Adjusted Total Compensation for the twelve month period ending as of the last day of the month preceding the Effective Date, whichever is greater.

Restricted Stock Unit Award Agreement

Dated [_____]

- (A) For the purposes of this Agreement, “Adjusted Total Compensation” means the aggregate base salary earned by the Employee plus the dollar value of all perquisites (i.e. Employer provided car, club dues and supplemental life insurance) as estimated by Employer in respect of the Employee for the relevant twelve month period. Adjusted Total Compensation shall exclude any bonus payments paid or earned by the Employee.
- (B) For the purposes of this Agreement, the Employee will not be deemed to have incurred a Termination for Good Reason if there is a general reduction in base salaries and/or perquisites applicable to the President, Chief Executive Officer and all Vice Presidents of Employer.

“Disability” shall mean a permanent and total disability as determined by the Committee in good faith, upon receipt of sufficient competent medical advice.

A “Unit” covered by the Restricted Stock Unit Award shall mean the right to receive, pursuant to the terms of this Agreement, a share of Common Stock, and any other amount or property payable with respect thereto, covered by the Restricted Stock Unit Award.

“Vested Units” shall mean units corresponding to shares of Common Stock covered by the Restricted Stock Unit Award which at the time in question have become Vested Units pursuant to Paragraph 2 hereof.

13. Miscellaneous Provisions. For purposes of this Agreement, the following miscellaneous provisions shall be applicable:

(a) Receipt and Review of Plan. Employee acknowledges receipt of a copy of the Plan. Employee further acknowledges notice of the terms, conditions, restrictions and limitations contained in the Plan, and acknowledges the restrictions set forth in this Agreement.

(b) Conflicts. The Company and Employee agree to be bound by all of the terms, conditions, restrictions and limitations of the Plan, as amended and modified by this Agreement. The Company and Employee agree that the Plan may be amended from time to time in accordance with the terms thereof, but no such amendment shall, without Employee’s consent, adversely affect the rights specifically granted Employee hereunder or under the Plan. In the event there is a conflict between the Plan and the terms and conditions in this Agreement, this Agreement shall govern unless the terms and conditions of the Plan are more favorable to Employee. If such terms and conditions are more favorable to Employee, then the Company and Employee agree that this Agreement is amended to the extent necessary to enable Employee to gain the benefit of the more favorable terms and conditions of the Plan.

Restricted Stock Unit Award Agreement

Dated [_____]

(c) Successors .

(i) This Agreement is personal to Employee and, except at otherwise provided in Paragraph 4 above, shall not be assignable by Employee otherwise than by will or the laws of descent and distribution, without the written consent of the Company. This Agreement shall inure to the benefit of and be enforceable by Employee's legal representatives.

(ii) This Agreement shall inure to the benefit of and be binding upon Company and its successors. It shall not be assignable except in connection with the sale or other disposition of all or substantially all the assets or business of the Company.

(d) Notices . Each notice relating to this Agreement shall be in writing and delivered in person or by registered mail to the Company at its office, 727 North Bank Lane, Lake Forest, Illinois 60045, attention of the President, or at such other address designated by the Company. All notices to Employee or successors shall be delivered to Employee or successors at Employee's address as it then appears on the Company's records.

(e) Severability . If any provision of this Agreement for any reason should be found by any court of competent jurisdiction to be invalid, illegal or unenforceable, in whole or in part, such declaration shall not affect the validity, legality or enforceability of any remaining provision or portion thereof, which remaining provision or portion thereof shall remain in full force and effect as if this Agreement had been adopted with the invalid, illegal or unenforceable provision or portion thereof eliminated.

(f) Headings . The headings, captions and arrangements utilized in this Agreement shall not be construed to limit or modify the terms or meaning of this Agreement.

(g) Equitable Relief . Any dispute or disagreement which shall arise under, as a result of, or in any way shall relate to the interpretation or construction of this Agreement shall be determined by the Committee or by the Board of Directors of the Company (or any successor corporation), and any such determination shall be final, binding and conclusive for all purposes.

(h) Governing Law; Jurisdiction . This Agreement shall be governed by and construed and enforced in accordance with the laws of the state of Illinois without reference to conflict of laws principles. Subject to Paragraph 13(g), above, any action, suit or proceeding arising out of any claim against the Company pursuant to this Agreement shall be brought exclusively in the federal or state courts located in the state in which the Company has its principal business headquarters.

(i) Determinations by Committee . All references in this Agreement to determinations to be made by the Committee shall be deemed to include determinations by any person or persons to whom the Committee may delegate such authority in accordance with the rules adopted thereby.

Restricted Stock Unit Award Agreement

Dated [_____]

(j) Entire Agreement; Amendment or Waiver. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and may be amended, modified or changed only by a written instrument executed by Employee and the Company. No provision of this Agreement may be waived except by a writing executed and delivered by the party sought to be charged. Any such written waiver will be effective only with respect to the event or circumstance described therein and not with respect to any other event or circumstance, unless such waiver expressly provides to the contrary.

(k) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. Signatures delivered by facsimile shall be effective for all purposes.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by an officer of the Company and by Employee.

EMPLOYEE:

«NAME»

WINTRUST FINANCIAL CORPORATION:

Edward J. Wehmer
President and Chief Executive Officer

ATTEST:

David A. Dykstra

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,				
		2006	2005	2004	2003	2002
Income before income taxes	A	\$104,241	\$104,950	\$ 80,887	\$59,344	\$42,495
Interest expense:						
Interest on deposits		\$265,729	\$156,252	\$ 83,135	\$67,963	\$70,061
Interest on other borrowings	C	43,330	34,025	20,787	15,536	14,044
Total interest expense	B	\$309,059	\$190,277	\$103,922	\$83,499	\$84,105
Ratio of earnings to fixed charges:						
Including deposit interest	(A+B) / B	1.34x	1.55x	1.78x	1.71x	1.51x
Excluding deposit interest	(A+C) / C	3.41x	4.08x	4.89x	4.82x	4.03x

2006—A Year of Challenges for Wintrust

Summary

- Net income down 1%
- Fully diluted earnings per share down 7%
- Grew net revenue 10%
- Net interest income up 15%
- Total assets increased 17%
- Total deposits grew 17%
- Increased total loans 25%
- Total equity up 23%
- Book value per common share grew 16%
- Dividends paid per share increased 17%
- Return on average equity was 9.47%
- Return on average assets stood at 0.74%
- Launched *de novo* bank—Old Plank Trail Community Bank
- Successfully completed the acquisition of Hinsbrook Bank & Trust with locations in Darien, Downers Grove, Geneva, Glen Ellyn, and Willowbrook, Illinois
- 15 bank charters
- 23 total operating subsidiaries
- 11 net new banking facilities in Illinois and Wisconsin

Contents

2	Selected Financial Trends
3	Selected Financial Highlights
4	To Our Fellow Shareholders
9	Overall Financial Performance
12	Wintrust Banking Locations
13	The Bank Brands We Market
14	Other Wintrust Locations
15	Banking, Wealth Management, and Other Companies Update
21	Growth and Earnings Strategies
25	Acquisition Strategy
26	Reports of Internal Control
28	Consolidated Financial Statements
32	Notes to Consolidated Financial Statements
67	Report of Independent Auditors
68	Management's Discussion and Analysis
104	Corporate Locations
110	Corporate Information

Who Is Wintrust?

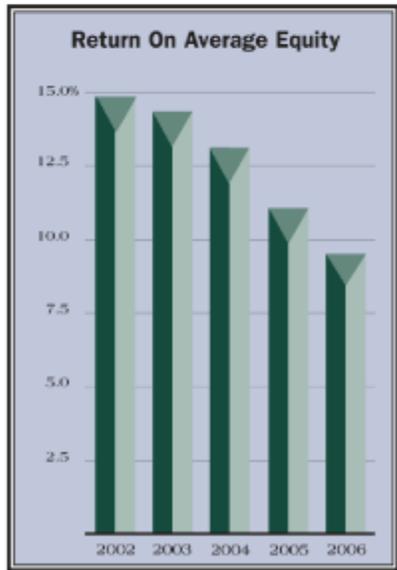
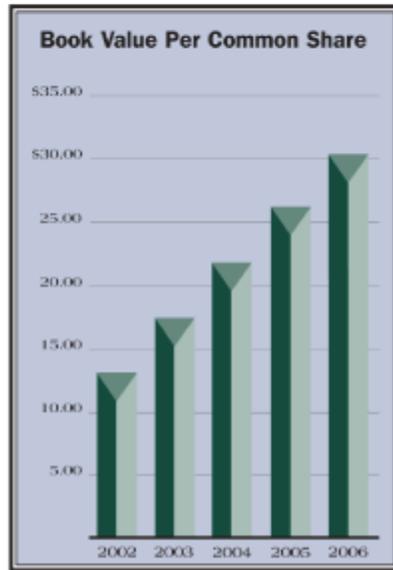
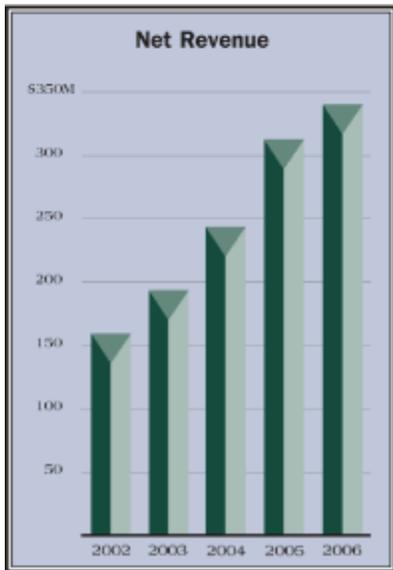
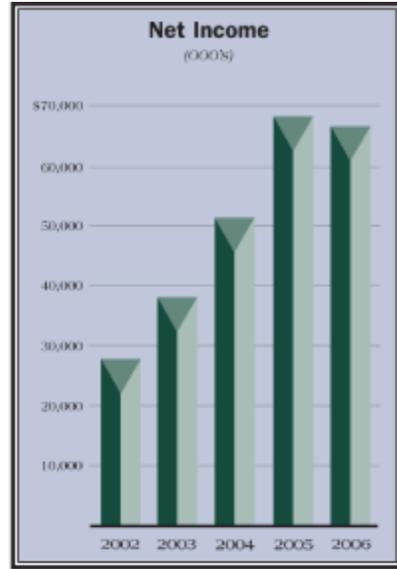
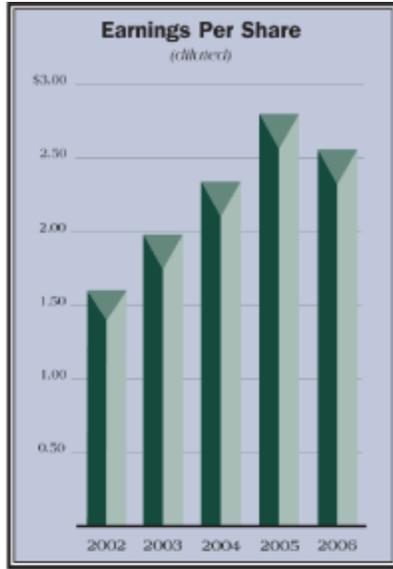
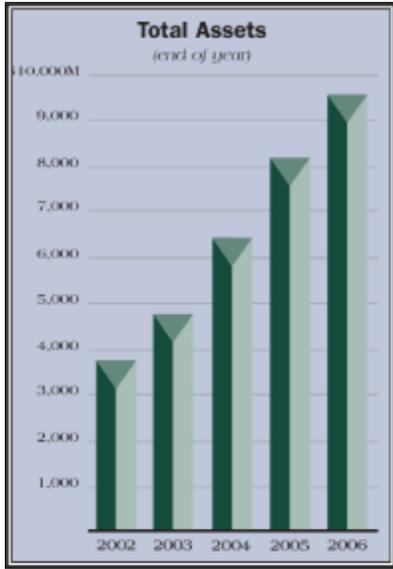
For those of you new to our family, here is a brief description of who we are and what we do:

Wintrust Financial Corporation is a financial holding company headquartered in Lake Forest, Illinois, with total assets of

\$9.6 billion as of December 31, 2006. At the end of 2006, Wintrust operated 15 community banks located in the greater Chicago and southern Wisconsin areas with 73 banking facilities. Of our 15 banking charters, nine were *de novo* banks started by Wintrust and six have been acquisitions. Our banks provide community-oriented personal and commercial banking services. Our wealth management companies provide trust, asset management and brokerage services to clients primarily located in the Midwest. We also originate and purchase residential mortgage loans, many of which are sold into the secondary market. We are involved in specialty lending through operating subsidiaries or divisions of the Company's banks. Our specialty lending niches include commercial insurance premium finance, accounts receivable financing and administrative services to the temporary staffing industry, condominium association lending, aircraft lending and indirect auto lending.

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

Selected Financial Trends



Note: M=Million

Selected Financial Highlights

	Years Ended December 31,				
	2006	2005	2004	2003	2002
<i>(dollars in thousands, except per share data)</i>					
Selected Financial Condition Data					
(at end of year):					
Total assets	\$ 9,571,852	\$ 8,177,042	\$ 6,419,048	\$ 4,747,398	\$ 3,721,555
Total loans	6,496,480	5,213,871	4,348,346	3,297,794	2,556,086
Total deposits	7,869,240	6,729,434	5,104,734	3,876,621	3,089,124
Notes payable	12,750	1,000	1,000	26,000	44,025
Federal Home Loan Bank advances	325,531	349,317	303,501	144,026	140,000
Subordinated notes	75,000	50,000	50,000	50,000	25,000
Long-term debt — trust preferred securities	249,828	230,458	204,489	96,811	50,894
Total shareholders' equity	773,346	627,911	473,912	349,837	227,002
Selected Statements of Operations Data:					
Net interest income	\$ 248,886	\$ 216,759	\$ 157,824	\$ 120,492	\$ 98,128
Net revenue ⁽¹⁾	340,118	310,316	243,276	193,084	158,800
Net income	66,493	67,016	51,334	38,118	27,875
Net income per common share — Basic	2.66	2.89	2.49	2.11	1.71
Net income per common share — Diluted	2.56	2.75	2.34	1.98	1.60
Cash dividends declared per common share	0.28	0.24	0.20	0.16	0.12
Selected Financial Ratios and Other Data:					
<i>Performance Ratios:</i>					
Net interest margin	3.10%	3.16%	3.17%	3.20%	3.34%
Core net interest margin ⁽²⁾	3.31	3.37	3.31	3.32	3.51
Non-interest income to average assets	1.02	1.23	1.57	1.76	1.89
Non-interest expense to average assets	2.56	2.62	2.86	2.98	3.30
Net overhead ratio ⁽³⁾	1.54	1.39	1.30	1.22	1.41
Efficiency ratio ⁽⁴⁾	66.96	63.97	64.45	63.52	66.41
Return on average assets	0.74	0.88	0.94	0.93	0.87
Return on average equity	9.47	11.00	13.12	14.36	14.76
Average total assets	\$ 8,925,557	\$ 7,587,602	\$ 5,451,527	\$ 4,116,618	\$ 3,212,467
Average total shareholders' equity	701,794	609,167	391,335	265,495	188,849
Ending loan-to-deposit ratio	82.6%	77.5%	85.2%	85.1%	82.7%
Average loans to average deposits ratio	82.2	83.4	87.7	86.4	88.5
Average interest earning assets to average interest bearing liabilities	107.78	108.83	109.89	109.68	109.86
<i>Asset Quality Ratios:</i>					
Non-performing loans to total loans	0.57%	0.50%	0.43%	0.72%	0.49%
Non-performing assets to total assets	0.39	0.34	0.29	0.51	0.34
Allowance for credit losses ⁽⁵⁾ to:					
Total loans	0.72	0.78	0.79	0.77	0.72
Non-performing loans	126.14	155.69	184.13	107.59	146.63
<i>Common Share Data at end of year:</i>					
Market price per common share	\$ 48.02	\$ 54.90	\$ 56.96	\$ 45.10	\$ 31.32
Book value per common share	\$ 30.38	\$ 26.23	\$ 21.81	\$ 17.43	\$ 13.19
Common shares outstanding	25,457,935	23,940,744	21,728,548	20,066,265	17,216,270
<i>Other Data at end of year:</i>					
Number of:					
Bank subsidiaries	15	13	12	9	7
Non-bank subsidiaries	8	10	10	7	7
Banking offices	73	62	50	36	31

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

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

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

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

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

To Our Fellow Shareholders,

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

Celebrating Our 15th and 10th Anniversaries

2006 was a special year in a couple of ways for Wintrust. Not only did we celebrate the 15th anniversary of our very first bank's opening in 1991, Lake Forest Bank & Trust, but we observed the 10th anniversary of the creation of Wintrust Financial in 1996 as a publicly traded company. It's amazing to look back and realize that in only 15 years we have grown from nothing but a good idea...to 15 bank charters, over 70 banking facilities, 23 operating companies and \$9.6 billion in assets with over 1,800 employees, serving well over 200,000 client relationships.

Solid Growth, But Not Without Its Challenges

2006 ends a very uncharacteristic year for Wintrust. Although we achieved franchise growth consistent with prior years and have maintained very good credit quality, overall profitability was down. Records were achieved in net revenue (\$340 million, up 10%), assets (\$9.6 billion, up 17%), deposits (\$7.9 billion, up 17%), and loans (\$6.5 billion, up 25%). And importantly, our core franchise continues to be very healthy and exhibits an excellent fundamental foundation for future growth. However earnings were hampered in 2006 as will be discussed in the following sections.

Overview of Challenges and Management's Response

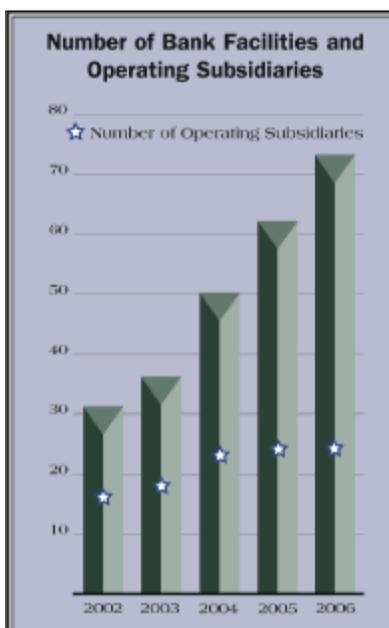
A disadvantageous yield curve, a loosened lending environment devoid of credit spreads, overall market liquidity and our response to this environment combined to adversely impact our financial results. Our return on assets and equity are at levels that are unacceptable to us. Management has initiated a number of steps for 2007 to get financial results back to acceptable levels. Deposit pricing discipline, changing our deposit mix, rigorous expense control and our commercial lending initiatives are adopted tactics which should help produce better results. We will not, however, change our core loan underwriting standards as we believe this would simply trade current earnings for long-term problems. Although the aforementioned tactics may curtail our customary balance sheet growth trends, getting our earnings back on track will be our top priority.

Continuing to Invest in the Long-term

Despite the challenging environment in 2006, we continue to manage the Company for long-term growth and will not implement short-term profit strategies that could adversely impact longer term shareholder value. Accordingly, in 2006 Wintrust continued to invest in expanding its banking, wealth management, and nonbanking companies, both on a *de novo* and acquisition basis. This investment should pay-off long term with a greater base to generate earnings and increased franchise value for our shareholders.

Expanding our Banking Franchises

In 2006, we expanded our community banking franchises by adding two new bank charters and 11 net new banking facilities in key Chicago and southern Wisconsin areas—one charter and six facilities were *de novo* openings and one charter and five facilities were added via acquisition.

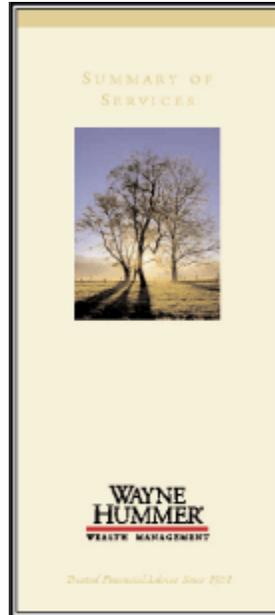


In May 2006, we completed the acquisition of Hinsbrook Bancshares, Inc. ("HBI") in a stock and cash merger transaction. HBI was the parent company of Hinsbrook Bank & Trust ("Hinsbrook Bank") which had five Illinois banking locations in Willowbrook,

Downers Grove, Darien, Glen Ellyn and Geneva. Hinsbrook Bank began operations as a *de novo* bank in 1987. In November 2006, Hinsbrook Bank's locations in Willowbrook, Downers Grove and Darien became part of Hinsdale Bank, Hinsbrook Bank's Glen Ellyn location became part of Wheaton Bank and its Geneva location was renamed and became the charter for our St. Charles Bank. This was done to align the banking locations within the same market area to operate under the same charters.

Wealth Management

We continue to invest in our wealth management business as it represents sizeable earnings growth potential for Wintrust. In June, we hired Thomas P. Zidar to head up Wayne Hummer Wealth Management. Mr. Zidar brings extensive financial services experience to Wintrust. Most recently he was Executive Vice President in the Personal Financial Services group of a large local bank competitor, responsible for five business units. His addition will help improve our strategic focus and execution as we continue to build on the solid foundation that exists here.



We continue to add Wayne Hummer personnel to Wintrust banking offices and now have wealth management representatives in over 20 offices. We are finding the financial advisors that reside in our community bank locations are being very well received by our customer base and we intend to continue to add professionals throughout our banking facilities. In fact, the successes of the financial advisors who are located in community bank locations have translated into double-digit revenue growth by those individuals on an annual basis. The large market share that our banking locations have generally achieved coupled with their dedication to superb customer service is a good recipe for generating wealth management clients for bank-situated Wayne Hummer financial advisors.

Our People, Our Advantage

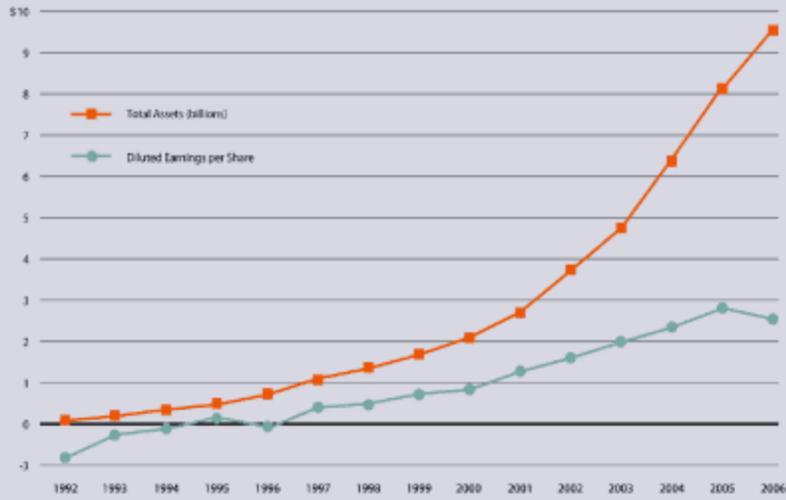
What is our primary advantage? What really separates us from the big bank competitors? Our decentralized management philosophy? Our local community bank marketing? Our beautiful bank facilities? It's our people...and the superior customer service they deliver.

We hire smart, entrepreneurial and motivated employees, who very much believe in our golden rule—treat others like you would like to be treated. Many of our employees are also shareholders, and as such, are personally invested in delivering our unique brand of superior service. And our customers and clients appreciate the quality service these terrific employees provide.

Growth Plans for 2007

The growth of our core franchises is healthy and bodes well for the future. In 2007, we plan continued expansion of our banking, wealth management and other financial services franchises. However, given the unfa-

15-Year Overview



- 1991 Lake Forest Bank & Trust
- 1993 Hinsdale Bank & Trust
- 1994 North Shore Community Bank & Trust
- 1995 Libertyville Bank & Trust
- 1996 Barrington Bank & Trust
- 1997 Crystal Lake Bank & Trust
- 1998 Wayne Hummer Trust Company
- 1999 Tricom, Inc. (acquisition)
- 2000 Northbrook Bank & Trust
- 2002 Wayne Hummer Companies (acquisition)
- 2003 Lake Forest Capital Management (acquisition)
- Advantage National Bank (acquisition)
- Village Bank & Trust - Arlington Heights (acquisition)
- 2004 Beverly Bank & Trust
- WestAmerica Mortgage (acquisition)
- Guardian Real Estate Services (acquisition)
- Wheaton Bank & Trust (acquisition)
- Town Bank of Delafield (acquisition)
- 2005 State Bank of The Lakes (acquisition)
- First Northwest Bank (acquisition)
- 2006 Old Plank Trail Community Bank
- Hinsbrook Bank & Trust (acquisition)

avorable interest rate environment and the irrational competitive environment, our growth at the banking level will focus more on the younger facilities that are still growing into their infrastructures. At our more mature locations, growth may be somewhat slower than in the past until market conditions, such as higher interest rate spreads and better credit terms, provide for more profitable growth.

In addition to our plans to open a number of new community bank branches in 2007, we have made growth of our commercial banking services a priority. In order for Wintrust to tap into a larger pool of commercial loans and low cost checking deposits, we plan to expand our commercial customer base to include more C&I (commercial and industrial) businesses. To do so, we have added a level of sophistication, especially in the area of treasury management services, which was necessary to better penetrate this market.

Accordingly, in 2006 we made substantial investments in our commercial banking infrastructure. We hired a number of experts in treasury management from other banks in town and invested in the technology necessary to deliver commercial services that are every bit as good as our larger competitors. We now offer, and are beginning to promote more aggressively, a full spectrum of treasury management products and services. This includes wholesale and retail lockbox, remote deposit capture, and numerous other valuable services—all of the commercial banking sophistication of a big bank, but with the local decision making and superior service of a community bank. We call it “Business Banking At Its Best™”!



Our beginning focal point for selling these commercial services will be with the small to mid-sized commercial customers in our market areas. Initially, we are targeting business owners who bank with us on a retail basis but may not be aware of the breadth of our sophisticated commercial product offerings. Since we have already sold them on our service capabilities for their personal needs, we are able to convert them to high-touch commercial service.

We will continue to expand our Wayne Hummer wealth management franchise. Wealth management personnel will be added to more bank facilities as well as our downtown Chicago office. The investment we made in our new sophisticated trading platform is allowing our Financial Advisors to compete on a more level playing field with their larger competitors.

Our other financial subsidiaries—FIRST Insurance Funding, Tricom, and WestAmerica—also have well thought out growth plans for 2007 that will be discussed later in this report.

Challenges We Face

Our policy is to present our financial results in an upfront and straight-forward manner to our shareholders.

Consistent with that policy, 2006 was disappointing and not without its challenges. Slower loan growth hampered earnings growth. Our desired loan-to-deposit ratio of approximately 85%-90% was not reached. On average in 2006, this ratio stood at 82.2%. This slower growth in our loan portfolio was a result of a more competitive credit market in the form of lower rates and less stringent credit standards by some of our competitors. However, in the last two quarters of 2006, our loan volume began to improve and we are working diligently to safely increase loan volumes to levels that we have historically achieved. And by keeping our credit standards high, our problem loans are very manageable and do not represent undue risk.



Share Repurchase Program

During 2006, our Board of Directors authorized a program whereby the Company could repurchase up to 2 million shares of the Company's common stock. We believe that our recent share price does not reflect the long-term prospects of the Company and therefore represents an attractive investment. Through February 26, 2007, we repurchased approximately 900,000 shares of the Company's common stock at an average price of \$46.75 per share. Our decision to institute a share repurchase program highlights our continuing confidence in Wintrust's long-term growth and our commitment to promote long-term shareholder value. We will continue to maintain the flexibility to invest in our current business, take advantage of strategic opportunities and pay dividends. Wintrust plans to continue to repurchase shares from time to time in open market transactions or in privately negotiated transactions in accordance with applicable federal securities laws. The timing and amount of the repurchases will be determined by the Company's management based on their evaluation of market conditions, share price and other factors.

Some Thank You's Are in Order

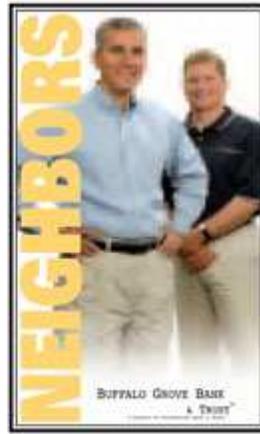
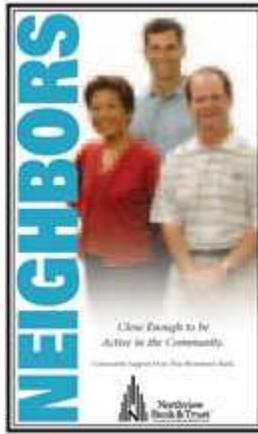
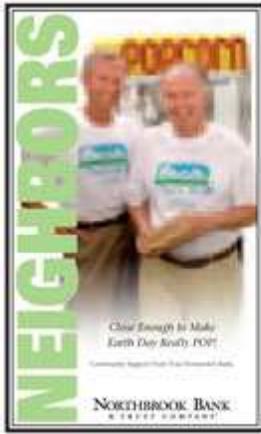
We owe our success to our leadership teams, our employees, our shareholders, and most importantly, our clients. So, some well deserved "thank you's" are due.

Let's start by thanking our leadership teams—our management and directors. Your wise counsel, leadership, community connections, and tireless efforts are a key reason for our success. Thank you.

And then let's thank our employees and welcome those who recently joined our Wintrust team, either from our merger with Hinsbrook Bank, or the launch of one of our new bank facilities, or by joining an existing member of our family. Our dedicated employees provide our customers and clients the best service around, bar none. Thank you.

Thanks as well to our shareholders for keeping us focused on what we do best—growing our franchises by delivering superior customer service and products uniquely positioned to meet local consumer needs.

And finally, thank you to our clients—banking, lending, mortgage, wealth management, premium finance, employment agencies—for trusting us with your financial affairs. Without you, we don't exist. Thank you.



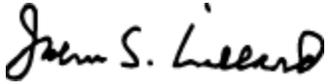
In Summary

We ended 2006 and begin 2007 with a proven and adaptable business model, a solid balance sheet, a strong franchise and a terrific, dedicated team of people who are committed to fighting through an unfavorable interest rate environment and intense competition to deliver value to our shareholders consistent with what we have done in the past.

We are grateful for your continued support and are enthusiastic about making 2007 a solid year for our Company and our shareholders. Please enjoy the remainder of our 2006 Annual Report.

Thank you again for being a shareholder and supporting our business. We hope to see you at our Annual Meeting to be held on Thursday, May 24, 2007, at 10:00 a.m. The location will again be at the Michigan Shores Club located at 911 Michigan Avenue in Wilmette, Illinois.

Sincerely,



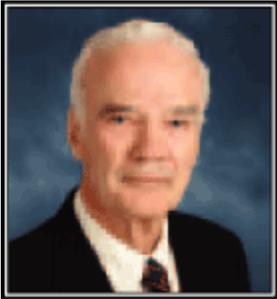
John S. Lillard
Chairman



Edward J. Wehmer
*President &
Chief Executive Officer*



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



Overall Financial Performance

In 2006, we achieved record levels of assets as we surpassed the \$9.5 billion mark. Deposits and loans also reached record levels. Despite the record balance sheet growth, our earnings suffered in 2006 primarily due to an adverse interest rate environment and what we believe to be irrational competitive behavior, especially in lending terms and conditions.

Core Growth

Our core balance sheet growth remains strong as we continue to build desirous market share positions throughout our franchise. Our commitment to *de novo* branch development continues. As is typical with *de novo* growth, expenses are incurred in advance of the opening of these locations.

As a result of slower than expected loan and earnings growth, diluted earnings per share in 2006 were uncharacteristically down from 2005. Earnings per diluted share decreased to \$2.56 in 2006 from \$2.75 in 2005. However, the Company increased both shareholders' equity and book value per common share by \$145.4 million, or 23%, and \$4.15, or 16%, respectively.

Compound Growth Rates

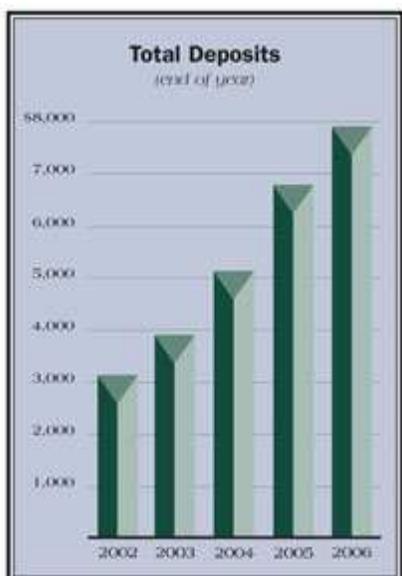
Over this past year, we continued our trend of building a strong franchise base in our market area. This is evidenced by consistently strong balance sheet growth in every year of our Company's young life. Sticking to our unique business building strategies has enabled us to achieve something that few financial services groups around the country can claim—compound growth rates in assets, loans and deposits that consistently exceed our peer group. Additionally, although we have historically achieved double-digit growth in net income and diluted earnings per share, 2006 was a year in which growth in these areas did not occur in historical fashion. The other sections of this report outline the reasons for the revenue and earnings slowdown and we are committed to adapting our model to return to above average earnings growth rates.

	Compound Growth Rates				
	1 year	2 year	3 year	4 year	5 year
Total Assets	17.1%	22.1%	26.3%	26.6%	28.8%
Total Loans ⁽¹⁾	24.6%	22.2%	25.4%	26.3%	26.3%
Total Deposits	16.9%	24.2%	26.6%	26.3%	27.7%
Total Revenue	9.6%	18.2%	20.8%	21.0%	27.0%
Net Income	(0.8)%	13.8%	20.4%	24.3%	29.2%
Diluted Earnings Per Share	(6.9)%	4.6%	8.9%	12.5%	15.1%

(1) Excludes mortgage loans held-for-sale

Net Revenue

Overall net revenue, which includes net interest income and non-interest income, increased 10% to \$340 million. Our net interest margin remained relatively stable at 3.10% in 2006, but was down slightly from the prior year net interest margin level of 3.16%, as we operated in an inverted yield curve environment and as we continued



How can we offer such a GREAT MONEY MARKET Product...

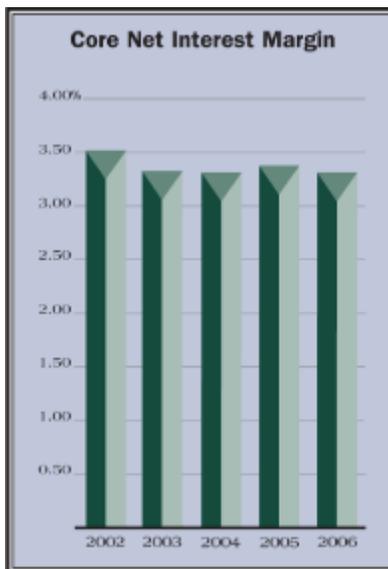
One That Has Mr. Big Bank So Concerned and All Alone?

Introducing Mr. Big Bank. He is not happy that everyone is getting on board with our Advantage Money Market Advantage. Advantage Bank™ is doing everything we can to bring you the best banking products and lowest loan rates ever, with a smile. Here are three Mr. Big Bank can't bring you.

Sorry Mr. Big Bank. That's the way we do business.

AMOUNT	APY
\$500,000 +	4.30%
\$250,000 - \$499,999	4.25%
\$100,000 - \$249,999	4.00%
\$25,000 - \$99,999	3.75%
\$10,000 - \$24,999	3.50%
\$1,000 - \$9,999	3.00%

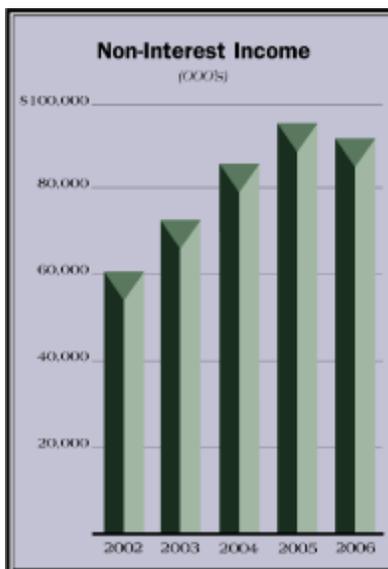
Advantage National Bank



to face extremely competitive loan and deposit pricing. Despite this pressure, organic growth remains positive.

The yield curve has made for a tricky operating environment. This is true for most banking institutions. The inverted yield curve environment, where long-term interest rates are lower than short-term interest rates, squeezes the spread between interest earned on our assets and interest paid on liabilities.

Our other main source of revenue, non-interest income, fell 2% in 2006 to \$91.2 million. The primary reasons for this can be attributed to declines in origination and selling of residential mortgage loans into the secondary market, lower fees from covered call transactions, and declines in gains on sales of premium finance receivables which we have suspended. Our wealth management revenue increased 6% in 2006, including the \$2.4 million gain on the sale of the Wayne Hummer Growth Fund.



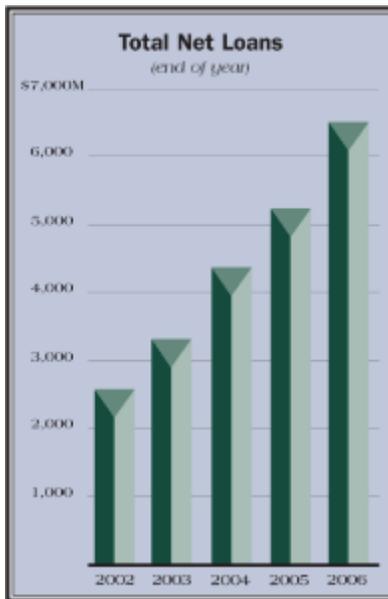
Return on Average Equity and Return on Average Assets Still Need Work

We need to garner better results with regard to our return on average equity and return on average assets goals. Return on average equity fell from 11.0% a year ago to 9.5% for 2006. Return on average assets also declined from the prior year level by 14 basis points to 0.74%.

The rising but inverted interest rate environment and competitive pressures in the pricing of lending products have contributed to the decline in these performance measurements. In the short-term, we believe these environmental issues will not go away. However, as noted previously, we are committed to managing your Company in a manner that will achieve progress toward our goals, especially with respect to return on average equity and return on average assets.

Sound Asset Quality

In 2006, non-performing assets were \$37.4 million, or 0.39% of total assets, compared to \$27.6 million, or 0.34% of total assets in 2005. Net loan charge-offs as a percentage of average loans equaled 0.09% in 2006, compared to 0.10% in 2005. These figures



favorable from a historical perspective and the Company believes that non-performing assets remain at very manageable levels. The Company remains committed to maintaining sound asset quality. Wintrust will not sacrifice our asset quality and pricing standards simply to grow outstanding loan balances in the short-term. Such a strategy, we believe, would most likely impair future growth and franchise value. Sound asset quality has always been a basic operating tenet for us and we are committed to maintaining the quality of the loan portfolio in excellent condition.

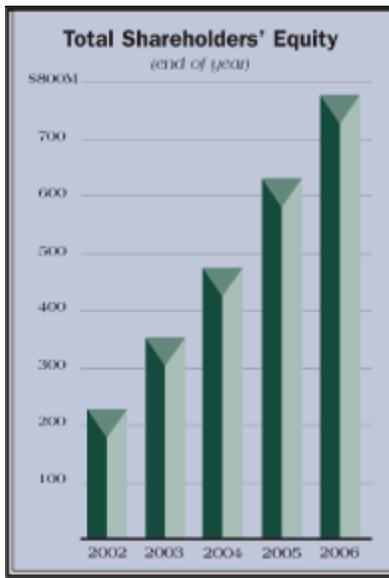
Dividend Payouts Increase Again

In January and July of 2006, our Board of Directors approved semi-annual cash dividends of \$0.14 per share of outstanding common stock. These dividends were paid in February and August. This annualized cash dividend of \$0.28 per share represented a 17% increase over the per share common stock dividends paid during 2005.

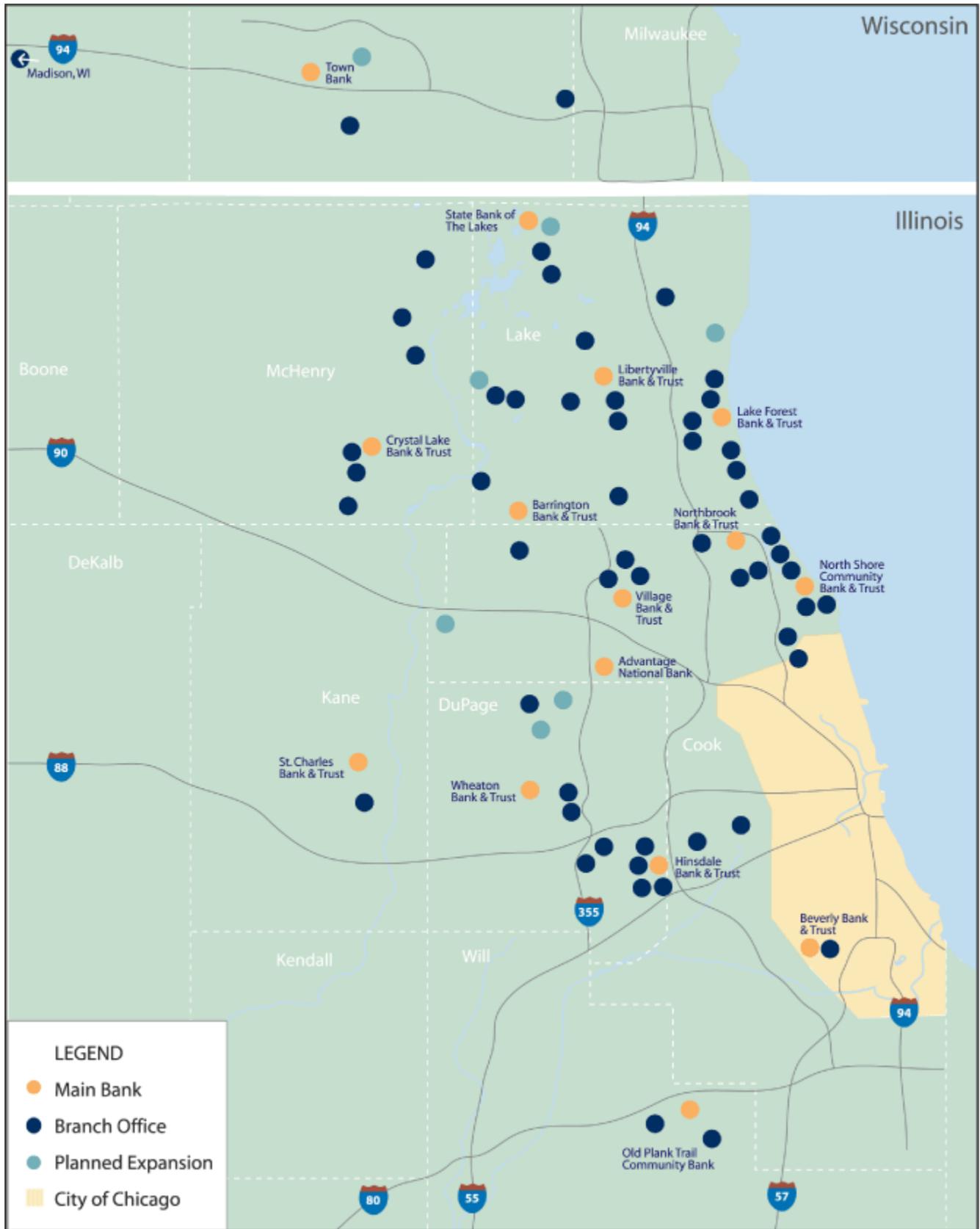
And in January 2007, our Board approved a semi-annual cash dividend of \$0.16 per share of outstanding common stock. The dividend was paid on February 22, 2007 to shareholders of record as of February 8, 2007. This cash dividend, on an annualized basis, represents a 14% increase over the per share common stock dividends paid during 2006. Following is a historical summary of our increasing dividend distributions:

Year	Diluted Earnings	Dividend Per Share	Dividend Payout Ratio
2006	\$2.56	\$0.280	10.9%
2005	2.75	0.240	8.7
2004	2.34	0.200	8.5
2003	1.98	0.160	8.1
2002	1.60	0.120	7.5
2001	1.27	0.093	7.3

While we have increased our dividend every year since we initiated payment of dividends, as a young company which is continually investing in growth, we continue to retain the majority of our earnings to fund future growth and to build a strong long-term franchise. Accordingly, our dividend payments, on an annualized basis, have represented approximately 10% of the Company's prior year earnings. Although the payment of future dividends will be subject to our Board's periodic review of the financial condition, earnings and capital requirements of the Company, it is our present intent to continue to pay regular semi-annual cash dividends.



Wintrust Banking Locations





The Bank Brands We Market

● **Lake Forest Bank & Trust Company**

Asset Size: \$1.5 Billion
Bank Group Brands:



● **Hinsdale Bank & Trust Company**

Asset Size: \$1.4 Billion
Bank Group Brands:



● **North Shore Community Bank & Trust Company**

Asset Size: \$997 Million
Bank Group Brand:



● **Libertyville Bank & Trust Company**

Asset Size: \$933 Million
Bank Group Brands:



● **Barrington Bank & Trust Company**

Asset Size: \$876 Million
Bank Group Brands:



● **Crystal Lake Bank & Trust Company**

Asset Size: \$580 Million
Bank Group Brands:



● **Northbrook Bank & Trust Company**

Asset Size: \$745 Million
Bank Group Brands:



● **Advantage National Bank**

Asset Size: \$289 Million
Bank Group Brand:



● **Village Bank & Trust**

Asset Size: \$635 Million
Bank Group Brand:



● **Beverly Bank & Trust Company**

Asset Size: \$161 Million
Bank Group Brand:



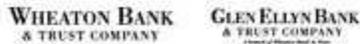
● **Town Bank**

Asset Size: \$475 Million
Bank Group Brand:



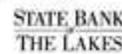
● **Wheaton Bank & Trust Company**

Asset Size: \$311 Million
Bank Group Brands:



● **State Bank of The Lakes**

Asset Size: \$570 Million
Bank Group Brand:



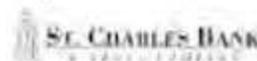
● **Old Plank Trail Community Bank, N.A.**

Asset Size: \$111 Million
Bank Group Brand:



● **St. Charles Bank & Trust Company**

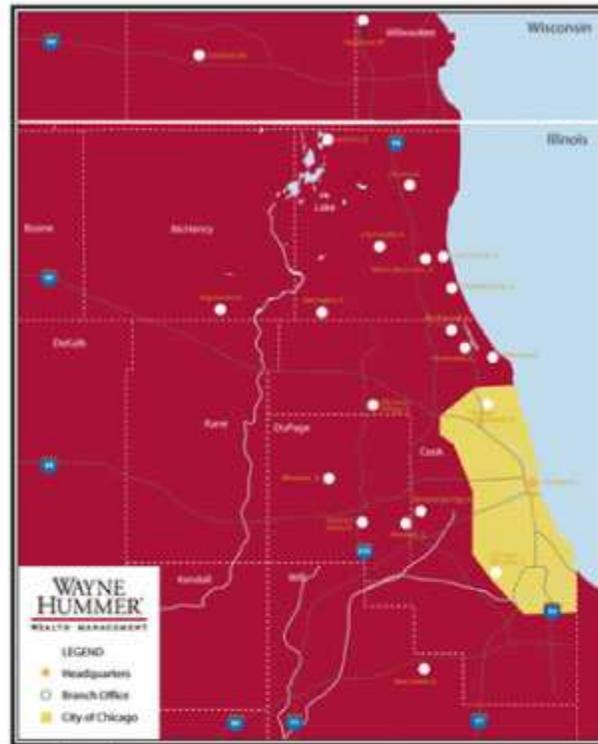
Asset Size: \$54 Million
Bank Group Brand:





Other Wintrust Locations

Wayne Hummer Offices



FIRST Insurance Distribution



Tricom Funding Distribution



WestAmerica Distribution





In keeping with our strategy of giving our clients the best customer service, bar none, we have continued to expand our commercial banking services in 2006. We now have a collection of commercial products that are set to be aggressively promoted to our existing customer base and to small and mid-sized business prospects in our market areas.

Our initial efforts to promote our depth of commercial services with existing retail customers that are also business owners have been very promising. Many of these customers have looked upon our banks as great retail oriented community banks but have not thought of us as a commercial bank that could handle their business needs. Once we have presented our capabilities, we have generally been successful in gaining the opportunity to compete for the commercial piece of their banking needs. There are a number of ways we have achieved this progress.

People. We have put together a group of seasoned, knowledgeable lenders and business development leaders to carry the task of being the bank that businesses look to in their communities. This allows us the advantage of local, timely decision making capabilities for our customers.

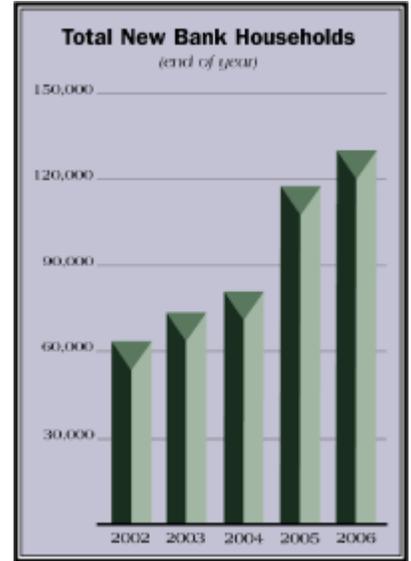
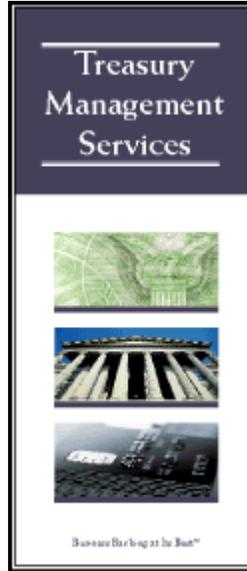
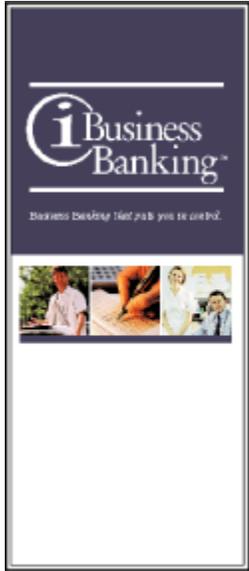
Service and Customization. Customer relationships begin with the ability to meet day-to-day needs of the

customers. Based on our local presence we are able to provide personal customer service and product customization, providing services that fit the needs of our customers to run their businesses more efficiently.

Technology. We have concentrated on our product offerings to be at the leading edge of new product development and enhancements provided to our customers from our internet service portal, i-Business Banking, to our latest product offering, i-Business Capture, allowing customers to make deposits at our banks without leaving their office.

Broad Product Offering. We provide our customers a variety of products and services from loans to treasury management. As we continue to understand the needs of our customers, we will concentrate on deepening these relationships in 2007 through cross-selling initiatives.

We will continue in 2007 to aggressively promote our commercial banking expansion initiatives for “Business Banking at Its Best” highlighting the personal customer service of community banks with the technology capabilities of the big banks. High tech, high touch; not high tech, no touch.



Some highlights that point to our banks’ success:

- Customer base has grown to approximately 130,000, up from 120,000 in 2005;
- Average deposits per bank group exceeded \$524 million, up from \$518 million a year ago;
- Average deposits per banking facility remained relatively stable at approximately \$108 million in 2006 and 2005 which is a good result given that we opened 11 new facilities or 18% more; and,
- 29% growth in commercial/commercial real estate loan balances.

Below is a chart of FDIC deposit market share as of June 30, 2006, for each Wintrust main bank zip code.

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

Wealth Management



Having recently celebrated its 75th Anniversary, the Wayne Hummer Companies and their team of experts in investments, trust services, asset management, and financial planning provide clients sophisticated financial advice using a complete range of wealth management products and services. Wayne Hummer offers the products, technology, and experience of a larger national firm but with the highly personal service and attention of a boutique firm. Wayne Hummer Investments, LLC, Wayne Hummer Trust Company, N.A., and Wayne Hummer Asset Management Company comprise the wealth management component of the Wintrust organization.

Wayne Hummer has 160 professionals employed at over 20 locations throughout the greater Chicagoland area and parts of Wisconsin, as well as 22 correspondent firm offices in the Midwest. During 2006, Wayne Hummer added professionals to our Illinois banking locations in Arlington Heights, Algonquin, and Beverly. The offering of wealth management services continues to be well received by our banking customers.



Wayne Hummer anticipates continued expansion of its offices during 2007 with particular emphasis on personnel growth as it plans to hire 14 additional professionals into the various wealth management divisions including Financial Advisors, Portfolio Managers, and other various individuals to launch the new “farm team,” a group of aspiring financial professionals who will be groomed to become trusted financial advisors. The development of the “Wayne Hummer Way,” which is the unique team approach to wealth management solutions revolving around the needs of each client, will lay the foundation to fortify its competitive advantage in the financial services market. By beginning every client relationship with a Comprehensive Financial Review, Wayne Hummer will effectively introduce its clients to appropriate products and leverage the services and expertise of the entire organization.

During the past year, to better align its sales team for improved success in the future, Wayne Hummer Investments upgraded the sales support system to a state-of-the-art platform designed specifically for client account maintenance and trading functionality. The user-friendliness of the new SmartStation platform paired with its extensive research capabilities allows Wayne Hummer Financial Advisors to quickly and conveniently respond to client inquiries and requests. Clients were also introduced to the high-tech world of electronic transactions. Not only can clients elect to receive statements and trade confirmations via e-mail, but they can also place trades when they sign-up for online trading.

In further efforts to extend the Wayne Hummer brand name, after careful consideration of the needs of our clients, it was determined that it was no longer beneficial to operate two separate broker-dealers. Therefore, in December 2006, Focused

Investments, a subsidiary of Wayne Hummer Investments, was merged into its parent and now operates as one broker-dealer under the Wayne Hummer Investments name. Separately, as a result of the Wintrust merger with Hinsbrook Bank & Trust, the Wayne Hummer Trust Company was able to combine the resources of the Hinsbrook Trust Department with those of its own to expand service offerings to new clientele.

Wayne Hummer Asset Management Company spent significant time refocusing the investment management process and found strong success and outstanding first-year investment returns with its new PathMaster product, an ETF-based mutual fund. PathMaster proved to be a catalyst for continued investment opportunities within the Wayne Hummer companies.



Other Strategic Companies

FIRST Insurance Funding Corp.

Last year was a tough one for the premium finance industry as shrinking insurance premiums, rising interest rates and industry consolidation conspired to constrain loan volume and squeeze margins. However, FIRST once again proved its industry leadership by achieving solid growth, reaching \$3.0 billion in loan volume, an increase over 2005 new loan volume of \$2.7 billion.

FIRST also strengthened its position as the finance company of choice for successful, independent insurance agents by winning the exclusive endorsement of Assurex Global from a competitor that had held the endorsement for more than three decades. This endorsement should bring FIRST meaningful new business over the next few years. FIRST gained this endorsement while maintaining the endorsements of other strong independent agent associations like The Council of Insurance Agents & Brokers and the Agency Peak Performance Exchange.

These endorsements, along with an expanded sales force and continued aggressive sales and marketing efforts, are helping FIRST to lay the groundwork for a successful 2007, which will also see FIRST's continued expansion into insurance company billing programs and the small business market.

FIRST remains committed to making asset quality as important as volume growth. This is seen in the fact that FIRST's 2006 non-performing assets were 1.07% of outstandings with charge-offs of only 0.22% of average outstanding loans.

As one of the largest premium finance companies in the country, FIRST continues to prove its industry leadership with cutting edge technology, unique products and services and, what we believe to be, one of the cleanest portfolios in the industry.

Tricom Inc. of Milwaukee

The general temporary staffing industry saw tepid growth in 2006. However, Tricom, celebrating its seventh year as a Wintrust subsidiary, maintained a net revenue contribution to the company of \$8.5 million in 2006, and a net income contribution of \$1.8 million. Good results, considering the overall temporary help business.

Growth in 2007 will come from possible acquisitions, as well as a focused effort on growing the business via a comprehensive sales and marketing effort. An analysis of our primary competition has yielded certain strategic benefits for firms that work with us. Aggressively marketing this advantage, we hope to attract many of the firms in the temporary staffing industry to our leading, all-inclusive solutions that quite frankly, outshine our

**STAY
INDEPENDENT!!**

You are an independent agent. So why does your broker company stick you in a crowd to treat you like everybody else? Or even worse, why are you forced to use the broker company dictated by one of your members?

Your agency is unique. Infund knows that.

Infund is a division of FIRST Insurance Funding Corp., one of the largest premium finance companies in the U.S. Settle or lapse, Infund can handle all premiums with competitive rates and terms.

Infund has the technology, flexibility, service and financial resources to make premium financing an integral part of your selling process, making it easier for you to grow and stay truly independent.

Call Infund at 1-800-837-2510 to get started. *Stay Independent. Premium finance for all. Infund.

infund
INSURANCE FINANCING CORPORATION

1-800-837-2510
www.infund.net

competition. Where needed, this will include matching or beating our competitors rates in the short-term.

WestAmerica Mortgage Company

In 2006, WestAmerica focused on consolidation and expense reduction after concentrating on growth the previous few years. Warehouse interest spread was virtually nonexistent with the inverted yield curve. Volume reduction throughout the industry contributed to increased pressure on margins. WestAmerica ended 2006 with \$1.5 billion in originations down from \$1.7 billion in 2005.

For 2007, WestAmerica will continue to improve efficiencies and manage every production branch to ensure they contribute to corporate profitability. The focus will remain on profitability instead of growth. Offering a full array of mortgage products will again be emphasized in the ever changing mortgage origination marketplace.

Wintrust Information Technology Services (WITS)

Internet and computer security is always on everyone’s mind, especially these days with stories of “phishing” and identity theft. Given this environment, WITS continues monitoring developments to provide the highest practical level of customer information security. By keeping a watchful eye on our network, including events as they are happening, we are better positioned to prevent any potential loss of our customers’ valuable information.

2006 was a year of operational support and integrations for WITS. We made a number of improvements for our technical support area including an enhanced project management process. A number of improvements were made for our retail customers with our new Internet Banking and Voice Response services. Our commercial customers received a new service in I-Business Capture, our remote deposit product. Additionally, WITS provided the full integration of Town Bank and Hinsbrook Bank & Trust into our network and systems.

For 2007, WITS looks to continue to provide our banks and other subsidiaries the best IT support available.

Growth and Earnings Strategies

#1 Strategy is Best Customer Service, Bar None.

We make fulfilling clients' needs priority one, whether that be banking, mortgages, wealth management, premium finance or any of our other businesses. This results in more satisfied customers and higher customer loyalty.

On the banking side, what really separates us from our big bank competitors is our superior customer service. Customers may come to us because of a certain product or an attractive price, but they stay with us because of our service.

On a regular basis we measure bank customer satisfaction and our delivery of customer service. In our 2006 survey, we are pleased to note that on average our Wintrust community banks were rated "excellent" or "good" on overall level of service by more than 80% of customers. And, on average, over 85% of respondents rated their Wintrust community banks' delivery of customer service as "excellent" or "good" versus the competition. This level of satisfaction is outstanding and will result in higher loyalty to our brands.

Profitable Growth Formula

Our formula for growth includes four "building block" strategies that provide the framework for Wintrust's strong growth and earnings:

1. Building a base of community banks;
2. Growing commercial banking business;
3. Expanding wealth management distribution; and
4. Developing asset niches and other income generators to fuel growth.

1. Building Base of Community Banks

The first of our building block strategies is that of building a strong base of community bank franchises. At year end, Wintrust had 15 bank charters with 73 locations — 69 in Illinois and four in Wisconsin. Nine banks and 51 facilities were *de novo* launches over the last fifteen years. Seven banks and 22 facilities have been added via acquisition since 2003. (One of our acquired charters was combined into another in-market charter.) In 2007, we have plans to add additional branches via *de novo* launches and perhaps acquisition if the correct opportunity presents itself.

According to FDIC deposit data as of June 30, 2006, we are the eighth largest bank group in the Chicago Standard Metropolitan Statistical Area (SMSA) and have the highest number of individual bank charters.

Deposit Market Share-Chicago SMSA

Bank Holding Company	In-market Deposit Dollars	Deposit Market Share %	Year Ago Market Share Change	Headquarter Location
1) JP Morgan Chase & Co.	\$40.1 BB	15.30%	-0.72%	New York, NY
2) ABN AMRO Holding N.V.	\$37.0 BB	14.11%	1.19%	Netherlands
3) Bank of Montreal	\$25.6 BB	9.77%	0.03%	Canada
4) Fifth Third Bancorp	\$ 8.5 BB	3.23%	-0.13%	Cincinnati, OH
5) Corus Bankshares	\$ 8.3 BB	3.18%	0.88%	Chicago, IL
6) Royal Bank of Scotland Group	\$ 7.3 BB	2.79%	0.10%	Scotland
7) Northern Trust Corporation	\$ 7.3 BB	2.79%	-0.74%	Chicago, IL
8) Wintrust Financial Corporation	\$ 7.2 BB	2.75%	0.24%	Lake Forest, IL

Source: FDIC website — Summary of Deposits as of June 30 2006. Market share data is for the Chicago Standard Metropolitan Statistical Area.

Wintrust banks use a proven mix of operating and marketing strategies that allow us to position ourselves differently from the centralized big banks and to better deliver our community bank benefits. Our unique bank growth strategies include:

Decentralized Management . Each of our 15 banks has profit responsibilities and the authority to make decisions locally. As compared to the rigid, centralized approach of most big banks, our local decision making structure results in more flexibility, customized products to better meet local needs, sharper pricing, quicker decisions, more community involvement, and customer service more in tune with local customers and businesses. This allows Wintrust to truly operate real community banks with local roots and local decision making. And because our management teams are allowed the autonomy to essentially operate like an independent bank, we are able to attract and retain the best and most entrepreneurial bankers in the area who want to run their own show.

Local Board and Local Bankers . Each of our banks is governed by its own local board of directors. These boards are made up of business and community leaders who are influential in the markets served by their bank. Their oversight, local contacts and involvement are keys to making our banks real community banks.



Our management teams include experienced bankers who are well known in their markets. We also staff our banks with local bankers who are deeply involved in the community as well. Our bankers' local roots are also an important part of being a good hometown bank. Most local residents and businesses prefer to bank with a local institution staffed with local bankers that know them and can better meet their needs.



Local Branding . Not only do we run our banks locally, but we brand many of our banks and branches after the local communities as well. The Hinsdale Bank & Trust group is a good example, with its branches also positioned locally as Clarendon Hills Bank, The Community Bank of Western Springs, Riverside Bank, Downers Grove Community Bank, and Hinsbrook Bank & Trust.

Aggressive Marketing Plans . Wintrust uses very aggressive introductory marketing programs designed to acquire new customers when we enter a new market. Quickly expanding the customer base allows us to grow into our overhead and become profitable sooner. It also helps us move toward the #1 or #2 market share in the first few years after opening a location. After our introductory period, our banks continue to be aggressive with marketing to grow household penetration and accounts per household.

Creative Anti-Big Bank Advertising . Our retail advertising mission dictates that superior advertising must create traffic and grow business in the short term while it builds our distinct positioning for the long term. We help accomplish this mission by creating ads that poke fun at the big banks and positioning them as profits-over-service institutions as compared to our community banks' preferred customer-first focus. Please enjoy the ads we have scattered throughout this report.



2. Growing Commercial Banking Business

In 2006, we kicked off our second “building block” strategy, a major Wintrust-wide initiative designed to aggressively grow our commercial banking business, both on the lending side as well as the deposit side. Our key target is middle market commercial and industrial business and our key competition is the larger banks. To better compete, we have invested in both product and personnel. We now have sophisticated cash management capabilities that are every bit as good as the big banks and the professionals who know how to sell and implement these programs.

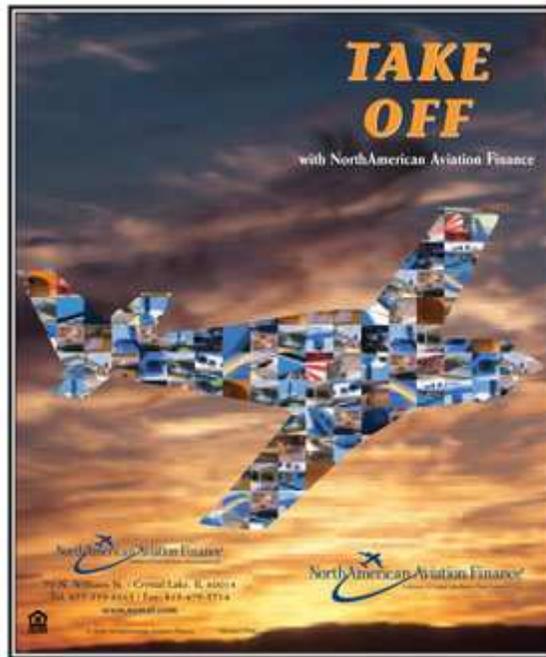
3. Expanding Wealth Management Services

Our third “building block” strategy is the expansion of wealth management. Given the affluent markets in which most Wintrust banks operate, a large opportunity is to convince our bank customers that we can better serve their wealth management needs. They have significant wealth management assets at other firms, just not with us...yet.

In 2007, we have plans to continue to increase the number of Wayne Hummer wealth management personnel at our banks. We are actively recruiting professionals from large multi-national and regional firms. Many of the opportunities for these new wealth management experts will be in our community banks where they can work in the same community in which they live.

4. Developing Asset Niches and Other Income Generators

Our fourth “building block” strategy is the development and growth of asset niches and other income generators. Most community banks have difficulty generating loans from local consumers and small businesses that represent more than 60% of their lending capacity without compromising credit quality. That’s because in many suburban communities, there are more consumer and small business deposit opportunities than there are loans.

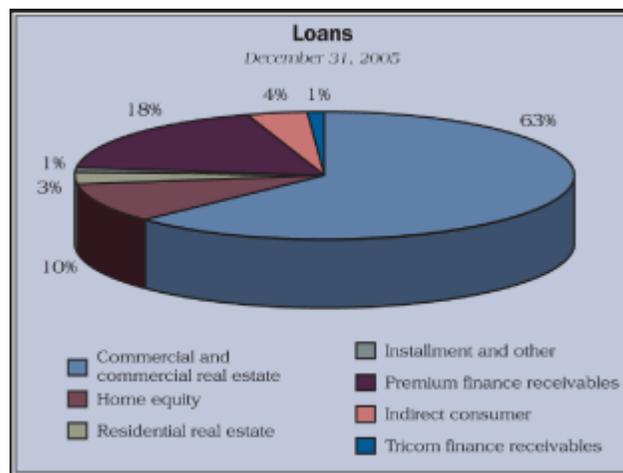


To overcome this limitation, we augment our community banks' loan portfolios with non-traditional earning assets. This not only improves the profitability of our community banks and gives us additional income to continue to invest in growth, but diversifies our loan portfolios and allows the banks to maintain their credit standards by not feeling compelled to pursue inappropriately priced or structured credits for the sake of earnings growth.

Table of Contents

To create these additional assets, we operate several non-bank financial services companies and have developed internally a number of non-traditional bank lending functions. Non-bank asset niches account for 18.6% of total loans while specialty banking asset niches account for 6.0%.

	<i>% of Total Loans</i>
<i>Non-Bank Asset Niches</i>	
• Commercial premium finance lending (FIRST Insurance Funding)	17.9%
• Temporary staffing industry financing (Tricom)	<u>0.7%</u>
	<u>18.6%</u>
<i>Specialty Banking Asset Niches</i>	
• Indirect auto lending (Hinsdale Bank)	3.6%
• Mortgage warehouse lending (Hinsdale Bank)	1.0%
• Condominium and association lending (Community Advantage-Barrington Bank)	0.7%
• Small craft aviation lending (North American Aviation Finance-Crystal Lake Bank)	<u>0.7%</u>
	<u>6.0%</u>



Technology, the Great Equalizer

Technology allows Wintrust to provide better customer support, whether it be superior back-end software for our customer service representatives or state-of-the-art online banking applications for our customers. We have always been committed to providing our customers with the best and most recent on-line technology and other high-tech services; and in doing so, generating operating efficiencies to improve our earnings. Here are some key technology initiatives for 2007:

- Completion of our banks' web site upgrade—New design will offer better content and state of the art navigation;
- Another update of internet banking services—improved functionality of on-line banking, bill pay and bill presentment;
- Continue to review centralized common banking applications for cost reduction, increased quality control and support efficiencies;
- Complete implementation of the selected centralized document imaging service for the Wintrust companies;
- Implement enhanced Account Analysis functionality for our commercial business;
- Implement a fully automated wire transfer system;
- Add Electronic transaction functionality for our commercial customers to offer their customers; and
- Add improved international wire transfer services for commercial customers.

Investor Relations

In 2007, we will 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 meeting with interested institutional buyers. Meeting with analysts and communicating our story creates

Acquisition Strategy

awareness about our Company. This is an important responsibility of management.

Acquisitions remain an important and viable source of growth for many companies. Since 1999, Wintrust has added various banking and other complementary businesses via acquisitions. These acquisitions are an important tactic for Wintrust to add key strategic and niche assets, as well as to expand into banking locations and markets, creating value for our shareholders.

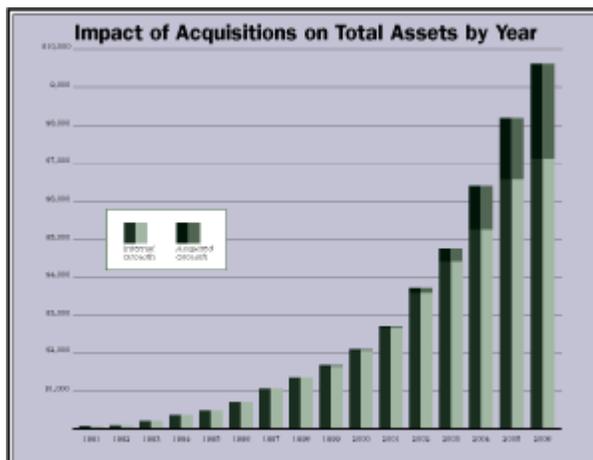
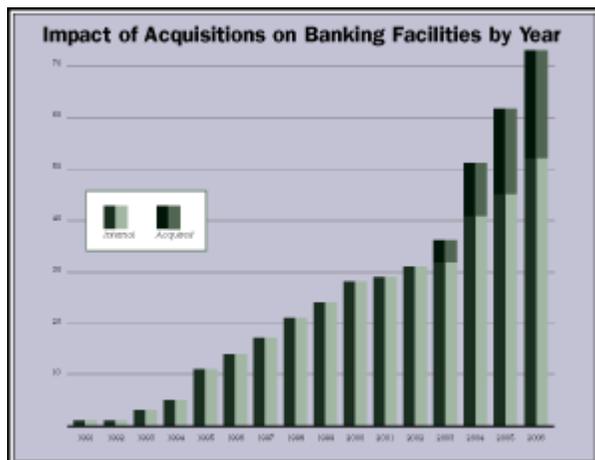
Banking Acquisitions

Over the past few years, we have been contacted by many Illinois, Wisconsin and Indiana community banks with the goal of merging their community-based bank and branches into our Wintrust family of banks. This year has not been any different. In 2006, we completed an acquisition of Hinsbrook Bancshares, the parent company of Hinsbrook Bank & Trust.

It is our goal to continue to add new banks in attractive markets, either on a *de novo* basis or by acquisition, taking into account business sense and shareholder value. Our bank acquisitions have proved successful in the past. Our acquired banks have grown deposits and assets, as well as significantly growing their market share.

Other Acquisitions

Your management team and Board of Directors continue to evaluate additional non-banking acquisition opportunities. These include businesses within the wealth management arena, and asset and fee income generators as well. Adding these types of companies to our “stable” should add diversified earning asset and fee-based income to supplement and diversify Wintrust’s revenue stream.



Report on Management's Assessment of Internal Control Over Financial Reporting

Wintrust Financial Corporation is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements and notes included in this annual report have been prepared in conformity with generally accepted accounting principles in the United States and necessarily include some amounts that are based on management's best estimates and judgments.

We, as management of Wintrust Financial Corporation, are responsible for establishing and maintaining effective internal control over financial reporting that is designed to produce reliable financial statements in conformity with generally accepted accounting principles in the United States. The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are identified. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

Management assessed the Corporation's system of internal control over financial reporting as of December 31, 2006, in relation to criteria for the effective internal control over financial reporting as described in "Internal Control — Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concludes that, as of December 31, 2006, its system of internal control over financial reporting is effective and meets the criteria of the "Internal Control — Integrated Framework." Ernst & Young LLP, independent registered public accounting firm, has issued an attestation report on management's assessment of the Corporation's internal control over financial reporting.



Edward J. Wehmer
President &
Chief Executive Officer

Lake Forest, Illinois
February 28, 2007



David L. Stoehr
Executive Vice President &
Chief Financial Officer

Report of Independent Registered Public Accounting Firm on Effectiveness of Internal Control Over Financial Reporting

The Board of Directors and Shareholders of Wintrust Financial Corporation

We have audited management's assessment, included in the accompanying Report on Management's Assessment of Internal Control Over Financial Reporting, that Wintrust Financial Corporation maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Wintrust Financial Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Wintrust Financial Corporation maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Wintrust Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of condition of Wintrust Financial Corporation and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006 and our report dated February 28, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

Chicago, Illinois
February 28, 2007

Consolidated Financial Statements

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share data)

	December 31,	
	2006	2005
Assets		
Cash and due from banks	\$ 169,071	158,136
Federal funds sold and securities purchased under resale agreements	136,221	183,229
Interest bearing deposits with banks	19,259	12,240
Available-for-sale securities, at fair value	1,839,716	1,799,384
Trading account securities	2,324	1,610
Brokerage customer receivables	24,040	27,900
Mortgage loans held-for-sale	148,331	85,985
Loans, net of unearned income	6,496,480	5,213,871
Less: Allowance for loan losses	46,055	40,283
Net loans	6,450,425	5,173,588
Premises and equipment, net	311,041	247,875
Accrued interest receivable and other assets	180,889	272,772
Goodwill	268,936	196,716
Other intangible assets	21,599	17,607
Total assets	\$9,571,852	8,177,042
Liabilities and Shareholders' Equity		
Deposits:		
Non-interest bearing	\$ 699,203	620,091
Interest bearing	7,170,037	6,109,343
Total deposits	7,869,240	6,729,434
Notes payable	12,750	1,000
Federal Home Loan Bank advances	325,531	349,317
Other borrowings	162,072	95,796
Subordinated notes	75,000	50,000
Long-term debt — trust preferred securities	249,828	230,458
Accrued interest payable and other liabilities	104,085	93,126
Total liabilities	8,798,506	7,549,131
Shareholders' equity:		
Preferred stock, no par value; 20,000,000 shares authorized; no shares issued and outstanding at December 31, 2006 and 2005	—	—
Common stock, no par value; \$1.00 stated value; 60,000,000 shares authorized at December 31, 2006 and 2005; 25,802,024 and 23,940,744 shares issued at December 31, 2006 and 2005, respectively	25,802	23,941
Surplus	519,233	420,426
Treasury stock, at cost, 344,089 shares at December 31, 2006	(16,343)	—
Common stock warrants	681	744
Retained earnings	261,734	201,133
Accumulated other comprehensive loss	(17,761)	(18,333)
Total shareholders' equity	773,346	627,911
Total liabilities and shareholders' equity	\$9,571,852	8,177,042

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2006	2005	2004
Interest income			
Interest and fees on loans	\$456,384	335,391	218,298
Interest bearing deposits with banks	651	279	80
Federal funds sold and securities purchased under resale agreements	5,393	3,485	934
Securities	93,398	66,555	40,891
Trading account securities	51	68	130
Brokerage customer receivables	2,068	1,258	1,413
Total interest income	557,945	407,036	261,746
Interest expense			
Interest on deposits	265,729	156,252	83,135
Interest on Federal Home Loan Bank advances	14,675	11,912	8,070
Interest on notes payable and other borrowings	5,638	4,178	2,358
Interest on subordinated notes	4,695	2,829	2,891
Interest on long-term debt — trust preferred securities	18,322	15,106	7,468
Total interest expense	309,059	190,277	103,922
Net interest income	248,886	216,759	157,824
Provision for credit losses	7,057	6,676	6,298
Net interest income after provision for credit losses	241,829	210,083	151,526
Non-interest income			
Wealth management	31,720	30,008	31,656
Mortgage banking	22,341	25,913	18,250
Service charges on deposit accounts	7,146	5,983	4,100
Gain on sales of premium finance receivables	2,883	6,499	7,347
Administrative services	4,598	4,539	3,984
Fees from covered call and put options	3,157	11,434	11,121
Gains on available-for-sale securities, net	17	1,063	1,863
Other	19,370	8,118	7,131
Total non-interest income	91,232	93,557	85,452
Non-interest expense			
Salaries and employee benefits	137,008	118,071	94,049
Equipment	13,529	11,779	9,074
Occupancy, net	19,807	16,176	10,083
Data processing	8,493	7,129	5,560
Advertising and marketing	5,074	4,970	3,403
Professional fees	6,172	5,609	5,376
Amortization of other intangible assets	3,938	3,394	1,110
Other	34,799	31,562	27,436
Total non-interest expense	228,820	198,690	156,091
Income before income taxes	104,241	104,950	80,887
Income tax expense	37,748	37,934	29,553
Net income	\$ 66,493	67,016	51,334
Net income per common share — Basic	\$ 2.66	2.89	2.49
Net income per common share — Diluted	\$ 2.56	2.75	2.34

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

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

(In thousands, except share data)

	Compre- hensive income (loss)	Common stock	Surplus	Treasury stock	Common stock warrants	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2003		\$20,066	243,626	—	1,012	92,301	(7,168)	349,837
Comprehensive income:								
Net income	\$ 51,334	—	—	—	—	51,334	—	51,334
Other comprehensive loss, net of tax:								
Unrealized losses on securities, net of reclassification adjustment	(353)	—	—	—	—	—	(353)	(353)
Unrealized gains on derivative instruments	163	—	—	—	—	—	163	163
Comprehensive Income	51,144							
Cash dividends declared on common stock		—	—	—	—	(4,069)	—	(4,069)
Common stock issued for:								
Business combinations		1,035	58,903	—	—	—	—	59,938
Exercise of stock options		474	13,004	—	—	—	—	13,478
Employee stock purchase plan		27	1,303	—	—	—	—	1,330
Restricted stock awards		28	907	—	—	—	—	935
Exercise of common stock warrants		94	1,236	—	(184)	—	—	1,146
Director compensation plan		5	168	—	—	—	—	173
Balance at December 31, 2004		21,729	319,147	—	828	139,566	(7,358)	473,912
Comprehensive income:								
Net income	67,016	—	—	—	—	67,016	—	67,016
Other comprehensive loss, net of tax:								
Unrealized losses on securities, net of reclassification adjustment	(11,081)	—	—	—	—	—	(11,081)	(11,081)
Unrealized gains on derivative instruments	106	—	—	—	—	—	106	106
Comprehensive Income	56,041							
Cash dividends declared on common stock		—	—	—	—	(5,449)	—	(5,449)
Common stock issued for:								
New issuance, net of costs		1,000	54,845	—	—	—	—	55,845
Business combinations		601	29,986	—	—	—	—	30,587
Exercise of stock options		461	12,692	—	—	—	—	13,153
Employee stock purchase plan		35	1,679	—	—	—	—	1,714
Restricted stock awards		19	832	—	—	—	—	851
Exercise of common stock warrants		89	935	—	(84)	—	—	940
Director compensation plan		7	310	—	—	—	—	317
Balance at December 31, 2005		23,941	420,426	—	744	201,133	(18,333)	627,911
Comprehensive income:								
Net income	66,493	—	—	—	—	66,493	—	66,493
Other comprehensive income, net of tax:								
Unrealized gains on securities, net of reclassification adjustment	2,051	—	—	—	—	—	2,051	2,051
Unrealized losses on derivative instruments	(1,479)	—	—	—	—	—	(1,479)	(1,479)
Comprehensive Income	\$ 67,065							
Cash dividends declared on common stock		—	—	—	—	(6,961)	—	(6,961)
Treasury stock purchases		—	—	(16,343)	—	—	—	(16,343)
Cumulative effect of change in accounting for mortgage servicing rights		—	—	—	—	1,069	—	1,069
Stock-based compensation		—	17,282	—	—	—	—	17,282
Common stock issued for:								
New issuance, net of costs		200	11,384	—	—	—	—	11,584

Business combinations	1,123	55,965	—	—	—	—	57,088
Exercise of stock options	401	11,255	—	—	—	—	11,656
Employee stock purchase plan	37	1,949	—	—	—	—	1,986
Restricted stock awards	73	(73)	—	—	—	—	—
Exercise of common stock warrants	14	476	—	(63)	—	—	427
Director compensation plan	13	569	—	—	—	—	582
Balance at December 31, 2006	\$25,802	519,233	(16,343)	681	261,734	(17,761)	773,346

See accompanying Notes to Consolidated Financial Statements.

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Years Ended December 31,		
	2006	2005	2004
Operating Activities:			
Net income	\$ 66,493	67,016	51,334
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	7,057	6,676	6,298
Depreciation and amortization	17,622	14,113	9,805
Deferred income tax (benefit) expense	(1,207)	345	2,956
Shared-based compensation	12,159	4,450	—
Tax benefit from stock-based compensation arrangements	5,281	7,038	8,671
Excess tax benefits from stock-based compensation arrangements	(4,565)	—	—
Net (accretion) amortization of premium on securities	(1,136)	2,638	2,259
Fair market value change of interest rate swaps	(1,809)	1,809	—
Originations and purchases of mortgage loans held-for-sale	(1,971,894)	(2,198,638)	(1,520,848)
Proceeds from sales of mortgage loans held-for-sale	1,922,284	2,227,636	1,571,524
Gain on sales of premium finance receivables	(2,883)	(6,499)	(7,347)
Net (increase) decrease in trading securities	(714)	1,989	70
Net decrease in brokerage customer receivables	3,860	3,947	2,065
Gain on mortgage loans sold	(12,736)	(10,054)	(11,117)
Gains on available-for-sale securities, net	(17)	(1,063)	(1,863)
(Gain) loss on sales of premises and equipment, net	(14)	40	(535)
(Increase) decrease in accrued interest receivable and other assets, net	(10,307)	(4,507)	8,515
Increase (decrease) in accrued interest payable and other liabilities, net	13,918	(30)	2,744
Net Cash Provided by Operating Activities	41,392	116,906	124,531
Investing Activities:			
Proceeds from maturities of available-for-sale securities	857,199	384,840	179,643
Proceeds from sales of available-for-sale securities	372,613	1,068,470	922,732
Purchases of available-for-sale securities	(1,069,596)	(1,827,642)	(1,477,226)
Proceeds from sales of premium finance receivables	302,882	561,802	495,720
Net cash paid for acquisitions	(51,070)	(79,222)	(7,433)
Net (decrease) increase in interest bearing deposits with banks	(6,819)	(7,191)	16,769
Net increase in loans	(1,211,300)	(1,007,090)	(1,114,479)
Purchases of Bank Owned Life Insurance	—	—	(7,861)
Purchases of premises and equipment, net	(64,824)	(47,006)	(30,606)
Net Cash Used for Investing Activities	(870,915)	(953,039)	(1,022,741)
Financing Activities:			
Increase in deposit accounts	717,044	1,038,247	679,237
Increase (decrease) in other borrowings, net	63,476	(133,755)	22,236
Increase (decrease) in notes payable, net	11,750	(5,000)	(25,000)
(Decrease) increase in Federal Home Loan Bank advances, net	(36,080)	22,815	136,000
Net proceeds from issuance of long-term debt — trust preferred securities	50,000	40,000	90,000
Redemption of long-term debt — trust preferred securities, net	(31,050)	(20,000)	—
Proceeds from issuance of subordinated note	25,000	—	—
Repayment of subordinated note	(8,000)	—	—
Excess tax benefits from stock-based compensation arrangements	4,565	—	—
Issuance of common stock, net of issuance costs	11,584	55,845	—
Issuance of common stock resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	8,465	8,769	7,283
Treasury stock purchases	(16,343)	—	—
Dividends paid	(6,961)	(5,449)	(4,069)
Net Cash Provided by Financing Activities	793,450	1,001,472	905,687
Net (Decrease) Increase in Cash and Cash Equivalents	(36,073)	165,339	7,477
Cash and Cash Equivalents at Beginning of Year	341,365	176,026	168,549
Cash and Cash Equivalents at End of Year	\$ 305,292	341,365	176,026

Supplemental disclosures of cash flow information:

Cash paid during the year for:			
Interest	\$ 304,088	183,804	102,387
Income taxes, net	33,821	28,618	18,365
Acquisitions:			
Fair value of assets acquired, including cash and cash equivalents	483,723	707,406	722,057
Value ascribed to goodwill and other intangible assets	79,832	92,597	72,821
Fair value of liabilities assumed	448,409	660,452	686,281
Non-cash investing activities:			
Common stock issued for acquisitions	57,088	30,587	59,938
Transfer to other real estate owned from loans	2,439	1,456	1,819

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Description of the Business

Wintrust Financial Corporation (“Wintrust” or “the Company”) is a financial holding company currently engaged in the business of providing traditional community banking services to customers in the Chicago metropolitan area and southern Wisconsin. Additionally, the Company operates various non-bank subsidiaries.

Wintrust has 15 wholly-owned bank subsidiaries (collectively, “the Banks”), nine 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”), Northbrook Bank & Trust Company (“Northbrook Bank”), Beverly Bank & Trust Company, N.A. (“Beverly Bank”) and Old Plank Trail Community Bank, N.A. (“Old Plank Trail Bank”). The Company acquired Advantage National Bank (“Advantage Bank”) in October 2003, Village Bank & Trust (“Village Bank”) in December 2003, Northview Bank & Trust (“Northview Bank”) in September 2004, Town Bank in October 2004, State Bank of The Lakes in January 2005, First Northwest Bank in March 2005 and Hinsbrook Bank and Trust (“Hinsbrook Bank”) in May 2006. In December 2004, Northview Bank’s Wheaton branch became its main office, it was renamed Wheaton Bank & Trust (“Wheaton Bank”) and its two Northfield locations became branches of Northbrook Bank and its Mundelein location became a branch of Libertyville Bank. In May 2005, First Northwest Bank was merged into Village Bank. In November 2006, Hinsbrook Bank’s Geneva branch was renamed St. Charles Bank & Trust (“St. Charles Bank”), its Willowbrook, Downers Grove and Darien locations became branches of Hinsdale Bank and its Glen Ellyn location became a branch of Wheaton Bank.

The Company provides, on a national basis, loans to businesses to finance insurance premiums on their commercial insurance policies (“premium finance receivables”) through First Insurance Funding Corporation (“FIFC”). FIFC is a wholly-owned subsidiary of Crabtree Capital Corporation (“Crabtree”) which is a wholly-owned subsidiary of Lake Forest Bank.

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

The Company provides a full range of wealth management services through its trust, asset management and broker-dealer subsidiaries. Trust and investment services are provided at the Banks through the Company’s wholly-owned subsidiary, Wayne Hummer Trust Company, N.A. (“WHTC”), a *de novo* company started in 1998. 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. WHI has office locations in a majority of the Company’s Banks. WHI also provides a full range of investment services to individuals through a network of relationships with community-based financial institutions primarily in Illinois. WHI is a wholly-owned subsidiary of North Shore Bank. Focused Investments LLC was a wholly-owned subsidiary of WHI and was merged into WHI in December 2006. Wayne Hummer Asset Management Company (“WHAMC”) provides money management services and advisory services to individuals, institutions and municipal and tax-exempt organizations, 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. WHI, WHAMC and Focused were acquired in 2002, and are collectively referred to as the “Wayne Hummer Companies”. In February 2003, the Company acquired Lake Forest Capital Management (“LFCM”), a registered investment advisor, which was merged into WHAMC.

In May 2004, the Company acquired SGB Corporation d/b/a WestAmerica Mortgage Company (“WestAmerica”) and its affiliate, Guardian Real Estate Services, Inc. (“Guardian”). WestAmerica engages primarily in the origination and purchase of residential mortgages for sale into the secondary market, and Guardian provides document preparation and other loan closing services to WestAmerica and a network of mortgage brokers. WestAmerica maintains principal origination offices in nine states, including Illinois, and originates loans in other states through wholesale and correspondent offices. WestAmerica and Guardian are wholly-owned subsidiaries of Barrington Bank.

Wintrust Information Technology Services Company (“WITS”) provides information technology support, item capture, imaging 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 (“GAAP”) 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 Company’s more significant accounting policies.

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.

Variable Interest Entities

In accordance with Financial Accounting Standards Board (“FASB”) Interpretation No. 46, “Consolidation of Variable Interest Entities (“FIN 46”), which addresses the consolidation rules to be applied to entities defined in FIN 46 as “variable interest entities,” the Company does not consolidate its interests in subsidiary trusts formed for purposes of issuing trust preferred securities. Management believes that FIN 46 is not applicable to its various other investments or interests.

Earnings per Share

Basic earnings per share 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 the Company.

Business Combinations

Business combinations are accounted for by the purchase method of accounting. Under the purchase method, assets and liabilities of the business acquired are recorded at their estimated fair values 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 is obtained or requested to be returned as deemed appropriate.

Brokerage Customer Receivables

The Company, under an agreement with an out-sourced securities clearing firm, 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, Allowance for Loan Losses and Allowance for Losses on Lending-Related Commitments

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 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. Gains 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 Company allocates the allowance for loan losses to specific loan portfolio groups and maintains its allowance for loan losses at a level believed adequate by management to absorb probable losses inherent in the loan portfolio. The allowance for loan losses is based on the size and current risk characteristics of the loan portfolio, an assessment of Problem Loan Report loans and actual loss experience, changes in the composition of the loan portfolio, historical loss experience, changes in lending policies and procedures, including underwriting standards and collections, charge-off, and recovery practices, changes in the experience, ability and depth of lending management and staff, changes in national and local economic and business conditions and developments, including the condition of various market segments and changes in the volume and severity of past due and classified loans and trends in the volume of non-accrual loans, troubled debt restructurings and other loan modifications. The allowance for loan losses also includes an element for estimated probable but undetected losses and for imprecision in the credit risk models used to calculate the allowance. The Company reviews Problem Loan Report loans on a case-by-case basis to allocate a specific dollar amount of allowance, whereas all other loans are reserved for based on assigned allowance percentages evaluated by loan groupings. The loan groupings utilized by the Company are commercial and commercial real estate, residential real estate, home equity, premium finance receivables, indirect consumer, Tricom finance receivables and consumer. Determination of the allowance is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current environmental factors and economic trends, all of which may be susceptible to significant change. Loan losses are charged off against the allowance, while recoveries are credited to the allowance. A provision for credit losses is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. Evaluations are conducted at least quarterly and more frequently if deemed necessary.

In accordance with the American Institute of Certified Public Accountants Statement of Position (SOP) 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer," loans acquired after January 1, 2005, including debt securities, are recorded at the amount of the Company's initial investment and no valuation allowance is carried over from the seller for individually-evaluated loans that have evidence of deterioration in credit quality since origination, and for which it is probable all contractual cash flows on the loan will be unable to be collected. Also, the excess of all undiscounted cash flows expected to be collected at acquisition over the purchaser's initial investment are recognized as inter-

est income on a level-yield basis over the life of the loan. Subsequent increases in cash flows expected to be collected are recognized prospectively through an adjustment of the loan's yield over its remaining life, while subsequent decreases are recognized as impairment. Loans carried at fair value, mortgage loans held-for-sale, and loans to borrowers in good standing under revolving credit agreements are excluded from the scope of SOP 03-3.

In estimating expected losses, the Company evaluates loans for impairment in accordance with Statement of Financial Accounting Standard ("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 pursuant to the contractual terms of the loan. 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 less costs to sell. 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.

The Company also maintains an allowance for lending-related commitments, specifically unfunded loan commitments and letters of credit, to provide for the risk of loss inherent in these arrangements. The allowance is computed using a methodology similar to that used to determine the allowance for loan losses. This allowance is included in other liabilities on the statement of condition while the corresponding provision for these losses is recorded as a component of the provision for credit 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 governmental agencies, with servicing rights retained. Mortgage servicing rights (MSR) associated with loans originated and sold, where servicing is retained, are capitalized at the time of sale at the future net cash flows expected to be realized for performing the servicing activities, carried at fair value and included in other assets in the consolidated statements of condition. The change in MSR fair value is recorded as a component of mortgage banking revenue in non-interest income in the consolidated statements of income. For purposes of measuring fair value, a third party valuation is obtained. This valuation stratifies the servicing rights into pools based on product type and interest rate. 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 to change significantly in the future. Prior to the adoption of SFAS 156, "Accounting for the Servicing of Financial Assets — An Amendment of FASB Statement No. 140" ("SFAS 156") on January 1, 2006, the capitalized value of mortgage servicing rights were carried at the lower of the initial carrying value, adjusted for amortization, or estimated fair value.

Sales of Premium Finance Receivables

Sales of premium finance receivables to an unrelated third party are recognized 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.

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 39 years for buildings and improvements. Land improvements are amortized over a period of 15 years and leasehold improvements are amortized over the shorter of the useful life of the improvement or 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.

Long-lived depreciable assets are evaluated periodically for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment exists when the expected undiscounted future cash flows of a long-lived asset are less than its carrying value. In that event, a loss is recognized for the difference between the carrying value and the estimated fair value of the asset based on a quoted market price, if applicable, or a discounted cash flow analysis. Impairment losses are recognized in other non-interest expense.

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 income or expense, as appropriate. At December 31, 2006 and 2005, other real estate owned totaled \$572,000 and \$1.4 million, 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. In accordance with SFAS 142, "Goodwill and Other Intangible Assets," goodwill is not amortized, but rather is tested for impairment on an annual basis or more frequently when events warrant. Intangible assets which have finite lives are amortized over their estimated useful lives and also are 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 owns bank-owned life insurance ("BOLI") on certain executives. BOLI balances are recorded at their cash surrender values and are included in other assets. Changes in the cash surrender values are included in non-interest income. At December 31, 2006 and 2005, BOLI totaled \$82.1 million and \$70.3 million, respectively.

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. The Company accounts for derivatives in accordance with 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. Formal documentation of the relationship between a derivative instrument and a hedged asset or liability, as well as the risk-management objective and strategy for undertaking each hedge transaction and an assessment of effectiveness is required at inception to apply hedge accounting. In addition, formal documentation of ongoing effectiveness testing is required to maintain hedge accounting.

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

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

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

Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as derivatives not qualifying for hedge accounting. Fair values of these mortgage derivatives are estimated based on changes in mortgage rates from the date of the commitments. Changes in the fair values of these derivatives are included in mortgage banking revenue.

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 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 covered call option contracts outstanding as of December 31, 2006 or 2005.

Long-term Debt — Trust Preferred Securities Offering Costs

In connection with the Company's currently outstanding Long-term debt — trust preferred securities, approximately \$726,000 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 as an adjustment to interest expense using a method that approximates the effective interest method. As of December 31, 2006, the unamortized balance of these costs was approximately \$460,000. 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

On January 1, 2006, the Company adopted provisions of FASB Statement No. 123(R), "Share-Based Payment" ("SFAS 123R"), using the modified prospective transition method. Under this transition method, compensation cost is recognized in the financial statements beginning January 1, 2006, based on the requirements of SFAS 123R for all share-based payments granted after that date and based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, "Accounting for Stock-Based Compensation" for all share-based payments granted prior to, but not yet vested as of December 31, 2005. Results for prior periods have not been restated.

Prior to 2006, the Company accounted for stock-based compensation using the intrinsic value method set forth in APB 25, as permitted by SFAS 123. The intrinsic value method 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. As a result, for periods prior to 2006, compensation expense was generally not recognized in the Consolidated Statements of Income for stock options. Compensation expense has always been recognized for restricted share awards.

Compensation cost is measured as the fair value of the awards on their date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options and the market price of the Company's stock at the date of grant is used to estimate the fair value of restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

SFAS 123R requires the recognition of stock based compensation for the number of awards that are ultimately expected to vest. As a result, recognized stock compensation expense was reduced for estimated forfeitures prior to vesting primarily based on historical forfeiture data. Estimated forfeitures will be reassessed in subsequent periods and may change based on new facts and circumstances. Prior to January 1, 2006, actual forfeitures were accounted for as they occurred for purposes of required pro forma stock compensation disclosures.

The Company issues new shares to satisfy option exercises and vesting of restricted shares.

The following table reflects the Company's pro forma net income and earnings per share as if compensation expense for the Company's stock options, determined based on the fair value at the date of grant consistent with the method of SFAS 123, had been included in the determination of the Company's net income for the years ended December 31, 2005 and 2004

	Years Ended December 31,	
	2005	2004
Net income:		
As reported	\$67,016	51,334
Compensation cost of stock options based on fair value, net of related tax effect	(3,313)	(2,304)
Pro forma	<u>\$63,703</u>	<u>49,030</u>
Earnings per share — Basic:		
As reported	\$ 2.89	2.49
Compensation cost of stock options based on fair value, net of related tax effect	(0.14)	(0.12)
Pro forma	<u>\$ 2.75</u>	<u>2.37</u>
Earnings per share — Diluted:		
As reported	\$ 2.75	2.34
Compensation cost of stock options based on fair value, net of related tax effect	(0.13)	(0.11)
Pro forma	<u>\$ 2.62</u>	<u>2.23</u>

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*Accounting for Uncertainty in Income Taxes*

In June 2006, the FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, Accounting for Income Taxes," effective for the Company beginning on January 1, 2007. FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of FIN 48 will not materially impact the consolidated financial statements.

Accounting for Certain Hybrid Financial Instruments

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments" ("SFAS 155") which amends SFAS 133. SFAS 155 establishes a requirement to evaluate interests in securitized financial assets to identify hybrid instruments that contain embedded derivatives requiring bifurcation. SFAS 155 permits companies to irrevocably elect, on a deal by deal basis, fair value re-measurement for any hybrid instrument that contains an embedded derivative that otherwise would require bifurcation. SFAS 155 is effective for all financial instruments acquired or issued in fiscal years beginning after September 15, 2006. The adoption of SFAS 155 will not materially impact the consolidated financial statements.

Fair Value Measurements

In September 2006, the FASB issued Statement of Financial Accounting Standards 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 establishes a framework for measuring fair value and requires expanded disclosure about the information used to measure fair value. The statement applies whenever other statements require, or permit, assets or liabilities to be measured at fair value. The statement does not expand the use of fair value in any new circumstances and is effective January 1, 2008. The Company is currently assessing the impact of SFAS 157 on its financial statements.

Effects of Prior Year Misstatements

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"), which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not materially impact the consolidated financial statements.

Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115" ("SFAS 159") which permits entities to measure eligible financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007, however early adoption is permitted. The Company is assessing the impact of SFAS 159 on its financial statements.

(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, 2006 and 2005 is as follows (in thousands):

	December 31, 2006				December 31, 2005			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	\$ 35,990	8	(1,926)	34,072	36,577	—	(1,991)	34,586
U.S. Government agencies	696,946	396	(6,768)	690,574	724,273	79	(9,637)	714,715
Municipal	49,602	206	(599)	49,209	48,853	—	(456)	48,397
Corporate notes and other debt	61,246	391	(1,557)	60,080	8,467	—	(109)	8,358
Mortgage-backed	884,130	405	(18,247)	866,288	891,799	138	(17,870)	874,067
Federal Reserve/FHLB stock and other equity securities	138,283	1,210	—	139,493	119,103	158	—	119,261
Total available-for-sale securities	\$1,866,197	2,616	(29,097)	1,839,716	1,829,072	375	(30,063)	1,799,384



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, 2006 (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	\$ —	—	32,540	(1,926)	32,540	(1,926)
U.S. Government agencies	90,635	(46)	279,716	(6,722)	370,351	(6,768)
Municipal	4,910	(273)	20,158	(326)	25,068	(599)
Corporate notes and other debt	51,582	(1,478)	7,846	(79)	59,428	(1,557)
Mortgage-backed	36,635	(579)	725,534	(17,668)	762,169	(18,247)
Total	\$183,762	(2,376)	1,065,794	(26,721)	1,249,556	(29,097)

Management does not believe any individual unrealized loss as of December 31, 2006 represents an other-than-temporary impairment. The fair value of available-for-sale securities includes investments totaling approximately \$1.0 billion with unrealized losses of \$26.7 million, which have been in an unrealized loss position for greater than 12 months. U.S. Treasury, U.S. Government agencies and Mortgage-backed securities totaling \$1.0 billion with unrealized losses of \$26.3 million are primarily fixed-rate investments with temporary impairment resulting from increases in interest rates since the purchase of the investments. The Company has the intent and ability to hold these investments until such time as the value recovers or maturity.

The amortized cost and fair value of securities as of December 31, 2006 and 2005, 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, 2006		December 31, 2005	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 459,736	458,858	442,526	440,182
Due in one to five years	58,404	57,814	106,893	105,424
Due in five to ten years	295,613	287,258	254,756	246,516
Due after ten years	30,031	30,005	13,995	13,934
Mortgage-backed	884,130	866,288	891,799	874,067
Federal Reserve/FHLB Stock and other equity	138,283	139,493	119,103	119,261
Total available-for-sale securities	\$1,866,197	1,839,716	1,829,072	1,799,384

In 2006, 2005 and 2004, the Company had gross realized gains on sales of available-for-sale securities of \$510,000, \$1.1 million and \$2.2 million, respectively. During 2006, 2005 and 2004, gross realized losses on sales of available-for-sale securities totaled \$493,000, \$40,000 and \$358,000, respectively. Proceeds from sales of available-for-sale securities during 2006, 2005 and 2004, were \$373 million, \$1.1 billion and \$923 million, respectively. At December 31, 2006 and 2005, securities having a carrying value of \$910.1 million and \$774.5 million, respectively, were pledged as collateral for public deposits, trust deposits, Federal Home Loan Bank ("FHLB") advances and securities sold under repurchase agreements. At December 31, 2006, there were no securities of a single issuer, other than U.S. Treasury obligations and other U.S. Government-sponsored agency securities, which exceeded 10% of shareholders' equity.

(4) Loans

A summary of the loan portfolio at December 31, 2006 and 2005 is as follows (in thousands):

	2006	2005
Commercial and commercial real estate	\$4,068,437	3,161,734
Home equity	666,471	624,337
Residential real estate	207,059	275,729
Premium finance receivables	1,165,846	814,681
Indirect consumer loans	249,534	203,002
Tricom finance receivables	43,975	49,453
Consumer and other loans	95,158	84,935
Total loans	\$6,496,480	5,213,871

At December 31, 2006 and 2005, premium finance receivables were recorded net of unearned income of \$27.9 million and \$16.0 million, respectively. Total loans include net deferred loan fees and costs and fair value purchase accounting adjustments totaling \$5.3 million at December 31, 2006 and \$3.9 million at December 31, 2005.

Certain real estate loans, including mortgage loans held-for-sale, and home equity loans with balances totaling approximately \$607.1 million and \$606.9 million, at December 31, 2006 and 2005, respectively, were pledged as collateral to secure the availability of borrowings from certain Federal agency banks. At December 31, 2006, approximately \$364.1 million of these pledged loans are included in a blanket pledge of qualifying loans to the FHLB. The remaining \$243.0 million of pledged loans was used to secure potential borrowings at the Federal Reserve Bank discount window. At December 31, 2006 and 2005, the Banks borrowed \$325.5 million and \$349.3 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 majority of the indirect consumer 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 when making a loan. The type of collateral, when required, will vary 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, 2005	\$ 5,772
New loans and advances	9,028
Maturities and paydowns	(6,657)
Balance at December 31, 2006	\$ 8,143

(5) Allowance for Loan Losses and Allowance for Losses on Lending-Related Commitments

A summary of the activity in the allowance for loan losses for the years ended December 31, 2006, 2005, and 2004 is as follows (in thousands):

	Years Ended December 31,		
	2006	2005	2004
Allowance at beginning of year	\$40,283	34,227	25,541
Provision for credit losses	7,057	6,676	6,298
Allowance acquired in business combinations	3,852	4,792	5,110
Reclassification from/(to) allowance for losses on lending-related commitments	92	(491)	—
Charge-offs	(8,477)	(6,523)	(4,870)
Recoveries	3,248	1,602	2,148
Allowance at end of year	\$46,055	40,283	34,227

The Company also maintains an allowance for lending-related commitments, specifically unfunded loan commitments and letters of credit. The balance of the allowance for lending-related commitments was \$457,000 and \$491,000 at December 31, 2006 and 2005, respectively.

Table of Contents

A summary of non-accrual and impaired loans and their impact on interest income as well as loans past due greater than 90 days and still accruing interest are as follows (in thousands):

	Years Ended December 31,		
	2006	2005	2004
Total non-accrual loans (as of year-end)	\$23,509	18,693	13,724
Reduction of interest income from non-accrual loans	1,126	1,258	522
Average balance of impaired loans	10,230	9,331	6,681
Interest income recognized on impaired loans	140	581	73
Loans past due greater than 90 days and still accruing	13,365	7,496	4,864

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, 2006 and 2005 is as follows (in thousands):

	2006	2005
Impaired loans	\$11,191	11,530
Impaired loans that had allocated specific allowance for loan losses	6,165	6,383
Allocated allowance for loan losses	1,400	1,319

(6) Mortgage Servicing Rights

Effective January 1, 2006, the Company adopted the provisions of SFAS 156 and elected the fair value measurement method for mortgage servicing rights ("MSRs"). Upon adoption, the carrying value of the MSRs was increased to fair value by recognizing a cumulative effect adjustment of \$1.7 million pre-tax, or \$1.1 million after tax. Following is a summary of the changes in the carrying value of MSRs, accounted for at fair value, for the year ending December 31, 2006 (in thousands):

	2006
Balance at beginning of year	\$ 3,630
Cumulative effect of change in accounting	1,727
Additions from loans sold with servicing retained	579
Changes in fair value due to:	
Payoffs and paydowns	(802)
Changes in valuation inputs or assumptions	(103)
Fair value at end of period	\$ 5,031
Unpaid principal balance of mortgage loans serviced for others	\$494,695

Prior to January 1, 2006, MSRs were accounted for at the lower of their initial carrying value, net of accumulated amortization, or fair value. MSRs were periodically evaluated for impairment, and a valuation allowance was established through a charge to income when the carrying value exceeded the fair value and was believed to be temporary.

Changes in the carrying value of MSRs, accounted for using the amortization method, for the years ended December 31, 2005 and 2004 follow (in thousands):

	2005	2004
Balance at beginning of year	\$ 2,179	2,277
Balance acquired in business combinations	2,064	—
Additions from loans sold with servicing retained	810	969
Amortization	(1,423)	(1,067)
Balance at end of period	\$ 3,630	2,179
Fair value at end of period	\$ 5,357	2,669
Unpaid principal balance of mortgage loans serviced for others	\$521,520	296,758

There was no valuation allowance at December 31, 2005 or December 31, 2004.

The capitalization of MSRs on loans sold as well as changes in fair values are recognized in mortgage banking revenue. MSRs are subject to decline in value from prepayment of the underlying loans. The Company does not specifically hedge its MSRs.

Fair values are provided by a third party which uses a discounted cash flow model that incorporates the objective characteristics of the portfolio as well as subjective valuation parameters that they believe purchasers of servicing would apply to such portfolios sold into the secondary market. The subjective factors include loan prepayment speeds, interest rates, servicing costs and other economic factors.

(7) Business Combinations

The Company completed one business combination in 2006. The acquisition was accounted for under the purchase method of accounting; thus, the results of operations prior to the effective date of acquisition is not included in the accompanying

consolidated financial statements. Goodwill, core deposit intangibles and other purchase accounting adjustments were recorded upon the completion of the acquisition.

Table of Contents

On May 31, 2006, Wintrust completed the acquisition of Hinsbrook Bancshares, Inc. ("HBI") and its wholly-owned subsidiary, Hinsbrook Bank & Trust, which has five Illinois locations in Willowbrook, Downers Grove, Darien, Glen Ellyn and Geneva. HBI was acquired for a total purchase price of \$115.1 million, consisting of \$58.2 million cash, the issuance of 1,120,033 shares of Wintrust's common stock (then valued at \$56.8 million) and vested stock options valued at \$65,000. In the fourth quarter of 2006, the Willowbrook, Downers Grove and Darien branch locations of Hinsbrook Bank & Trust were merged into Hinsdale Bank, while the Glen Ellyn branch was merged into Wheaton Bank. The Hinsbrook Bank's Geneva branch was renamed St. Charles Bank.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition for Hinsbrook (in thousands):

Assets:	
Cash and due from banks	\$ 7,146
Available-for-sale securities	77,713
Loans	378,883
Allowance for loan losses	(3,851)
Goodwill	71,902
Other intangible assets	7,930
Other assets	23,832
Total assets	\$563,555
Liabilities and Equity:	
Deposits	\$423,102
Federal funds purchased	2,800
Borrowings	20,395
Other liabilities	2,112
Equity	115,146
Total liabilities and equity	\$563,555

(8) Goodwill and Other Intangible Assets

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

	Jan 1, 2006	Goodwill Acquired	Impairment Losses	Dec 31, 2006
Banking	\$173,640	72,165	—	245,805
Tricom	8,958	—	—	8,958
Wealth management	14,118	55	—	14,173
Total	\$196,716	72,220	—	268,936

Approximately \$24.9 million of the December 31, 2006 balance of goodwill is deductible for tax purposes.

A summary of finite-lived intangible assets as of December 31, 2006 and 2005 and the expected amortization as of December 31, 2006 is follows (in thousands):

	December 31,	
	2006	2005
Wealth management segment:		
Customer list intangibles		
Gross carrying amount	\$ 3,252	3,252
Accumulated amortization	(2,463)	(2,071)
Net carrying amount	789	1,181
Banking segment:		
Core deposit intangibles		
Gross carrying amount	27,918	19,988
Accumulated amortization	(7,108)	(3,562)
Net carrying amount	20,810	16,426
Total intangible assets, net	\$21,599	17,607
Estimated amortization		
2007	\$ 3,862	
2008	3,129	
2009	2,717	

2010	2,381
2011	2,253

The customer list intangibles recognized in connection with the acquisitions of LFCM in 2003 and WHAMC in 2002, are being amortized over seven-year periods on an accelerated basis. The core deposit intangibles recognized in connection with the Company's seven bank acquisitions in the last four years are being amortized over ten-year periods on an accelerated basis. Total amortization expense associated with finite-lived intangibles in 2006, 2005 and 2004 was \$3.9 million, \$3.4 million and \$1.1 million, respectively.

(9) Premises and Equipment, Net

A summary of premises and equipment at December 31, 2006 and 2005 is as follows (in thousands):

	2006	2005
Land	\$ 81,458	53,033
Buildings and leasehold improvements	204,249	175,039
Furniture, equipment and computer software	71,495	61,407
Construction in progress	21,545	13,081
	378,747	302,560
Less: Accumulated depreciation and amortization	67,721	54,735
	311,026	247,825
Equipment under leasing contracts, net of accumulated depreciation	15	50
Total premises and equipment, net	\$311,041	247,875

Table of Contents

Depreciation and amortization expense related to premises and equipment, excluding equipment under leasing contracts, totaled \$13.5 million in 2006, \$11.9 million in 2005 and \$9.2 million in 2004. Depreciation expense related to equipment under leasing contracts totaled \$15,000 in 2006, \$206,000 in 2005 and \$582,000 in 2004.

(10) Deposits

The following is a summary of deposits at December 31, 2006 and 2005 (in thousands):

	2006	2005
Non-interest bearing accounts	\$ 699,203	620,091
NOW accounts	844,875	704,640
Wealth Management deposits	529,730	421,301
Money market accounts	690,938	610,554
Savings accounts	304,362	308,323
Time certificates of deposits	4,800,132	4,064,525
Total deposits	\$7,869,240	6,729,434

The scheduled maturities of time certificates of deposits at December 31, 2006 and 2005 are as follows (in thousands):

	2006	2005
Due in one year	\$3,704,507	2,732,656
Due in one to two years	643,252	631,656
Due in two to three years	185,803	216,086
Due in three to four years	106,111	160,216
Due in four to five years	157,783	87,240
Due after five years	2,676	236,671
Total time certificates of deposits	\$4,800,132	4,064,525

Certificates of deposit in amounts of \$100,000 or more approximated \$2.64 billion and \$2.15 billion at December 31, 2006 and 2005, respectively.

(11) Notes Payable

The notes payable balance was \$12.8 million and \$1.0 million at December 31, 2006 and 2005, respectively. These balances represent the outstanding balances on a \$51.0 million revolving loan agreement ("Agreement") with an unaffiliated bank. The Agreement consists of a \$50.0 million revolving note, which matures on June 1, 2007 and a \$ 1.0 million note that matures on June 1, 2015. At December 31, 2006, the notes payable balance includes the \$1.0 million note and an \$11.8 million outstanding balance on the \$50.0 million revolving note. During 2006, interest was calculated at a floating rate equal to, at the Company's option, (1) LIBOR plus 140 basis points or (2) the greater of the lender's prime rate or the Federal Funds Rate plus 50 basis points. At December 31, 2006 and 2005, the interest rates were 6.77% and 5.81%, respectively.

The Agreement is secured by the stock of some of the Banks and contains several restrictive covenants, including the maintenance of various capital adequacy levels, asset quality and profitability ratios, and certain restrictions on dividends and other indebtedness. At December 31, 2006, 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 wealth 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 FHLB advances at December 31, 2006 and 2005, is as follows (in thousands):

	2006	2005
2.13% advance due February 2006	—	\$ 25,000
2.74% advance due February 2006	—	2,001
1.97% advance due July 2006	—	499
4.30% advance due July 2006	—	1,009
3.13% advance due September 2006	—	702
2.78% advance due October 2006	—	4,955
2.99% advance due November 2006	—	750
2.77% advance due February 2007	25,000	25,000
4.89% advance due November 2007	3,034	3,070
5.37% advance due February 2008	2,518	—
3.32% advance due March 2008	2,505	2,509
4.36% advance due March 2008	2,000	2,000
2.72% advance due May 2008	1,986	1,977

4.78% advance due October 2008	3,000	3,000
2.84% advance due May 2009	—	50,000
4.40% advance due July 2009	2,044	2,061
4.85% advance due November 2009	3,000	3,000
4.58% advance due March 2010	5,026	5,035
4.61% advance due March 2010	2,500	2,500
4.50% advance due September 2010	4,918	—
4.88% advance due November 2010	3,000	3,000
4.60% advance due July 2011	30,000	30,000
3.30% advance due November 2011	25,000	25,000
3.95% advance due November 2011	—	35,000
4.33% advance due November 2011	—	6,249
4.79% advance due June 2012	25,000	25,000
3.78% advance due February 2015	25,000	25,000
4.12% advance due February 2015	25,000	25,000
3.70% advance due June 2015	40,000	40,000
4.55% advance due February 2016	45,000	—
4.85% advance due May 2016	50,000	—
Federal Home Loan Bank advances	\$325,531	349,317

At December 31, 2006 all of the FHLB advances were fixed-rate term obligations. All of the advances due after 2011 have varying one-time call dates ranging from June 2007 to February 2011 and the \$2.5 million advance due February 2008 has a quarterly call provision. FHLB advances are stated at par value of the debt adjusted for unamortized fair value adjustments recorded in connection with advances acquired through acquisitions.

At December 31, 2006, the weighted average contractual interest rate on FHLB advances was 4.18% and the weighted average effective interest rate, which reflects amortization of fair value adjustments associated with FHLB advances acquired through acquisitions, was 4.16%.

FHLB advances are collateralized by qualifying residential real estate loans and certain securities. The Banks have arrangements with the FHLB whereby based on available collateral, they could have borrowed an additional \$164 million at December 31, 2006.

(13) Subordinated Notes

A summary of the subordinated notes at December 31, 2006 and 2005 is as follows (in thousands):

	2006	2005
Subordinated note, due October 29, 2012	\$25,000	25,000
Subordinated note, due May 1, 2013	25,000	25,000
Subordinated note, due May 29, 2015	25,000	—
Total subordinated notes	\$75,000	50,000

The subordinated notes were issued in 2002, 2003 and 2005. Each subordinated note has a term of ten years and may be redeemed by the Company at any time prior to maturity. The subordinated note issued in 2005 was signed by the Company on October 25, 2005, but was not funded until May 2006. The proceeds from the issuance were used to fund the acquisition of HBI. Each note requires annual principal payments of \$5.0 million beginning in the sixth year of the note. During 2006, the interest rate on each subordinated note was calculated at a rate equal to LIBOR plus 1.60%. At December 31, 2006, the weighted average contractual interest rate on the subordinated notes was 6.97%. In connection with the issuances of the subordinated notes in 2002 and 2003, the Company incurred costs totaling \$1.0 million. These costs are included in other assets and are being amortized to interest expense using a method that approximates the effective interest method. At December 31, 2006 and 2005, the unamortized balance of these costs were \$508,000 and \$636,000, respectively. No issuance costs were incurred in connection with the subordinated note issued in 2005. The subordinated notes qualify as Tier II capital under the regulatory capital requirements.

(14) Other Borrowings

The following is a summary of other borrowings at December 31, 2006 and 2005 (in thousands):

	2006	2005
Federal funds purchased	\$ —	235
Securities sold under repurchase agreements	159,883	93,312
Other	2,189	2,249
Total other borrowings	\$162,072	95,796

As of December 31, 2006 there were no Federal funds purchased outstanding. At December 31, 2005, the weighted average interest rate of federal funds purchased was 4.25%.

Securities sold under repurchase agreements represent customer sweep accounts in connection with master repurchase agreements at the Banks as well as short-term borrowings from banks and brokers. Securities pledged for these borrowings are maintained under the Company's control and consist of U.S. Government agency, mortgage-backed and corporate securities. These securities are included in the available-for-sale securities portfolio as reflected on the Company's Consolidated Statements of Condition. As of December 31, 2006 and 2005, the weighted average interest rate of securities sold under repurchase agreements was 4.91% and 2.61%, respectively.

Other includes a 6.17% fixed-rate mortgage (which matures May 1, 2010) related to the Company's Northfield banking office. At December 31, 2006 and 2005, the balance of this mortgage was \$1.9 million and \$2.0 million, respectively. This mortgage was originally assumed in connection with the acquisition of Northview Bank in 2004, and was refinanced in 2005.

(15) Long-term Debt — Trust Preferred Securities

As of December 31, 2006 the Company owned 100% of the Common Securities of nine trusts, Wintrust Capital Trust III, Wintrust Statutory Trust IV, Wintrust Statutory Trust V, Wintrust Capital Trust VII, Wintrust Capital Trust VIII, Wintrust Capital Trust IX, Northview Capital Trust I, Town Bankshares Capital Trust I and First Northwest Capital Trust I (the "Trusts") set up to provide long-term financing. The Northview, Town and First Northwest capital trusts were acquired as part of the acquisitions of Northview Financial Corporation, Town Bankshares, Ltd. and First Northwest Bancorp, Inc., respectively. The Trusts were formed for purposes of issuing Trust Preferred Securities to third-party investors and investing the proceeds from the issuances of the Trust Preferred Securities and the Common Securities solely 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 approximately 3% of the Debentures and the Trust Preferred Securities represent approximately 97% of the Debentures.

The Trusts are reported in the Company's financial statements as unconsolidated subsidiaries; the Debentures are reflected as "Long-term debt — trust preferred securities" and the Common Securities are included in Available-for-sale Securities.

A summary of the Company's Long-term debt — trust preferred securities, which represents the par value of the obligations and basis adjustments for the unamortized fair value adjustments recognized at the acquisition dates for the Northview, Town and First Northwest obligations at December 31, 2006 and 2005, is as follows (in thousands):

	2006	2005
9.0% Debentures owed to Wintrust Capital Trust I, due September 30, 2028	\$ —	32,010
Variable rate (LIBOR + 3.25%) Debentures owed to Wintrust Capital Trust III, due April 7, 2033	25,774	25,774
Variable rate (LIBOR + 2.80%) Debentures owed to Wintrust Statutory Trust IV, due December 8, 2033	20,619	20,619
Variable rate (LIBOR + 2.60%) Debentures owed to Wintrust Statutory Trust V, due May 11, 2034	41,238	41,238
Variable rate (LIBOR + 1.95%) Debentures owed to Wintrust Capital Trust VII, due March 15, 2035	51,550	51,550
Variable rate (LIBOR + 1.45%) Debentures owed to Wintrust Capital Trust VIII due September 30, 2035	41,238	41,238
6.84% Debentures owed to Wintrust Capital Trust IX, due September 15, 2036	51,547	—
6.35% Debentures owed to Northview Capital Trust I, due November 8, 2033	6,279	6,330
Variable rate (LIBOR + 3.00%) Debentures owed to Town Bankshares Capital Trust I, due November 8, 2033	6,301	6,365
Variable rate (LIBOR + 3.00%) Debentures owed to First Northwest Capital Trust I, due May 31, 2034	5,282	5,334
Total long-term debt — trust preferred securities	\$249,828	230,458

The interest rates associated with the variable rate Debentures are based on the three-month LIBOR rate and were 8.62%, 8.17%, 7.97%, 7.31%, 6.81%, 8.37%, and 8.36%, for Wintrust Capital Trust III, Wintrust Statutory Trust IV, Win-trust Statutory Trust V, Wintrust Capital Trust VII, Wintrust Capital Trust VIII, Town Bankshares Capital Trust I and First Northwest Capital Trust I, respectively, at December 31, 2006. The interest rate on the Debentures of Wintrust Capital Trust IX, currently fixed at 6.84%, changes to a variable rate equal to three-month LIBOR plus 1.63% effective September 15, 2011, and the interest rate on the Debentures of Northview Capital Trust I, currently fixed at 6.35%, changes to a variable rate equal to three-month LIBOR plus 3.00% effective February 8, 2008. At December 31, 2006, the weighted average contractual interest rate on the Debentures was 7.47%. In August 2006, the Company entered into \$175 million of interest rate swaps, which are designated in hedge relationships, to hedge the variable cash flows of certain Debentures. On a hedge-adjusted basis, the weighted average interest rate on the Debentures was 7.41%. Distributions on the Trust Preferred Securities issued by the Trusts are payable quarterly at a rate per annum equal to the interest rate being earned by the Trusts on the Debentures held by the Trusts. Interest expense on the Trust Preferred Securities is deductible for income tax purposes.

On September 1, 2006, the Company issued \$51.5 million of Debentures to Wintrust Capital Trust IX with an initial fixed rate of 6.84%, and on September 5, 2006, the Company used proceeds from this issuance to redeem, at par value, \$32.0 million of the Debentures of Wintrust Capital Trust I with a fixed interest rate of 9.00%. In connection with the redemption of the Debentures of Wintrust Capital Trust I, the Company expensed \$304,000 of unamortized issuance costs. In August 2005, the Company issued \$41.2 million of Debentures to Wintrust Capital Trust VIII, with a variable rate equal to LIBOR plus 1.45% and used the proceeds from this issuance to redeem, at par value, \$20.6 million of the 10.5% fixed rate Debentures of Wintrust Capital Trust II.

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 Debentures held by the Trusts are first redeemable, in whole or in part, by the Company as follows:

Wintrust Capital Trust III	April 7, 2008
Wintrust Statutory Trust IV	December 31, 2008
Wintrust Statutory Trust V	June 30, 2009
Wintrust Capital Trust VII	March 15, 2010
Wintrust Capital Trust VIII	September 30, 2010
Wintrust Capital Trust IX	September 15, 2011
Northview Capital Trust I	August 8, 2008
Town Bankshares Capital Trust I	August 8, 2008
First Northwest Capital Trust I	May 31, 2009

The Trust Preferred Securities, subject to certain limitations, qualify as Tier 1 capital of the Company for regulatory purposes. On February 28, 2005, the Federal Reserve issued a final rule that retains Tier I capital treatment for trust preferred securities but with stricter limits. Under the rule, which is effective March 31, 2009, and has a transition period until then, the aggregate amount of trust preferred securities and certain other capital elements is limited to 25% of Tier I capital elements (including trust preferred securities), net of goodwill less any associated deferred tax liability. The amount of trust preferred securities and certain other capital elements in excess of the limit could be included in Tier 2 capital, subject to restrictions. Applying the final rule at December 31, 2006, the Company would still be considered well-capitalized under regulatory capital guidelines.

(16) Minimum Lease Commitments

The Company occupies certain facilities under operating lease agreements. Gross rental expense related to the Company's operating leases was \$5.8 million in 2006, \$5.0 million in 2005 and \$3.5 million in 2004. The Company also leases certain owned premises and receives rental income from such agreements. Gross rental income related to the Company's buildings totaled \$1.6 million, \$1.8 million and \$1.5 million, in 2006, 2005 and 2004, respectively. Future minimum gross rental payments for office space and future minimum gross rental income as of December 31, 2006 for all noncancelable leases are as follows (in thousands):

	Future minimum gross rental payments	Future minimum gross rental income
2007	\$ 5,009	1,699
2008	3,127	1,352
2009	2,637	1,274
2010	2,390	1,149
2011	2,344	579
2012 and thereafter	18,824	3,312
Total minimum future amounts	\$34,331	9,365

(17) Income Taxes

Income tax expense (benefit) for the years ended December 31, 2006, 2005 and 2004 is summarized as follows (in thousands):

	Years Ended December 31,		
	2006	2005	2004
Current income taxes:			
Federal	\$34,667	33,399	23,108
State	4,288	4,190	3,489
Total current income taxes	38,955	37,589	26,597
Deferred income taxes:			
Federal	(1,213)	603	2,678
State	6	(258)	278
Total deferred income taxes	(1,207)	345	2,956
Total income tax expense	\$37,748	37,934	29,553

Included in total income tax expense is income tax expense applicable to net gains on available-for-sale securities of \$6,000 in 2006, \$405,000 in 2005 and \$713,000 in 2004.

The exercise of certain stock options and the vesting and issuance of stock compensation produced tax benefits of \$5.3 million in 2006, \$7.0 million in 2005 and \$8.7 million in 2004 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,		
	2006	2005	2004
Income tax expense based upon the Federal statutory rate on income before income taxes	\$36,484	36,733	28,311
Increase (decrease) in tax resulting from:			
Tax-exempt interest, net of interest expense disallowance	(777)	(800)	(424)
State taxes, net of federal tax benefit	2,791	2,556	2,449
Income earned on life insurance policies	(968)	(807)	(668)
Other, net	218	252	(115)
Income tax expense	\$37,748	37,934	29,553

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2006 and 2005 are as follows (in thousands):

	2006	2005
Deferred tax assets:		
Allowance for credit losses	\$17,135	15,121
Net unrealized losses on securities (SFAS 115)	10,192	11,355
Net unrealized losses on derivatives (SFAS 133)	920	—
Federal net operating loss carryforward	1,362	2,090

Deferred compensation	4,458	2,774
Stock-based compensation	5,002	1,965
Deferred loss on derivatives	—	690
Other	2,441	1,798
Total gross deferred tax assets	41,510	35,793
Deferred tax liabilities:		
Premises and equipment	11,767	10,060
Deferred loan fees and costs	2,099	1,474
Capitalized servicing rights	2,120	2,343
Goodwill and intangible assets	11,404	9,227
FHLB stock dividends	2,784	4,291
Deferred gain on termination of derivatives	2,464	—
Other	520	214
Total gross deferred tax liabilities	33,158	27,609
Net deferred tax assets	\$ 8,352	8,184

At December 31, 2006, Wintrust had Federal net operating loss carryforwards of \$3.9 million which are available to offset future taxable income. These net operating losses expire in years 2007 through 2020 and are subject to certain statutory limitations.

Management believes that it is more likely than not that the recorded deferred tax assets will be fully realized and therefore no valuation allowance is necessary. 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

Stock Incentive Plan

The Wintrust Financial Corporation 1997 Stock Incentive Plan ("the Plan") permits the grant of incentive stock options, nonqualified stock options, rights and restricted stock, as well as the conversion of outstanding options of acquired companies to Wintrust options. The Plan covers substantially all employees of Wintrust. A total of 5,935,393 shares of Common Stock may be granted under the Plan and as of December 31, 2006, 8,761 shares were available for future grant.

In January 2007, the Company's shareholders approved the 2007 Stock Incentive Plan, which is substantially similar to the 1997 Plan. The 2007 Plan, which provides for the issuance of up to 500,000 shares of common stock, replaced the 1997 Plan. No shares were issued under the 1997 Plan after December 31, 2006.

The Company typically awards stock-based compensation in the form of stock options and restricted share awards. In general the Plan provided for the grant of options to purchase shares of Wintrust's common stock at the fair market value of the stock on the date the options are granted. Incentive and nonqualified options generally vest ratably over a five-year period and expire at such time as the Compensation Committee determines at the time of grant, however, in no case are they exercisable later than ten years after the grant. Restricted Stock Unit Awards ("restricted shares") entitle the holders to receive, at no cost, shares of the Company's common stock. Restricted shares generally vest over periods of one to five years from the date of grant. Holders of the restricted shares 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.

On January 1, 2006, the Company adopted provisions of FASB Statement No. 123(R), "Share-Based Payment" ("SFAS 123R"), using the modified prospective transition method. Under this transition method, compensation cost is recognized in the financial statements beginning January 1, 2006, based on the requirements of SFAS 123R for all share-based payments granted after that date and for all share-based payments granted prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, "Accounting for Stock-Based Compensation." Compensation cost is recognized over the required service period, generally defined as the vesting period. Results for prior periods have not been restated.

Prior to 2006, the Company accounted for stock-based compensation using the intrinsic value method set forth in APB 25, as permitted by SFAS 123. The intrinsic value method provided 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. As a result, for periods prior to 2006, compensation expense was generally not recognized in the Consolidated Statements of Income for stock options. Compensation expense has always been recognized for restricted share awards ratably over the period of service, usually the restricted period, based on the fair value of the stock on the date of grant. Compensation cost charged against income related to restricted share awards was \$6.2 million (\$3.8 million net of tax) in 2006, \$4.1 million (\$2.5 million net of tax) in 2005 and \$721,000 (\$446,000 net of tax) in 2004. On January 1, 2006, the Company reclassified \$5.2 million of liabilities related to previously recognized compensation cost for restricted share awards that had not been vested as of that date to surplus as these awards represent equity awards as defined in SFAS 123R.

As a result of adopting SFAS 123R on January 1, 2006, the Company recorded \$5.6 million of compensation expense related to stock options in 2006, reducing income before income taxes and net income by \$5.6 million and \$3.5 million, respectively, compared to accounting for share-based compensation under APB 25. Basic and diluted EPS for 2006 are \$0.14 and \$0.13 lower, respectively, than if the Company had continued to account for share-based payments under APB 25.

SFAS 123R requires the recognition of stock based compensation for the number of awards that are ultimately expected to vest. As a result, recognized compensation expense for stock options and restricted share awards was reduced for estimated forfeitures prior to vesting primarily based on a historical forfeiture rate of approxi-

mately 9.5% for stock options and 1.0% for restricted share awards. Estimated forfeitures will be reassessed in subsequent periods and may change based on new facts and circumstances. Prior to January 1, 2006, actual forfeitures were accounted for as they occurred for purposes of required pro forma stock compensation disclosures.

Compensation cost is measured as the fair value of an award on the date of grant. The Company estimates the fair value of stock options at the date of grant using a Black-Scholes option-pricing model that utilizes the assumptions outlined in the following table. These assumptions are consistent with the provisions of SFAS 123R and the Company's prior period pro forma disclosures of net income and earnings per share, including stock option expense. Option-pricing models require the input of highly subjective assumptions and are sensitive to changes in the option's expected life and the price volatility of the underlying stock, which can materially affect the fair value estimate. Expected life is based on historical exercise and termination behavior, and expected stock price volatility is based on historical volatility of the Company's common stock, which correlates with the expected life of the options. The risk-free interest rate is based on comparable term U.S. Treasury rates. Management reviews and adjusts the assumptions used to calculate the fair value of an option on a periodic basis to better reflect expected trends. The following assumptions were used to determine the fair value of options granted in the years ending December 31, 2006, 2005 and 2004:

	2006	2005	2004
Expected dividend yield	0.5%	0.5%	0.4%
Expected volatility	24.7%	23.6%	22.9%
Risk-free rate	4.6%	4.2%	4.1%
Expected option life (in years)	7.9	8.5	8.4

A summary of the Plan's stock option activity for the years ended December 31, 2006, 2005 and 2004 is as follows:

	Common Shares	Weighted Average Strike Prices	Remaining Contractual Term ⁽¹⁾	Intrinsic Value ⁽²⁾ (\$000)
Outstanding at January 1, 2004	3,118,005	\$18.75		
Conversion of options of acquired companies	146,441	23.37		
Granted	279,100	53.71		
Exercised	(473,999)	10.13		
Forfeited or canceled	(22,269)	24.57		
Outstanding at December 31, 2004	3,047,278	\$23.41	5.5	\$102,070
Exercisable at December 31, 2004	1,831,222	\$16.07	4.2	\$ 74,748
Outstanding at January 1, 2005	3,047,278	\$23.41		
Conversion of options of acquired companies	5,865	13.35		
Granted	488,850	53.91		
Exercised	(465,348)	13.02		
Forfeited or canceled	(57,163)	39.22		
Outstanding at December 31, 2005	3,019,482	\$29.63	5.7	\$ 76,744
Exercisable at December 31, 2005	1,762,985	\$19.89	4.3	\$ 61,845
Outstanding at January 1, 2006	3,019,482	\$29.63		
Conversion of options of acquired companies	2,046	24.42		
Granted	221,600	51.03		
Exercised	(400,874)	15.73		
Forfeited or canceled	(56,190)	44.71		
Outstanding at December 31, 2006	2,786,064	\$33.02	5.8	\$ 47,228
Exercisable at December 31, 2006	1,774,699	\$24.71	4.6	\$ 43,029
Vested or expected to vest at December 31, 2006	2,678,821	\$32.45	5.7	\$ 46,782

(1) Represents the weighted average contractual remaining life in years.

(2) Aggregate intrinsic value represents the total pretax intrinsic value (i.e., the difference between the Company's average of the high and low stock price at year end and the option exercise price, multiplied by the number of shares) that would have been received by the option holders if they had exercised their options on the last day of the year. Options with exercise prices above the year end stock price are excluded from the calculation of intrinsic value. This amount will change based on the fair market value of the Company's stock.



The weighted average per share grant date fair value of options granted during the years ended December 31, 2006, 2005 and 2004 was \$19.41, \$20.09 and \$19.63, respectively. The aggregate intrinsic value of options exercised during the years ended December 31, 2006, 2005 and 2004, was \$14.4 million, \$18.6 million and \$20.5 million, respectively.

Cash received from option exercises under the Plan for the years ended December 31, 2006, 2005 and 2004 was \$6.3 million, \$6.1 million and \$4.8 million, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled \$5.4 million, \$6.8 million and \$7.7 million for 2006, 2005 and 2004, respectively.

A summary of the Plan's restricted share award activity for the years ended December 31, 2006, 2005 and 2004 is as follows:

	2006		2005		2004	
	Common Shares	Weighted Average Grant-Date Fair Value	Common Shares	Weighted Average Grant-Date Fair Value	Common Shares	Weighted Average Grant-Date Fair Value
Restricted Shares						
Outstanding at beginning of year	206,157	\$53.55	25,512	\$40.68	35,738	\$30.10
Granted	207,343	50.63	200,902	53.97	17,126	46.52
Shares issued	(73,694)	53.48	(19,068)	40.65	(27,352)	30.51
Forfeited	(3,902)	51.87	(1,189)	54.92	—	—
Outstanding at end of year	335,904	\$51.78	206,157	\$53.55	25,512	\$40.68

The fair value of restricted shares is determined based on the average of the high and low trading prices on the grant date.

As of December 31, 2006, there was \$26.3 million of total unrecognized compensation cost related to non-vested share based arrangements under the Plan. That cost is expected to be recognized over a weighted average period of approximately two years. The total fair value of shares vested during the years ended December 31, 2006, 2005 and 2004 was \$9.5 million, \$5.2 million and \$4.5 million, respectively.

Other Employee Benefits

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 deductions 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 \$2.5 million in 2006, \$2.4 million in 2005, and \$1.7 million in 2004.

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 2006, 2005 and 2004, a total of 36,737 shares, 35,173 shares and 26,332 shares, respectively, were issued to participant accounts and approximately \$284,000, \$274,000 and \$323,000, respectively, was recognized as compensation expense. The current offering period concludes on March 31, 2007. The Company plans to continue to periodically offer Common Stock through this SPP subsequent to March 31, 2007.

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 to receive 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. During 2006, 2005 and 2004, a total of 12,916 shares, 7,530 shares and 5,276 shares, respectively were issued to directors. 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. During 2006, 2005 and 2004, cash dividends totaling \$183.6 million, \$45.1 million and \$25.5 million, respectively, were paid to Wintrust by the Banks. As of January 1, 2007, the Banks had approximately \$53.0 million available to be paid as dividends to Wintrust without prior regulatory approval; however, only \$24.7 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, 2006 and 2005, reserve balances of approximately \$17.2 million and \$14.3 million, respectively, were required to be maintained at the Federal Reserve Bank.

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 Tier 1 leverage ratio (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 Tier 1 leverage ratio 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, 2006 and 2005:

	2006	2005
Total Capital to Risk Weighted Assets	11.3%	11.9%
Tier 1 Capital to Risk Weighted Assets	9.8	10.3
Tier 1 Leverage Ratio	8.2	8.3

In 2002, 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, 2006, 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 Ratio, 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, 2006 and 2005 are presented in the following table (dollars in thousands):

	December 31, 2006				December 31, 2005			
	Actual		To Be Well Capitalized by Regulatory Definition		Actual		To Be Well Capitalized by Regulatory Definition	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk Weighted Assets):								
Lake Forest Bank	\$150,690	11.5%	\$130,757	10.0%	\$152,081	10.7%	\$141,877	10.0%
Hinsdale Bank	126,216	10.7	117,827	10.0	77,300	10.4	74,715	10.0
North Shore Bank	77,896	10.3	75,622	10.0	75,176	11.3	66,448	10.0
Libertyville Bank	82,297	10.4	78,836	10.0	76,124	10.6	71,852	10.0
Barrington Bank	72,063	10.3	70,078	10.0	57,476	10.1	57,012	10.0
Crystal Lake Bank	49,644	10.6	47,028	10.0	39,707	10.7	37,027	10.0
Northbrook Bank	56,788	10.4	54,663	10.0	50,770	10.5	48,333	10.0
Advantage Bank	22,175	10.4	21,262	10.0	20,082	10.9	18,477	10.0
Village Bank	43,574	10.4	42,091	10.0	36,877	10.6	34,909	10.0
Beverly Bank	15,713	13.1	11,955	10.0	12,308	12.7	9,690	10.0
Town Bank	40,021	10.6	37,719	10.0	30,399	10.3	29,646	10.0
Wheaton Bank	24,677	10.6	23,244	10.0	9,588	10.6	9,018	10.0
State Bank of The Lakes	47,020	12.3	38,285	10.0	46,688	14.1	33,131	10.0
Old Plank Bank	19,127	25.3	7,564	10.0	*	*	*	*
St. Charles Bank	11,272	22.6	4,981	10.0	*	*	*	*
Tier 1 Capital (to Risk Weighted Assets):								
Lake Forest Bank	\$143,081	10.9%	\$ 78,454	6.0%	\$144,611	10.2%	\$ 85,126	6.0%
Hinsdale Bank	117,802	10.0	70,696	6.0	72,145	9.7	44,829	6.0
North Shore Bank	73,751	9.8	45,373	6.0	71,004	10.7	39,869	6.0
Libertyville Bank	77,079	9.8	47,301	6.0	71,751	10.0	43,111	6.0
Barrington Bank	68,117	9.7	42,047	6.0	53,714	9.4	34,207	6.0
Crystal Lake Bank	47,210	10.0	28,217	6.0	37,398	10.1	22,216	6.0
Northbrook Bank	53,595	9.8	32,798	6.0	47,458	9.8	29,000	6.0
Advantage Bank	20,853	9.8	12,757	6.0	18,679	10.1	11,086	6.0
Village Bank	41,012	9.7	25,254	6.0	34,431	9.9	20,945	6.0
Beverly Bank	15,051	12.6	7,173	6.0	11,728	12.1	5,814	6.0
Town Bank	37,790	10.0	22,631	6.0	27,998	9.4	17,788	6.0
Wheaton Bank	23,395	10.1	13,934	6.0	9,048	10.0	5,411	6.0
State Bank of The Lakes	44,288	11.6	22,971	6.0	43,837	13.2	19,879	6.0
Old Plank Bank	18,634	24.6	4,538	6.0	*	*	*	*
St. Charles Bank	11,006	22.1	2,988	6.0	*	*	*	*
Tier 1 Leverage Ratio:								
Lake Forest Bank	\$143,081	9.7%	\$ 73,518	5.0%	\$144,611	10.4%	\$ 69,613	5.0%
Hinsdale Bank	117,802	9.8	60,193	5.0	72,145	7.6	47,306	5.0
North Shore Bank	73,751	7.6	48,437	5.0	71,004	7.5	47,356	5.0
Libertyville Bank	77,079	8.4	45,897	5.0	71,751	8.5	42,095	5.0
Barrington Bank	68,117	8.0	42,323	5.0	53,714	7.0	38,454	5.0
Crystal Lake Bank	47,210	8.4	27,988	5.0	37,398	7.4	25,257	5.0
Northbrook Bank	53,595	7.5	35,939	5.0	47,458	7.2	33,118	5.0
Advantage Bank	20,853	7.7	13,477	5.0	18,679	7.0	13,305	5.0
Village Bank	41,012	6.9	29,601	5.0	34,431	6.2	27,572	5.0
Beverly Bank	15,051	9.3	8,105	5.0	11,728	9.2	6,375	5.0
Town Bank	37,790	8.5	22,127	5.0	27,998	7.7	18,105	5.0
Wheaton Bank	23,395	9.3	12,560	5.0	9,048	6.0	7,523	5.0
State Bank of The Lakes	44,288	8.6	25,622	5.0	43,837	8.9	24,587	5.0
Old Plank Bank	18,634	18.0	5,184	5.0	*	*	*	*
St. Charles Bank	11,006	22.9	2,405	5.0	*	*	*	*

* Opened or acquired in 2006.

Wintrust's mortgage banking and broker/dealer subsidiaries are also required to maintain minimum net worth capital requirements with various governmental agencies. The mortgage banking subsidiaries' net worth requirements are governed by the Department of Housing and Urban Development and the broker/dealer's net worth requirements are governed by the United States Securities and Exchange Commission. As of December 31, 2006, these subsidiaries met their minimum net worth capital requirements.

(20) Commitments and Contingencies

The Company has outstanding, at any time, a number of commitments to extend credit. These commitments include revolving home equity line and other credit agreements, term loan commitments and standby and commercial letters of credit. Standby and commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Standby letters of credit are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party, while commercial letters of credit are issued specifically to facilitate commerce and typically result in the commitment being drawn on when the underlying transaction is consummated between the customer and the third party.

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, 2006 and 2005, commitments to extend commercial, commercial real estate and construction loans totaled \$1.64 billion and \$1.34 billion, respectively, and unused home equity and credit card lines totaled \$865.1 million and \$763.7 million, respectively. Standby and commercial letters of credit totaled \$175.3 million at December 31, 2006 and \$96.5 million at December 31, 2005.

In addition, at December 31, 2006 and 2005, the Company had approximately \$117.8 million and \$103.5 million, respectively, 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 Company also enters 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 forward contracts are also considered derivative instruments under SFAS 133 and had contractual amounts of approximately \$262.7 million at December 31, 2006 and \$186.3 million at December 31, 2005. 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, 2006 and 2005, outstanding premium finance receivables sold to and serviced for third parties for which the Company has a recourse obligation were \$58.3 million and \$260.6 million, respectively. Losses charged against the recourse obligation were \$191,000, \$269,000 and \$177,000 for 2006, 2005 and 2004, respectively. At December 31, 2006 and 2005, the recourse obligation related to these loans was \$129,000 and \$240,000, respectively.

The Company enters into residential mortgage loan sale agreements with investors in the normal course of business. These agreements usually require certain representations concerning credit information, loan documentation, collateral and insurability. On occasion, investors have requested the Company to indemnify them against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. Upon completion of its own investigation, the Company generally repurchases or provides indemnification on certain loans. Indemnification requests are generally received within two years subsequent to sale. Management maintains a liability for estimated losses on loans expected to be repurchased or on which indemnification is expected to be provided and regularly evaluates the adequacy of this recourse liability based on trends in repurchase and indemnification requests, actual loss experience, known and inherent risks in the loans, and current economic conditions. The Company sold approximately \$1.9 billion and \$2.2 billion of mortgage loans in 2006 and 2005, respectively. Losses charged against the liability for estimated losses were \$395,000 and \$359,000 for 2006 and 2005, respectively. The liability for estimated losses on repurchase and indemnification was \$322,000 and \$310,000 at December 31, 2006 and 2005, respectively, and was included in other liabilities on the balance sheet.

The Company utilizes an out-sourced securities clearing platform and has agreed to indemnify the clearing broker of WHI for losses that it may sustain from the customer

accounts introduced by WHI. At December 31, 2006, the total amount of customer balances maintained by the clearing broker and subject to indemnification was approximately \$24.0 million. 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.

In the ordinary course of business, there are legal proceedings pending against the Company and its subsidiaries. Management believes 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 derivative financial instruments as part of its strategy to manage its exposure to adverse changes in interest rates. 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 (such as a rate, security price or price index) 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. Derivatives are also implicit in certain contracts and commitments.

Management's objective in using derivative financial instruments is to protect against the risk of interest rate movements on the value of certain assets and liabilities and on future cash flows. Derivative instruments that have been used by the Company include interest rate caps and interest rate swaps with indices that relate to the pricing of specific assets or liabilities and covered call options that relate to specific investment securities. In addition, interest rate lock commitments provided to customers for the origination of mortgage loans that will be sold into the secondary market as well as forward agreements the Company enters into to sell such loans to protect itself against adverse changes in interest rates are deemed to be derivative instruments.

In accordance with SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", 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, and reclassified to earnings when the hedged transaction affects earnings. Changes in fair values of derivatives not qualifying as hedges, including changes in fair values related to the ineffective portion of cash flow hedges, are reported in non-interest income during the period of the change. Derivative financial instruments are valued by a third party and are periodically validated by comparison with valuations provided by the respective counterparties.

Derivative instruments have inherent risks, primarily market risk and credit risk. Market risk is associated with changes in interest rates. Credit risk relates to the risk that the counterparty will fail to perform according to the terms of the agreement. The amounts potentially subject to market and credit risks are the streams of interest payments under the contracts and the market value of the derivative instrument which is determined based on the interaction of the notional amount of the contract with the underlying, and not the notional principal amounts used to express the volume of the transactions. Management monitors the market risk and credit risk associated with derivative financial instruments as part of its overall Asset/Liability management process. The Company does not enter into derivatives for purely speculative purposes.

Interest Rate Swaps

The table below summarizes the Company's interest rate swaps at December 31, 2006 and 2005 that were entered into to economically hedge certain interest-bearing liabilities (in thousands):

Maturity Date (Call Option Date)	December 31, 2006				
	Notional Amount	Fair Value Gain (Loss)	Receive Rate	Pay Rate	Type of Hedging Relationship
Pay fixed, receive variable:					
October 2011	\$ 25,000	(276)	5.37%	5.26%	Cash Flow
September 2011	20,000	(218)	5.36%	5.25%	Cash Flow
September 2011	40,000	(440)	5.36%	5.25%	Cash Flow
September 2013	50,000	(813)	5.36%	5.30%	Cash Flow
September 2013	40,000	(643)	5.36%	5.30%	Cash Flow
Total	\$175,000	(2,390)			

Maturity Date (Call Option Date)	December 31, 2005				
	Notional Amount	Fair Value Gain (Loss)	Receive Rate	Pay Rate	Type of Hedging Relationship
Pay fixed, receive variable:					
April 2033 (April 2008)	\$ 25,000	(75)	7.40%	6.71%	Not designated
December 2033 (December 2008)	20,000	(362)	7.33%	6.40%	Not designated
May 2034 (June 2009)	40,000	(264)	7.13%	6.27%	Not designated
March 2035 (March 2010)	50,000	(671)	6.44%	5.68%	Not designated
September 2035 (September 2010)	40,000	(664)	5.98%	5.27%	Not designated
October 2012 (None)	25,000	598	4.41%	4.23%	Not designated
Total	200,000	(1,438)			
Receive fixed, pay variable:					
September 2028 (September 2003)	31,050	(371)	9.00%	6.35%	Not designated
Total	\$231,050	(1,809)			

The interest rate swaps outstanding at December 31, 2006 as reflected in the above table, were designated as cash flow hedges pursuant to SFAS 133. The unrealized loss of \$2.4 million is included in other liabilities. These hedges were considered highly effective for the year ending December 31, 2006; none of the change in fair value of these derivatives was attributed to hedge ineffectiveness. The change in fair value, a net unrealized loss of \$2.4 million (net of a \$911,000 tax benefit), is separately disclosed in the statement of changes in shareholders' equity as a component of comprehensive income. During 2007, the Company estimates that \$74,000 of unrealized losses will be reclassified from accumulated other comprehensive income to interest expense.

The interest rate swaps outstanding at December 31, 2005 as reflected in the above table, were documented as being in hedging relationships at their inception dates, but subsequently, management determined that the hedge documentation did not meet the standards of SFAS 133. Changes in market value related to these interest rate swaps, a loss of \$1.8 million in 2005 and a gain of \$7.5 million in 2006, were recognized in non-interest income. In addition, since these swaps were not considered hedges pursuant to SFAS 133, the quarterly net settlements of \$1.2 million in 2006 and \$440,000 in 2005, were included in non-interest income. All of these swaps were terminated in the third quarter of 2006.

The Company's banking subsidiaries offer certain derivative products directly to qualified commercial borrowers. The Company economically hedges customer derivative transactions by entering into offsetting derivatives executed with a third party. Derivative transactions executed as part of this program are not designated in SFAS 133 hedge relationships and are, therefore, marked-to-market through earnings each period. In most cases, the derivatives have mirror-image terms, which results in the positions' changes in fair value offsetting completely through earnings each period. However, to the extent that the derivatives are not a mirror-image, changes in fair value will not completely offset, resulting in some earnings impact each period. At December 31, 2006, the aggregate notional value of interest rate swaps with various commercial borrowers totaled \$21 million and the aggregate notional value interest rate swaps with third parties also

totaled \$21 million. These interest rate swaps mature between August 2010 and May 2016. These swaps were reported on the Company's balance sheet by a derivative asset of \$506,000 and a derivative liability of \$506,000. At December 31, 2005, the aggregate notional value of such interest rate swaps totaled \$6.4 million and had a fair value of \$7,000. These interest rate swaps are not reflected in the above table.

Mortgage Banking Derivatives

Commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third party investors are considered derivatives. It is the Company's practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from its commitments to fund the loans. These mortgage banking derivatives are not designated in hedge relationships pursuant to SFAS 133. At December 31, 2006, the Company had approximately \$118 million of interest rate lock commitments and \$263 million of forward commitments for the future delivery of residential mortgage loans. The fair value of these mortgage banking derivatives was reflected by a derivative asset of \$360,000 and a derivative liability of \$342,000. At December 31, 2005, the Company had approximately \$104 million of interest rate lock commitments and \$186 million of forward commitments for the future delivery of residential mortgage loans. The fair value of these mortgage banking derivatives was reflected by a derivative asset of \$388,000 and a derivative liability of \$396,000. Fair values were estimated based on changes in mortgage rates from the date of the commitments. Changes in the fair values of these mortgage-banking derivatives are included in mortgage banking revenue.

Other Derivatives

The Company has also used interest rate caps to hedge cash flow variability of certain deposit products. However, no interest rate cap contracts were entered into in 2006 or 2005, and the Company had no interest rate cap contracts outstanding at December 31, 2006 or December 31, 2005.

Periodically, the Company will sell options to a bank or dealer for the right to purchase certain securities held within the Banks' investment portfolios (covered call options). These option transactions are designed primarily to increase the total return associated with the investment securities portfolio. These options do not qualify as hedges pursuant to SFAS 133, and accordingly, changes in the fair value of these contracts are recognized as other non-interest income. There were no covered call options outstanding as of December 31, 2006 or 2005.

(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, 2006 and 2005 (in thousands):

	At December 31, 2006		At December 31, 2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	\$ 305,292	305,292	341,365	341,365
Interest bearing deposits with banks	19,259	19,259	12,240	12,240
Available-for-sale securities	1,839,716	1,839,716	1,799,384	1,799,384
Trading account securities	2,324	2,324	1,610	1,610
Brokerage customer receivables	24,040	24,040	27,900	27,900
Mortgage loans held-for-sale	148,331	148,331	85,985	85,985
Loans, net of unearned income	6,496,480	6,616,989	5,213,871	5,196,065
Accrued interest receivable and other	121,346	121,346	99,180	99,180
Total financial assets	\$8,956,788	9,077,297	7,581,535	7,563,729
Financial Liabilities:				
Non-maturity deposits	\$3,069,108	3,069,108	2,664,909	2,664,909
Deposits with stated maturities	4,800,132	4,786,022	4,064,525	4,035,534
Notes payable	12,750	12,750	1,000	1,000
Federal Home Loan Bank advances	325,531	323,962	349,317	346,601
Subordinated notes	75,000	75,000	50,000	50,000
Other borrowings	162,072	162,072	95,796	95,796
Long-term debt — trust preferred securities	249,828	249,431	230,458	230,056
Accrued interest payable	22,861	22,861	16,651	16,651
Total financial liabilities	\$8,717,282	8,701,206	7,472,656	7,440,547
Derivative contracts:				
Mortgage banking derivatives	\$ 18	18	(8)	(8)
Interest rate swap contracts	(2,390)	(2,390)	(1,816)	(1,816)

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

Interest bearing deposits with banks: The carrying value of interest bearing deposits with banks 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 risks 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 obtained from the Federal Home Loan Bank which uses 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 of time to repricing of variable interest rates.

Other borrowings: Carrying value of other borrowings approximates fair value due to the relatively short period of time to maturity or repricing.

Long-term debt — trust preferred securities: The fair value of the fixed long-term debt — trust preferred securities is based on the discounted value of contractual cash flows. The fair value of the variable rate long-term debt - trust preferred securities approximate carrying values.

Interest rate 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.

Mortgage banking derivatives consist of commitments to fund mortgages for sale into the secondary market (interest rate locks) and forward commitments to end investors for the sale of such loans. Fair value is determined based on changes in mortgage rates from the date of the commitments.

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 judgments 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, 2006 and 2005 is as follows:

	2006	2005
Common Stock:		
Shares authorized	60,000,000	60,000,000
Shares issued	25,802,024	23,940,744
Shares outstanding	25,457,935	23,940,744
Cash dividend per share	\$0.28	\$0.24
Preferred Stock:		
Shares authorized	20,000,000	20,000,000
Shares issued	—	—
Shares outstanding	—	—

The Company reserves shares of its authorized common stock specifically for its Stock Incentive Plan, 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 issued warrants to acquire common stock. The warrants entitle the holders to purchase one share of the Company's common stock at a purchase price of \$30.50 per share. Warrants outstanding at December 31, 2006 and 2005 were 33,000 and 47,000, respectively. Expiration date on the remaining outstanding warrants at December 31, 2006 is February 2013.

On March 30, 2005, Wintrust consummated the partial settlement of the forward sale agreement the Company entered into on December 14, 2004 with Royal Bank of Canada, an affiliate of RBC Capital Markets Corporation, relating to the forward sale by Wintrust of 1.2 million shares of Wintrust's common stock. Pursuant to and in partial settlement of the forward sale agreement, Wintrust issued 1.0 million shares of its common stock, and received net proceeds of \$55.8 million from Royal Bank of Canada. Additionally, on December 14, 2005, Wintrust amended certain terms of the forward sale agreement for the purpose of extending the maturity date for the remaining 200,000 shares from December 17, 2005 to December 17, 2006. In conjunction with the completion of the acquisition of HBI in May 2006, the forward sale agreement was fully settled with Wintrust issuing 200,000 shares of its common stock and receiving net proceeds of \$11.6 million.

The Company issued 180,438 shares of common stock in May 2004, 475,148 shares of common stock in September 2004, 372,535 shares of common stock in October 2004, 595,123 shares of common stock in March 2005 and 1,120,033 shares of common stock in May 2006 in connection with the acquisitions of WestAmerica and Guardian, Northview Bank, Town Bank, First Northwest Bank and Hinsbrook Bank, respectively.

In July 2006, the Company's Board of Directors approved the repurchase of up to 2,000,000 shares of its outstanding common stock over the next 18 months. This repurchase plan replaces the previous share repurchase plan that was announced in January 2000. During 2006, the Company repurchased 344,089 shares of its common stock for approximately \$16.3 million, representing an average price per share of \$47.50.

At the January 2007 Board of Directors meeting, a semiannual cash dividend of \$0.16 per share (\$0.32 on an annualized basis) was declared. It was paid on February 22, 2007 to shareholders of record as of February 8, 2007.

The following table summarizes the components of other comprehensive income (loss), including the related income tax effects, for the years ending December 31, 2006, 2005 and 2004 (in thousands):

	2006	2005	2004
Unrealized net gains (losses) on available-for-sale securities	\$ 3,222	(16,824)	651
Related tax (expense) benefit	(1,160)	6,399	145
Net after tax unrealized gains (losses) on available-for-sale securities	2,062	(10,425)	796
Less: reclassification adjustment for net gains realized in net income during the year	17	1,063	1,863
Related tax expense	(6)	(407)	(714)
Net after tax reclassification adjustment	11	656	1,149
Unrealized net gains (losses) on available-for-sale securities, net of reclassification adjustment	2,051	(11,081)	(353)
Net unrealized gains (losses) on derivatives used as cash flow hedges	(2,390)	173	242
Related tax benefit (expense)	911	(67)	(79)
Net unrealized gains (losses) on derivatives used as cash flow hedges	(1,479)	106	163
Total other comprehensive income (loss)	\$ 572	(10,975)	(190)

A roll-forward of the change in accumulated other comprehensive loss for the years ending December 31, 2006, 2005 and 2004 is as follows (in thousands):

	2006	2005	2004
Accumulated other comprehensive loss at beginning of year	\$(18,333)	(7,358)	(7,168)
Other comprehensive income (loss)	572	(10,975)	(190)
Accumulated other comprehensive loss at end of year	\$(17,761)	(18,333)	(7,358)

Accumulated other comprehensive loss at December 31, 2006, 2005 and 2004 is comprised of the following components (in thousands):

	2006	2005	2004
Accumulated unrealized losses on securities available-for-sale	\$(16,282)	(18,333)	(7,252)
Accumulated unrealized losses on derivatives used as cash flow hedges	(1,479)	—	(106)
Total accumulated other comprehensive loss at end of year	\$(17,761)	(18,333)	(7,358)

(24) Segment Information

The Company's operations consist of four primary segments: banking, premium finance, Tricom and wealth management. Through its fifteen bank subsidiaries located in suburban Chicago and Southern Wisconsin 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 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 and WHI. WHTC offers trust services to existing customers of the Banks and targets affluent individuals and small to mid-size businesses whose needs command personalized attention by experienced trust and asset management professionals. WHI, a broker/dealer, provides a full-range of investment products and services tailored to meet the specific needs of individual investors, primarily in the Midwest. WHI also provides a full range of investment services to clients through a network of community-based financial institutions primarily in Illinois. WHAMCO is a registered investment advisor and the investment advisory affiliate of WHI.

The four 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 segment has a different regulatory environment than the Premium Finance, Tricom and Wealth Management segments. While the Company's management monitors each of the fifteen 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 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 reflect parent company information and intersegment eliminations.

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

	Banking	Premium Finance	Tricom	Wealth Management	Parent & Intersegment Eliminations	Consolidated
2006						
Net interest income (expense)	\$ 235,166	42,376	3,914	6,347	(38,917)	248,886
Provision for credit losses	6,342	2,196	120	—	(1,601)	7,057
Noninterest income	40,625	2,883	4,598	38,021	5,105	91,232
Noninterest expense	175,088	10,593	5,370	39,177	(1,408)	228,820
Income tax expense (benefit)	33,274	12,882	1,207	1,933	(11,548)	37,748
Net income (loss)	\$ 61,087	19,588	1,815	3,258	(19,255)	66,493
Total assets at end of period	\$9,447,666	1,222,197	57,570	58,378	(1,213,959)	9,571,852
2005						
Net interest income (expense)	\$ 211,705	40,533	4,101	1,419	(40,999)	216,759
Provision for credit losses	6,501	1,386	15	—	(1,226)	6,676
Noninterest income	50,995	6,499	4,539	36,619	(5,095)	93,557
Noninterest expense	147,512	10,034	5,599	39,017	(3,472)	198,690
Income tax expense (benefit)	39,240	13,884	1,212	(390)	(16,012)	37,934
Net income (loss)	\$ 69,447	21,728	1,814	(589)	(25,384)	67,016
Total assets at end of period	\$8,065,671	859,536	63,858	61,828	(873,851)	8,177,042
2004						
Net interest income (expense)	\$ 142,511	48,922	3,775	5,252	(42,636)	157,824
Provision for credit losses	6,211	1,095	5	—	(1,013)	6,298
Noninterest income	41,418	7,347	3,984	35,396	(2,693)	85,452
Noninterest expense	103,245	13,604	5,195	38,953	(4,906)	156,091
Income tax expense (benefit)	27,099	16,503	1,027	573	(15,649)	29,553
Net income (loss)	\$ 47,374	25,067	1,532	1,122	(23,761)	51,334
Total assets at end of period	\$6,425,880	774,114	44,614	75,184	(900,744)	6,419,048

The Premium Finance 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 credit losses and allocations for other expenses are included in the Premium Finance segment. The Banking segment information also includes all amounts related to these loans, as these loans are retained within the Banks' loan portfolios. Similarly, for purposes of analyzing the contribution from the wealth management segment, management allocates the net interest income earned by the Banking segment on deposit balances of customers of the wealth management segment to the wealth management segment. Accordingly, the Intersegment Eliminations include adjustments necessary for each category to agree with the related consolidated financial statements.

During the third quarter of 2006, the Company changed the measurement methodology for the net interest income component of the wealth management segment. In conjunction with the change in the executive management team for this segment in the third quarter of 2006, the contribution attributable to the wealth management deposits was redefined to measure the full net interest income contribution. In previous periods, the contribution from these deposits to the wealth management segment was limited to the value as an alternative source of funding for each bank. As such, the contribution in previous periods did not capture the total net interest income contribution of this funding source. Executive management of this segment currently uses this measured contribution to determine the overall profitability of the wealth management segment.

(25) Condensed Parent Company Financial Statements

Condensed parent company only financial statements of Wintrust follow.

Balance Sheets

(in thousands):

	December 31,	
	2006	2005
Assets		
Cash	\$ 648	46,696
Other investments	64,453	14,811
Loans to subsidiaries	2,300	900
Investment in subsidiaries	1,064,294	834,574
Goodwill	8,347	8,347
Other assets	26,046	25,791
Total assets	\$1,166,088	931,119
Liabilities and Shareholders' Equity		
Other liabilities	\$ 8,836	19,796
Notes payable	12,750	1,000
Subordinated notes	75,000	50,000
Other borrowings	46,328	1,954
Long-term debt — trust preferred securities	249,828	230,458
Shareholders' equity	773,346	627,911
Total liabilities and shareholders' equity	\$1,166,088	931,119

Statements of Income

(in thousands):

	Years Ended December 31,		
	2006	2005	2004
Income			
Dividends from subsidiaries	\$ 183,550	45,125	25,500
Trading gains (losses)	8,738	(1,370)	—
Other income	2,244	921	779
Total income	194,532	44,676	26,279
Expenses			
Interest expense	23,609	18,435	10,685
Salaries and employee benefits	7,071	3,581	2,704
Other expenses	5,445	4,795	3,217
Total expenses	36,125	26,811	16,606
Income before income taxes and equity in undistributed net income (loss) of subsidiaries	158,407	17,865	9,673
Income tax benefit	(9,270)	(10,163)	(6,091)
Income before equity in undistributed net income of subsidiaries	167,677	28,028	15,764
Equity in undistributed net income (loss) of subsidiaries	(101,184)	38,988	35,570
Net income	\$ 66,493	67,016	51,334

Statements of Cash Flows

(in thousands):

	Years Ended December 31,		
	2006	2005	2004
Operating activities:			
Net income	\$ 66,493	67,016	51,334
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	288	103	211
Shared-based compensation expense	4,117	2,251	254
Deferred income tax expense (benefit)	2,386	(1,189)	(76)
Tax benefit from stock-based compensation arrangements	5,281	7,038	8,671
Excess tax benefits from stock-based compensation arrangements	(4,565)	—	—
Fair market value change of interest rate swaps	(1,809)	1,809	—
Increase in other assets	(19,106)	(9,401)	(11,461)
Increase in other liabilities	8,363	8,842	8,132
Equity in undistributed net income loss (income) of subsidiaries	101,184	(38,988)	(35,570)
Net cash provided by operating activities	162,632	37,481	21,495
Investing activities:			
Capital contributions to subsidiaries	(196,050)	(13,650)	(49,955)
Cash paid for business combinations, net	(56,821)	(108,145)	(37,245)
Other investing activity, net	(49,233)	(5,021)	149
Net cash used for investing activities	(302,104)	(126,816)	(87,051)
Financing activities:			
Increase (decrease) in notes payable, net	56,165	(7,221)	(28,870)
Proceeds from issuance of subordinated note	25,000	—	—
Repayment of subordinated note	(8,000)	—	—
Net proceeds from issuance of long-term debt — trust preferred securities	50,000	40,000	90,000
Redemption of long-term debt — trust preferred securities, net	(31,050)	(20,000)	—
Issuance of common stock, net of issuance costs	11,584	55,845	—
Common stock issued upon exercise of stock options	6,373	6,115	4,807
Excess tax benefits from stock-based compensation arrangements	4,565	—	—
Common stock issued through employee stock purchase plan	1,664	1,714	1,330
Proceeds from conversion of common stock warrants	427	940	1,146
Dividends paid	(6,961)	(5,449)	(4,069)
Treasury stock purchases	(16,343)	—	—
Net cash provided by financing activities	93,424	71,944	64,344
Net decrease in cash	(46,048)	(17,391)	(1,212)
Cash at beginning of year	46,696	64,087	65,299
Cash at end of year	\$ 648	46,696	64,087

(26) Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per common share for 2006, 2005 and 2004 (in thousands, except per share data):

		2006	2005	2004
Net income	(A)	\$66,493	67,016	51,334
Average common shares outstanding	(B)	25,011	23,198	20,646
Effect of dilutive common shares		916	1,139	1,326
Weighted average common shares and effect of dilutive common shares	(C)	25,927	24,337	21,972
Net income per common share — Basic	(A/B)	\$ 2.66	2.89	2.49
Net income per common share — Diluted	(A/C)	\$ 2.56	2.75	2.34

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, 2006 and 2005 (in thousands, except per share data):

	2006 Quarters				2005 Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Interest income	\$120,297	135,116	148,893	153,640	87,322	98,676	106,472	114,565
Interest expense	63,133	73,874	83,778	88,274	37,409	44,794	50,503	57,572
Net interest income	57,164	61,242	65,115	65,366	49,913	53,882	55,969	56,993
Provision for credit losses	1,536	1,743	1,885	1,893	1,231	1,294	3,077	1,073
Net interest income after provision for credit losses	55,628	59,499	63,230	63,473	48,682	52,588	52,892	55,920
Non-interest income, excluding net securities gains	28,645	24,388	18,833	19,350	24,380	15,563	28,403	24,148
Net securities gains (losses)	80	(95)	(57)	89	—	978	89	(4)
Non-interest expense	54,460	55,907	58,989	59,465	48,304	49,016	50,326	51,044
Income before income taxes	29,893	27,885	23,017	23,447	24,758	20,113	31,058	29,020
Income tax expense	10,880	10,274	8,158	8,437	9,085	7,134	11,350	10,364
Net income	\$ 19,013	17,611	14,859	15,010	15,673	12,979	19,708	18,656
Net income per common share:								
Basic	\$ 0.79	0.71	0.58	0.59	0.72	0.55	0.83	0.78
Diluted	\$ 0.76	0.69	0.56	0.57	0.68	0.53	0.80	0.75
Cash dividends declared per common share	\$ 0.14	—	0.14	—	0.12	—	0.12	—

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

The Board of Directors and Shareholders of
Wintrust Financial Corporation

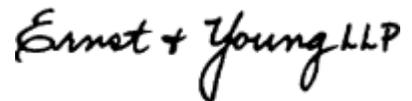
We have audited the accompanying consolidated statements of condition of Wintrust Financial Corporation and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006. These 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 the standards of the Public Company Accounting Oversight Board (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 Wintrust Financial Corporation and Subsidiaries at December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 18 to the financial statements, in 2006 the Company changed its method of accounting for stock options.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Wintrust Financial Corporation's internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2007 expressed an unqualified opinion thereon.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Chicago, Illinois
February 28, 2007

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion highlights the significant factors affecting the operations and financial condition of Wintrust for the three years ended December 31, 2006. 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
	2006	2005	
Net income	\$ 66,493	\$ 67,016	(1)%
Net income per common share — Diluted	\$ 2.56	\$ 2.75	(7)%
Net revenue ⁽¹⁾	\$ 340,118	\$ 310,316	10%
Net interest income	\$ 248,886	\$ 216,759	15%
Net interest margin ⁽⁵⁾	3.10%	3.16%	(6) bp
Core net interest margin ⁽²⁾⁽⁵⁾	3.31%	3.37%	(6) bp
Net overhead ratio ⁽³⁾	1.54%	1.39%	15 bp
Efficiency ratio ⁽⁴⁾⁽⁵⁾	66.96%	63.97%	299 bp
Return on average assets	0.74%	0.88%	(14) bp
Return on average equity	9.47%	11.00%	(153) bp
At end of period:			
Total assets	\$ 9,571,852	\$ 8,177,042	17%
Total loans	\$ 6,496,480	\$ 5,213,871	25%
Total deposits	\$ 7,869,240	\$ 6,729,434	17%
Total equity	\$ 773,346	\$ 627,911	23%
Book value per common share	\$ 30.38	\$ 26.23	16%
Market price per common share	\$ 48.02	\$ 54.90	(13)%
Common shares outstanding	25,457,935	23,940,744	6%

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

(2) Core net interest margin excludes the effect of the net interest expense associated with Wintrust's Long-term Debt — Trust Preferred Securities.

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

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

(5) See "Non-GAAP Financial Measures/Ratios" for additional information on this performance measure/ratio.

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

NON-GAAP FINANCIAL MEASURES/RATIOS

The accounting and reporting policies of the Company conform to generally accepted accounting principles ("GAAP") in the United States and prevailing practices in the banking industry. However, 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 meaningful view of the performance of the interest-earning assets and interest-bearing liabilities and of the Company's operating efficiency. 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 ("FTE") basis. In this non-GAAP presentation, net interest income is adjusted to reflect tax-exempt interest income on an equivalent before-tax basis. This measure assists in the comparability of net interest income arising from both taxable and tax-exempt sources. Net interest income on a FTE 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 meaningful view of the operational net interest margin of the Company.

The following table presents a reconciliation of certain non-GAAP performance measures and ratios used by the Company to evaluate and measure the Company's performance to the most directly comparable GAAP financial measures for the years ended December 31, 2006, 2005 and 2004 (dollars in thousands):

	Years Ended December 31,		
	2006	2005	2004
(A) Interest income (GAAP)	\$557,945	\$407,036	\$261,746
Taxable-equivalent adjustment			
- Loans	409	531	450
- Liquidity management assets	1,195	777	285
- Other earning assets	17	19	50
Interest income — FTE	\$559,566	\$408,363	\$262,531
(B) Interest expense (GAAP)	309,059	190,277	103,922
Net interest income — FTE	\$250,507	\$218,086	\$158,609
(C) Net interest income (GAAP) (A minus B)	\$248,886	\$216,759	\$157,824
Net interest income — FTE	\$250,507	\$218,086	\$158,609
Add: Interest expense on long-term debt — trust preferred securities ⁽¹⁾	17,611	14,672	7,213
Core net interest income — FTE ⁽²⁾	\$268,118	\$232,758	\$165,822
(D) Net interest margin (GAAP)	3.07%	3.14%	3.15%
Net interest margin — FTE	3.10%	3.16%	3.17%
Core net interest margin — FTE ⁽²⁾	3.31%	3.37%	3.31%
(E) Efficiency ratio (GAAP)	67.28%	64.25%	64.66%
Efficiency ratio — FTE	66.96%	63.97%	64.45%

(1) Interest expense from the long-term debt — trust preferred securities is net of the interest income on the Common Securities owned by the Trusts and included in interest income.

(2) 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).

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. As of December 31, 2006, the Company operated 15 community-oriented bank subsidiaries (the "Banks") with 73 banking locations. During 2006, the Company acquired one bank with five locations, opened its ninth *de novo* bank and opened five new branches. During 2005, the Company acquired two banks with seven locations, opened six new branches and closed a convenience facility. 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.

Specifically, given the current inverted yield curve and the competitive pricing pressures on both the loan and deposit sides of the balance sheet, our growth at the banking subsidiaries during 2007 will focus more on the younger facilities that are still growing into their infrastructure. At our more mature locations, we expect that growth in 2007 will be somewhat slower than we have historically achieved until market conditions, such as higher interest rate spreads and better credit terms, provide for more profitable growth. In this interest rate environment, management believes this strategy will result in more favorable net interest margins than if the Company were to grow at a more rapid pace. During 2007, given the potential slower growth environment, management is

committed to working on changing the deposit mix structure to be less reliant on certificates of deposits, working on rigorous expense control and promoting our commercial lending and treasury management services to assist in aiding our future profitability.

Wintrust also provides a full range of wealth management services through its trust, asset management and broker-dealer subsidiaries.

De Novo Bank Formations, Branch Openings and Acquisitions

The Company developed its community banking franchise through the formation of nine *de novo* banks, the opening of branch offices of the Banks and acquisitions. As of December 31, 2006, the Company had 15 bank subsidiaries with 73 banking facilities. Construction of several other banking offices is currently underway. Following is a summary of the expansion of the Company's banking franchise through newly chartered banks, new branching locations and acquisitions over the last three years.

2006 Banking Expansion Activity

Opened the Company's ninth de novo bank

- Old Plank Trail Bank in Frankfort, Illinois

Opened the following branch locations

- St. Charles, Illinois, a branch of St. Charles Bank
- Algonquin Bank & Trust, a branch of Crystal Lake Bank
- Mokena, Illinois, a branch of Old Plank Trail Bank
- Elm Grove, Wisconsin, a branch of Town Bank
- New Lenox, Illinois, a branch of Old Plank Trail Bank

Acquired the following banks

- Hinsbrook Bank with locations in Willowbrook, Downers Grove, Glen Ellyn, Darien and Geneva

2005 Banking Expansion Activity

Opened the following branch locations

- Wales, Wisconsin, a branch of Town Bank
- Glen Ellyn Bank, a branch of Wheaton Bank
- West Northbrook, a branch of Northbrook Bank
- Lake Bluff — drive through facility added to existing banking office; a branch of Lake Forest Bank
- Northwest Highway in Barrington, a branch of Barrington Bank
- Palatine Bank & Trust, a branch of Barrington Bank

Acquired the following banks

- State Bank of The Lakes with locations in Antioch, Lindenhurst, Grayslake, Spring Grove and McHenry
- First Northwest Bank with two locations in Arlington Heights

Closed the following branch location

- Wayne Hummer Bank, a branch of North Shore Bank

2004 Banking Expansion Activity

Opened the Company's eighth de novo bank

- Beverly Bank

Opened the following branch locations

- Community Bank of Downers Grove, a branch of Hinsdale Bank
- Buffalo Grove Bank, a branch of Northbrook Bank
- Highland Park Bank — Ravinia, a branch of Lake Forest Bank
- Gurnee Community Bank, a branch of Libertyville Bank

- Lake Villa Community Bank, a branch of Libertyville Bank
- Sauganash, a branch of North Shore Bank

Acquired the following banks

- Northview Bank with two locations in Northfield, one in Wheaton and one in Mundelein
- Town Bank, with locations in Delafield and Madison, Wisconsin

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 acquired 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 ("Focused"), each based in the Chicago area. Focused was merged into WHI in 2006. In February 2003, the Company acquired 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. In addition WHI provides a full range of investment services to clients

through a network of relationships with community-based financial institutions located primarily in Illinois. 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, 2006, WHI had branch locations in a majority of the Company's banks. WHI had approximately \$5.4 billion in client assets at December 31, 2006.

WHAMC, a registered investment advisor, is the investment advisory affiliate of WHI. WHAMC provides money management, financial planning and investment 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, 2006, assets under management totaled approximately \$561 million.

In September 1998, the Company formed a trust subsidiary 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. The trust subsidiary was originally named Wintrust Asset Management Company, and was renamed in May 2002 to Wayne Hummer Trust Company ("WHTC") to align its name with the Company's other wealth management companies. In addition to offering trust 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, 2006 were approximately \$824 million.

First Insurance Funding Corp. ("FIFC") is the Company's most significant specialized earning asset niche, originating approximately \$3.0 billion in loan (premium finance receivables) volume during 2006. 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 with higher yields than alternative investments. FIFC sold approximately \$303 million, or 10%, of the receivables generated during 2006 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. The Company suspended the sale of premium finance receivables to a third party in the second half of 2006 as the Banks had sufficient capacity to retain all of the originations during this period. In addition to recognizing gains on the sale of these receivables, the proceeds from sales provide the Company with additional liquidity. Consistent with the Company's strategy to be asset-driven, similar sales of these receivables may occur in the future; however, future sales of these receivables depend 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.

As part of its continuing strategy to enhance and diversify its earning asset base and revenue stream, in May 2004, the Company acquired SGB Corporation d/b/a WestAmerica Mortgage Company ("WestAmerica") and WestAmerica's affiliate Guardian Real Estate Services, Inc. ("Guardian"). WestAmerica engages primarily in the origination and purchase of residential mortgages for sale into the secondary market, and Guardian provides the document preparation and other loan closing services to WestAmerica and its network of mortgage brokers. WestAmerica sells its loans with servicing released and does not currently engage in servicing loans for others. WestAmerica maintains principal origination offices in nine states, including Illinois, and originates loans in other states through wholesale and correspondent offices. WestAmerica provides the Banks with the ability to use an enhanced loan origination and documentation system which allows WestAmerica and each Bank to better utilize existing operational capacity and expand the mortgage products offered to the Banks' customers. WestAmerica's production of adjustable rate mortgage loans may be retained by the Banks in their loan portfolios, resulting in additional earning assets to the combined organization, thus adding further desired diversification to the Company's earning asset base.

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. Tricom 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 \$531 million in 2006 and \$462 million in 2005.

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 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 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.

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 and the allowance for losses on lending-related commitments, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes 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 and Allowance for Losses on Lending-Related Commitments

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 on 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. The Company also maintains an allowance for lending-related commitments, specifically unfunded loan commitments and letters of credit, which relates to certain amounts the Company is committed to lend but for which funds have not yet been disbursed. 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 and the allowance for lending-related commitments. 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 and the allowance for lending-related commitments.

Impairment Testing of Goodwill

As required by Statement of Financial Accounting Standards ("SFAS") 142, "Goodwill and Other Intangible Assets," the Company performs impairment testing of goodwill on an annual basis or more frequently when events warrant. Valuations are estimated in good faith by management primarily through the use of publicly available valuations of comparable entities for the Company's bank subsidiaries and internal cash flow models using financial projections in the reporting unit's business plan, if public valuations are not available for the Company's non-bank entities.

Valuation and Accounting for Derivative Instruments

The Company utilizes derivative instruments to manage risks such as interest rate risk or market risk. The Company's policy prohibits using derivatives for speculative purposes.

Accounting for derivatives depends on whether a derivative qualifies as a hedge. In order to qualify as a hedge, a derivative must be designated as such by management, who must also continue to evaluate whether the instrument effectively reduces the risk associated with that item. To determine if a derivative instrument continues to be an effective hedge, the Company must make assumptions and judgments about the continued effectiveness of the hedging strategies and the nature and timing of forecasted transactions. If the Company's hedging strategy were to become ineffective, hedge accounting would no longer apply and the reported results of operations or financial condition could be materially affected.

Income Taxes

The Company is subject to the income tax laws of the U.S., its states and other jurisdictions where it conducts business. These laws are complex and subject to different interpretations by the taxpayer and the various taxing authorities. In determining the provision for income taxes, management must make judgments and estimates about the application of these inherently complex laws, related regulations and case law. In the process of preparing the Company's tax returns, management attempts to make reasonable interpretations of the tax laws. These interpretations are subject to challenge by the tax authorities upon audit or to reinterpretation based on management's ongoing assessment of facts and evolving case law.

On a quarterly basis, management assesses the reasonableness of its effective tax rate based upon its current best estimate of net income and the applicable taxes expected for the full year. Deferred tax assets and liabilities are reassessed on a quarterly basis, if business events or circumstances warrant. Reserves for contingent tax liabilities are reviewed quarterly for adequacy based upon developments in tax law and the status of examinations or audits.

CONSOLIDATED RESULTS OF OPERATIONS

The following discussion of Wintrust's results of operations requires an understanding that a majority of the Company's bank subsidiaries have 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 augmented its asset management business with the acquisition of Lake Forest Capital Management. In May 2004, the Company acquired WestAmerica and Guardian to enhance and diversify its earning asset base and revenue stream. Wintrust started nine of its bank subsidiaries as *de novo* institutions and made its first bank acquisition in 2003. The Company acquired Advantage Bank and Village Bank in the fourth quarter of 2003, Northview Bank (which has been renamed Wheaton Bank) and Town Bank in September and October of 2004, respectively, State Bank of The Lakes and First Northwest Bank (which was merged into Village Bank) in the first quarter of 2005 and Hinsbrook Bank (which has been renamed St. Charles Bank) in May 2006. 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 15 banks with 73 offices at the end of 2006. FIFC has matured from its limited operations in 1991 to a company that generated, on a national basis, \$3.0 billion in premium finance receivables in 2006. In addition, the wealth management companies have been building a team of experienced professionals who are located within a majority of the Banks. These expansion activities have understandably suppressed faster, opportunistic earnings. However, as the Company matures and our 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, 2006, totaled \$66.5 million, or \$2.56 per diluted common share, compared to \$67.0 million, or \$2.75 per diluted common share, in 2005, and \$51.3 million, or \$2.34 per diluted common share, in 2004. During 2006, net income remained essentially the same decreasing 1% while earnings per diluted common share decreased 7%, and during 2005, net income increased 31% while earnings per diluted common share increased 18%. Financial results in 2006 were negatively impacted by the adoption of SFAS 123R (stock option expense), compressed interest spreads, a decrease in fees from covered call options, lower levels of mortgage banking revenue and lower sales of premium finance receivables, and was positively impacted by the fair value adjustments related to certain derivatives. Financial results in 2005 compared to 2004 were positively impacted by a higher level of earning assets and mortgage banking revenue as a result of growth at existing branch locations coupled with acquisitions. Return on average equity was 9.47% in 2006, 11.00% in 2005 and 13.12% in 2004.

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 2006 totaled \$250.5 million, up from \$218.1 million in 2005 and \$158.6 million in 2004, representing increases of \$32.4 million, or 15%, in 2006 and \$59.5 million, or 38%, in 2005. These improved levels of net interest income were primarily attributable to increases in average earning assets. 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 2006 and 2005. Average earning assets increased \$1.2 billion, or 17%, in 2006 and \$1.9 billion, or 38%, in 2005. 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 \$875.4 million, or 17%, in 2006 and \$1.3 billion, or 33%, in 2005. Total average loans as a percentage of total average earning assets were 74.3%, 74.5% and 77.1% in 2006, 2005, and 2004, respectively. The average yield on loans was 7.60% in 2006, 6.54% in 2005 and 5.66% in 2004, reflecting an increase of 106 basis points in 2006 and an increase of 88 basis points in 2005. The higher loan yield in 2006 compared to 2005 and in 2005 compared to 2004 are reflective of the interest rate increases effected by the Federal Reserve Bank offset by continued competitive loan pricing pressures. Similarly, the average rate paid on interest bearing deposits, the largest component of the Company's interest bearing liabilities, was 3.97% in 2006, 2.80% in 2005 and 2.08% in 2004, representing an increase of 117 basis points in 2006 and an increase of 72 basis points in 2005. The interest bearing deposits yield increased in 2006 due to higher costs of retail deposits as rates have generally risen in 2006, continued competitive pricing pressures on fixed-maturity time deposits in most markets and promotional pricing activities associated with opening additional *de novo* branches and branches acquired through acquisition.

Net interest margin, which reflects net interest income as a percent of average earning assets, was 3.10% in 2006, 3.16% in 2005 and 3.17% in 2004. The continued lower level of average loans to average earning assets was a large contributing factor in the net interest margin decrease in 2006 as excess funds were invested in lower yielding liquidity management assets. Additionally, competitive loan and deposit pricing pressures have resulted in narrower spreads.

The core net interest margin, which excludes the impact of the Company's Trust Preferred Securities, was 3.31% in 2006, 3.37% in 2005 and 3.31% in 2004. 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.

Net interest income and net interest margin were also affected by amortization of valuation adjustments to earning assets and interest-bearing liabilities of acquired businesses. Under the purchase method of accounting, assets and liabilities of acquired businesses are required to be recognized at their estimated fair value at the date of acquisition. These valuation adjustments represent the difference between the estimated fair value and the carrying value of assets and liabilities acquired. These adjustments are amortized into interest income and interest expense based upon the estimated remaining lives of the assets and liabilities acquired. See Note 7 of the Consolidated Financial Statements for further discussion of the Company's business combinations.

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, 2006, 2005 and 2004. 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,								
	2006			2005			2004		
	Average Balance ⁽¹⁾	Interest	Average Yield/Rate	Average Balance ⁽¹⁾	Interest	Average Yield/Rate	Average Balance ⁽¹⁾	Interest	Average Yield/Rate
Assets									
Interest bearing deposits with banks	\$ 13,361	\$ 651	4.87%	\$ 9,003	\$ 278	3.10%	\$ 5,447	\$ 80	1.47%
Securities	1,930,662	94,593	4.90	1,627,523	67,333	4.14	1,031,574	41,176	3.99
Federal funds sold and securities purchased under resale agreements	110,775	5,393	4.87	102,199	3,485	3.41	71,870	934	1.30
Total liquidity management assets ^{(2) (8)}	2,054,798	100,637	4.90	1,738,725	71,096	4.09	1,108,891	42,190	3.80
Other earning assets ^{(2) (3)}	29,675	2,136	7.20	23,644	1,345	5.69	38,901	1,593	4.10
Loans, net of unearned income ^{(2) (4) (8)}	6,013,344	456,793	7.60	5,137,912	335,922	6.54	3,861,683	218,748	5.66
Total earning assets ⁽⁸⁾	8,097,817	559,566	6.91	6,900,281	408,363	5.92	5,009,475	262,531	5.24
Allowance for loan losses	(44,648)			(40,566)			(30,014)		
Cash and due from banks	125,253			138,253			92,299		
Other assets	747,135			589,634			379,767		
Total assets	\$8,925,557			\$7,587,602			\$5,451,527		
Liabilities and Shareholders' Equity									
Deposits — interest bearing:									
NOW accounts	\$ 811,727	\$ 19,548	2.41%	\$ 699,323	\$ 11,973	1.71%	\$ 481,759	\$ 4,805	1.00%
Wealth management deposits	464,438	20,456	4.40	407,816	10,181	2.50	360,047	2,513	0.70
Money market accounts	639,590	17,497	2.74	657,788	11,071	1.68	528,831	5,248	0.99
Savings accounts	307,142	4,275	1.39	298,468	2,629	0.88	197,132	1,033	0.52
Time deposits	4,472,242	203,953	4.56	3,507,771	120,398	3.43	2,433,036	69,536	2.86
Total interest bearing deposits	6,695,139	265,729	3.97	5,571,166	156,252	2.80	4,000,805	83,135	2.08
Federal Home Loan Bank advances	364,149	14,675	4.03	333,108	11,912	3.58	222,278	8,070	3.63
Notes payable and other borrowings	149,764	5,638	3.76	167,930	4,178	2.49	154,577	2,358	1.53
Subordinated notes	66,742	4,695	6.94	50,000	2,829	5.66	50,000	2,891	5.78
Long-term debt — trust preferred securities	237,249	18,322	7.62	217,983	15,106	6.93	130,830	7,468	5.71
Total interest bearing liabilities	7,513,043	309,059	4.11	6,340,187	190,277	3.00	4,558,490	103,922	2.28
Non-interest bearing deposits	623,542			592,879			400,333		
Other liabilities	87,178			45,369			101,369		
Equity	701,794			609,167			391,335		
Total liabilities and shareholders' equity	\$8,925,557			\$7,587,602			\$5,451,527		
Interest rate spread ^{(5) (8)}			2.80%			2.92%			2.96%
Net free funds/contribution ⁽⁶⁾	\$ 584,774		0.30%	\$ 560,094		0.24%	\$ 450,985		0.21%
Net interest income/Net interest margin ⁽⁸⁾		\$250,507	3.10%		\$218,086	3.16%		\$158,609	3.17%
Core net interest margin ^{(7) (8)}			3.31%			3.37%			3.31%

(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 \$1.621 million, \$1.327 million and \$785,000 in 2006, 2005 and 2004 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 the effect of the net 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.

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,					
	2006 Compared to 2005			2005 Compared to 2004		
	Change Due to Rate	Change Due to Volume	Total Change	Change Due to Rate	Change Due to Volume	Total Change
Interest income:						
Interest bearing deposits with banks	\$ 202	171	373	\$ 125	73	198
Securities	13,536	13,724	27,260	1,604	24,553	26,157
Federal funds sold and securities purchased under resale agreement	1,595	313	1,908	2,027	524	2,551
Total liquidity management assets	15,333	14,208	29,541	3,756	25,150	28,906
Other earning assets	404	387	791	499	(747)	(248)
Loans	58,934	61,937	120,871	37,659	79,515	117,174
Total interest income	74,671	76,532	151,203	41,914	103,918	145,832
Interest expense:						
Deposits — interest bearing:						
NOW accounts	5,437	2,138	7,575	4,394	2,774	7,168
Wealth management deposits	8,690	1,585	10,275	7,298	370	7,668
Money market accounts	6,742	(316)	6,426	4,321	1,502	5,823
Savings accounts	1,567	79	1,646	915	681	1,596
Time deposits	51,354	32,201	83,555	15,881	34,981	50,862
Total interest expense — deposits	73,790	35,687	109,477	32,809	40,308	73,117
Federal Home Loan Bank advances	1,587	1,176	2,763	(111)	3,953	3,842
Notes payable and other borrowings	2,849	(1,389)	1,460	1,694	126	1,820
Subordinated notes	786	1,080	1,866	(54)	(8)	(62)
Long-term debt — trust preferred securities	1,822	1,394	3,216	2,037	5,601	7,638
Total interest expense	80,834	37,948	118,782	36,375	49,980	86,355
Net interest income	\$ (6,163)	38,584	32,421	\$ 5,539	53,938	59,477

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. The change in interest due to an additional day resulting from the 2004 leap year has been allocated entirely to the change due to volume.

Provision for Credit Losses

The provision for credit losses totaled \$7.1 million in 2006, \$6.7 million in 2005, and \$6.3 million in 2004. Net charge-offs totaled \$5.2 million in 2006, \$4.9 million in 2005 and \$2.7 million in 2004. The allowance for loan losses as a percentage of loans at December 31, 2006, 2005 and 2004 was 0.71%, 0.77% and 0.79%, respectively. Non-performing loans were \$36.9 million and \$26.2 million at December 31, 2006 and 2005, respectively. In 2006, the Company reclassified \$92,000 from a separate liability account which represents the portion of the allowance for loan losses that was associated with lending-related commitments, specifically unfunded loan commitments and letters of credit. In 2005, the Company reclassified \$491,000 from its allowance for loan losses to the allowance for lending-related commitments. In future periods, the provision for credit losses may contain both a component related to funded loans (provision for loan losses)

and a component related to lending-related commitments (provision for unfunded loan commitments and letters of credit). 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 and the allowance for lending-related commitments 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 \$91.2 million in 2006, \$93.6 million in 2005 and \$85.5 million in 2004, reflecting a decrease of 2.5% in 2006 compared to 2005, and an increase of 10% in 2005 compared to 2004. Non-interest income as a percentage of net revenue declined to 27% in 2006 compared to 30% in 2005 and 35% in 2004. The six community bank acquisitions in 2003, 2004 and 2005 contributed to this decline as their predominant source of revenue is net interest income. The following table presents non-interest income by category for 2006, 2005 and 2004 (in thousands).

	Years ended December 31,			2006 compared to 2005		2005 compared to 2004	
	2006	2005	2004	\$ Change	% Change	\$ Change	% Change
Brokerage	\$19,615	20,154	22,892	\$ (539)	(2.7)%	\$(2,738)	(12.0)%
Trust and asset management	12,105	9,854	8,764	2,251	22.9	1,090	12.4
Total wealth management fees	31,720	30,008	31,656	1,712	5.7	(1,648)	(5.2)
Mortgage banking	22,341	25,913	18,250	(3,572)	(13.8)	7,663	42.0
Service charges on deposit accounts	7,146	5,983	4,100	1,163	19.4	1,883	45.9
Gain on sales of premium finance receivables	2,883	6,499	7,347	(3,616)	(55.6)	(848)	(11.5)
Administrative services	4,598	4,539	3,984	59	1.3	555	13.9
Gains on available-for-sale securities, net	17	1,063	1,863	(1,046)	(98.4)	(800)	(42.9)
Other:							
Fees from covered call options	3,157	11,434	11,121	(8,277)	(72.4)	313	2.8
Trading income — net cash settlement of swaps	1,237	440	—	797	181.1	440	NM
Trading income (loss) — change in fair market value	7,514	(1,339)	—	8,853	661.2	(1,339)	NM
Bank Owned Life Insurance	2,948	2,431	1,997	517	21.3	434	21.7
Miscellaneous	7,671	6,586	5,134	1,085	16.5	1,452	28.3
Total other	22,527	19,552	18,252	2,975	15.2	1,300	7.1
Total non-interest income	\$91,232	93,557	85,452	\$(2,325)	(2.5)%	\$ 8,105	9.5%

NM — Not Meaningful

Wealth management fees are comprised of the trust and asset management revenue of WHTC and the asset management fees, brokerage commissions, trading commissions and insurance product commissions generated by the Wayne Hummer Companies. In December 2006, Focused Investments was merged into its parent WHI and is now being marketed as part of the Wayne Hummer Wealth Management family of products. 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 proprietary mutual funds. The brokerage income is generated by WHI, the Company's broker-dealer subsidiary.

Brokerage revenue is directly impacted by trading volumes. In 2006, brokerage revenue totaled \$19.6 million, reflecting a decrease of \$539,000, or 2.7%, compared to 2005. The Company anticipates continued recognition of revenue enhancement capabilities and cost saving opportunities as a result of the conversion to an out-sourced securities clearing platform completed by WHI in the third quarter of 2005 and continued growth of the wealth management platform throughout its banking locations. In 2005, brokerage revenue totaled \$20.2 million reflecting a decrease of \$2.7 million, or 12.0%, compared to 2004.

Trust and asset management fees totaled \$12.1 million in 2006, an increase of \$2.3 million, or 22.9%, compared to 2005. The 2006 trust and asset management fees include a \$2.4 million gain on the sale of the Wayne Hummer Growth Fund. In 2005, trust and asset management fees totaled \$9.9 million and increased \$1.1 million, or 12.4%, compared to 2004. These fees are based primarily on the market value of the assets under management or administration. Trust assets and assets under management totaled \$1.4 billion at December 31, 2006, \$1.6 billion at December 31, 2005 and \$1.7 billion at December 31, 2004. The Wayne Hummer Growth Fund, which was managed by WHAMC and sold during the first quarter of 2006, had total assets of \$162 million at December 31, 2005.

Mortgage banking revenue includes revenue from activities related to originating and selling residential real estate loans into the secondary market. With the addition of WestAmerica and Guardian in May 2004, this revenue line now includes gains on the sales of mortgage loans to the secondary market, origination fees, rate lock commitment fees, document preparation fees, the impact of capitalizing servicing rights on loans sold and serviced by certain Wintrust Banks and the impact of amortizing and valuing the capitalized servicing right asset. Mortgage banking revenue totaled \$22.3 million in 2006, \$25.9 million in 2005, and \$18.3 million in 2004, reflecting a decrease of \$3.6 million, or 13.8%, in 2006, and an increase \$7.7 million, or 42.0%, in 2005. Mortgage banking revenue continues to be negatively impacted by the current interest rate environment and will be dependent upon the relative level of long-term interest rates in future periods. Effective January 1, 2006, the Company adopted the provisions of SFAS 156 and elected the fair value measurement method for mortgage servicing rights ("MSRs"). Prior to January 1, 2006, MSRs were accounted for at the lower of their initial carrying value, net of accumulated amortization, or fair value. Included in the 2006 mortgage banking revenue decrease is \$514,000 of MSR valuation adjustment/amortization (additional expense) compared to 2005.

Service charges on deposit accounts totaled \$7.1 million in 2006, \$6.0 million in 2005 and \$4.1 million in 2004. These increases of 19.4% in 2006 and 45.9% in 2005, were due mainly to the fees generated by the community banks acquired since the fourth quarter of 2003. The majority of deposit service charges relates to customary fees on overdrawn accounts and returned items.

Gain on sales of premium finance receivables results from the Company's sales of premium finance receivables to an unrelated third party. The majority of the receivables originated by FIFC are purchased by the Banks to more fully utilize their lending capacity. However, the Company has historically sold premium finance receivables to an unrelated third party, with servicing retained. Having a program in place to sell premium finance receivables to a third party allows the Company to execute its strategy to be asset-driven while providing the benefits of additional sources of liquidity and revenue. The level of premium finance receivables sold to an unrelated third party depends in large part on the capacity of the Banks to retain such loans in their portfolio.

As a result of capacity within the Banks to retain the premium finance receivables originated by FIFC, in the third and fourth quarters of 2006, the Company did not sell premium finance receivables to an unrelated third party. Consistent with the Company's strategy to be asset-driven, it is possible that sales of these receivables may occur in the future. The Company did recognize gains totaling \$2.9 million in 2006 related to the sale of premium finance receivables to an unrelated third party in the first half of 2006, \$6.5 million in 2005 and \$7.3 million in 2004. Loans sold totaled \$303 million in 2006, \$562 million in 2005 and \$496 million in 2004, representing 10%, 21% and 19% of FIFC's total originations in 2006, 2005 and 2004, respectively.

As FIFC continues to service the loans sold, it recognizes a 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, fees paid to insurance agents as well as estimates of the term of the loans and credit losses. Significant differences in actual cash flows and the projected cash flows can cause impairment to the servicing asset and interest only strip as well as the recourse obligation. The Company monitors the 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.

The Company capitalized \$2.8 million and amortized \$4.7 million in servicing assets related to the sale of these loans in 2006, and capitalized \$5.0 million and amortized \$4.5 million in servicing assets related to sale of these

loans in 2005. As of December 31, 2006, the Company's retained interest in the loans sold included a servicing asset of \$522,000, an interest only strip of \$878,000 and a liability for its recourse obligation of \$129,000.

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 2.62% to 3.24% in 2006, compared to 2.71% to 3.74% in 2005 and 4.02% to 4.84% in 2004. The spreads narrowed as yields on the premium finance receivables have not risen commensurately with increases in short term rates.

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 interest is recorded as an adjustment to the gain on sale of premium finance receivables. During 2006 and 2005, clean-up calls resulted in increased gains (primarily from reversing the remaining balance of recourse obligations on repurchased loans) of \$761,000 and \$248,000, respectively, while clean-up calls during 2004 resulted in charges of approximately \$272,000. The Company continuously monitors the performance of the loan pools to the projections and adjusts the assumptions in its cash flow model when warranted. Credit losses on loans sold were estimated at 0.15% of the estimated average balances in 2006, at a range of 0.15% to 0.25% for 2005 and at 0.25% in 2004. The decreases in estimated credit losses since 2004 were a result of a lower levels of charge-offs in FIFC's overall premium finance receivables portfolio. The gains are also influenced by the number of months these loans are estimated to be outstanding. The estimated average terms of the loans were 9 months in 2006 and eight to nine months in 2005 and eight months in 2004. The applicable discount rate used in determining gains related to this activity was the same in 2006, 2005 and 2004.

At December 31, 2006 and 2005, premium finance loans sold and serviced for others for which the Company retains a recourse obligation related to credit losses totaled approximately \$58.3 million and \$260.6 million, respectively. The remaining estimated recourse obligation carried in other liabilities was approximately \$129,000 and \$240,000, at December 31, 2006 and 2005, 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 \$191,000 in 2006, \$269,000 in 2005 and \$177,000 in 2004. At December 31, 2006, non-performing loans related to this sold portfolio were approximately \$3.5 million, or 6.02% of the sold loans, compared to \$3.2 million, or 1.23%, of the sold loans at December 31, 2005. The premium finance portfolio owned by the Company had a ratio of non-performing loans to total loans of 1.07% at December 31, 2006 and 1.40% at December 31, 2005. 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.

Administrative services revenue generated by Tricom was \$4.6 million in 2006, \$4.5 million in 2005 and \$4.0 million in 2004. This revenue comprises income from administrative services, such as data processing of payrolls, billing and cash management services, to temporary staffing service clients located throughout the United States. During 2005, Tricom increased sales volumes with its current client base, however continued to experience competitive rate pressures.

Premium income from covered call option and put option transactions totaled \$3.2 million in 2006, \$11.4 million in 2005 and \$11.1 million in 2004. The increases in the fees from covered call and put options in 2005 and 2004 are due to the mix in the types of underlying securities and the volatility in the marketplace that resulted in higher premiums for the options. During 2006, call option contracts were written against \$1.6 billion of underlying securities, compared to \$3.3 billion in 2005 and \$2.0 billion in 2004. The same security may be included in this total more than once to the extent that multiple call option contracts were written against it if the initial call option contracts were not exercised. The Company 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 fees generated from these options to compensate for net interest margin compression. These 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 option contracts at December 31, 2006 or December 31, 2005.

The Company recognized trading income related to interest rate swaps not designated in hedge relationships and the trading account assets of its broker-dealers. Trading income recognized for the net cash settlement of swaps

is income that would have been recognized regardless of whether the swaps were designated in hedging relationships. However, in the absence of hedge accounting, the net cash settlement of the swaps is included in trading income rather than net interest income. Trading income totaled \$7.5 million in 2006, compared to a loss of \$1.3 million in 2005. The trading income is almost entirely related to the appreciation in the interest rate swaps as the fair market value of the rate swaps increased as rates have risen since 2005. In July 2006, the Company settled its position in these interest rate swap contracts by selling them to third parties. The Company realized approximately \$5.8 million from the settlement of these swaps and eliminated any further earnings volatility due to the changes in fair values. These interest rate swaps were initially entered into to hedge the Company's variable rate trust-preferred securities and subordinated notes and were determined to not qualify for hedge accounting.

Bank Owned Life Insurance ("BOLI") generated non-interest income of \$2.9 million in 2006, \$2.4 million in 2005 and \$2.0 million in 2004. The Company initially purchased 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 and in connection with certain deferred compensation arrangements. The Company has purchased additional BOLI since then, including \$8.9 million of BOLI that was owned by State Bank of the Lakes and \$8.4 million owned by Hinsbrook Bank when Wintrust acquired these banks. BOLI totaled \$82.1 million at December 31, 2006 and \$70.3 million at December 31, 2005, and is included in other assets.

Miscellaneous other non-interest income includes loan servicing fees, service charges, rental income from equipment leases and miscellaneous other income and has increased in 2006 as a result of growth in the Company's balance sheet. In 2005, miscellaneous income includes a gain of approximately \$700,000 on the sale by WHI of its New York Stock Exchange seat.

Non-interest Expense

Non-interest expense totaled \$228.8 million in 2006, and increased \$30.1 million, or 15%, compared to 2005. In 2005, non-interest expense totaled \$198.7 million, and increased \$42.6 million, or 27%, compared to 2004. All categories of non-interest expense increased as a result of bank acquisitions in 2005 and 2006, the new branch locations opened and the new *de novo* bank opened at the end of the first quarter of 2006. Including the locations of Hinsbrook Bank (effective acquisition date of May 31, 2006), Wintrust added or expanded 12 locations in the past 12 months that added to all categories of non-interest expense. In 2006, the Company increased its average loans by 17% and its average deposits by 19%. Similarly, in 2005, average loans increased 33% and average deposits increased 40%. These increases in loans and deposits require higher levels of staffing and other operating costs.

The following table presents non-interest expense by category for 2006, 2005 and 2004 (in thousands).

	Years ended December 31,			2006 compared to 2005		2005 compared to 2004	
	2006	2005	2004	\$ Change	% Change	\$ Change	% Change
Salaries and employee benefits	\$137,008	118,071	94,049	\$18,937	16.0%	\$24,022	25.5%
Equipment	13,529	11,779	9,074	1,750	14.9	2,705	29.8
Occupancy, net	19,807	16,176	10,083	3,631	22.4	6,093	60.4
Data processing	8,493	7,129	5,560	1,364	19.1	1,569	28.2
Advertising and marketing	5,074	4,970	3,403	104	2.1	1,567	46.0
Professional fees	6,172	5,609	5,376	563	10.0	233	4.3
Amortization of other intangible assets	3,938	3,394	1,110	544	16.1	2,284	205.8
Other:							
Commissions — 3rd party brokers	3,842	3,823	4,125	19	0.5	(302)	(7.3)
Postage	3,940	3,665	3,064	275	7.5	601	19.6
Stationery and supplies	3,233	3,262	2,569	(29)	(0.9)	693	27.0
Miscellaneous	23,784	20,812	17,678	2,972	14.3	3,134	17.7
Total other	34,799	31,562	27,436	3,237	10.3	4,126	15.0
Total non-interest expense	\$228,820	198,690	156,091	\$30,130	15.2%	\$42,599	27.3%

Wintrust's net overhead ratio, which is non-interest expense less non-interest income as a percent of total average assets, was 1.54% in 2006, 1.39% in 2005 and 1.30% in 2004. This ratio is a key indicator of operating efficiency and the Company continues to compare favorably with regard to this ratio to its peer group based on the most recent peer group data.

Salaries and employee benefits is the largest component of non-interest expense, accounting for 60% of the total in 2006, 59% of the total in 2005 and 60% in 2004. For the year ended December 31, 2006, salaries and employee benefits totaled \$137.0 million and increased \$18.9 million, or 16% compared to 2005. The increase is comprised of fixed and variable compensation components increasing \$10.9 million, the adoption of SFAS 123(R) increasing costs by \$5.6 million and total benefits increasing \$2.4 million. See Note 18 of the Consolidated Financial Statements for further information on SFAS 123(R). For the year ended December 31, 2005, salaries and employee benefits totaled \$118.1 million, and increased \$24.0 million, or 26%, compared to 2004. The increase for 2005 is primarily due to the four bank acquisitions that occurred from September 30, 2004 to March 31, 2005, and the opening of new bank facilities in 2005.

Equipment expense, which includes furniture, equipment and computer software depreciation and repairs and maintenance costs, totaled \$13.5 million in 2006, \$11.8 million in 2005 and \$9.1 million in 2004, reflecting increases of 15% in 2006 and 30% in 2005. These increases were caused by higher levels of expense related to the furniture, equipment and computer software required at new facilities and at existing facilities due to increased staffing.

Occupancy expense for the years 2006, 2005 and 2004 was \$19.8 million, \$16.2 million and \$10.1 million, respectively, reflecting increases of 22% in 2006 and 60% in 2005. 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 2006 and 2005 reflect the increases in the number of facilities operated as well as market increases in operating costs of such facilities.

Data processing expenses totaled \$8.5 million in 2006, \$7.1 million in 2005 and \$5.6 million in 2004, representing increases of 19% in 2006 and 28% in 2005. The increases are primarily due to the additional costs of the newly acquired banks and the overall growth of loan and deposit accounts.

Advertising and marketing expenses totaled \$5.1 million for 2006, \$5.0 million for 2005 and \$3.4 million for 2004. Marketing costs are necessary to attract loans and deposits at the newly chartered banks, to announce new branch openings as well as the expansion of the wealth management business, and to continue to promote community-based products at the more established locations. The level of marketing expenditures depends on the type of marketing programs utilized which are determined based on the market area, targeted audience, competition and various other factors. Management continues to utilize targeted marketing programs in the more mature market areas.

Professional fees include legal, audit and tax fees, external loan review costs and normal regulatory exam assessments. These fees totaled \$6.2 million in 2006, \$5.6 million in 2005 and \$5.4 million in 2004. The increase for 2006 is attributable to the general growth in the Company's total assets, the expansion of the banking franchise and the acquisition of Hinsbrook Bank. The 2005 increase is attributable to the general growth in the Company's total assets and fee-based businesses.

Amortization of other intangible assets relates to the amortization of core deposit premiums and customer list intangibles established in connection with the application of SFAS 142 to business combinations. See Note 8 of the Consolidated Financial Statements for further information on these intangible assets.

Commissions paid to 3rd party brokers represent the commissions paid by WHI to a network of unaffiliated banks for brokerage revenue generated through those banks. The decrease in 2005 corresponds with a lower level of related fees generated in 2005 as compared to 2004.

Postage expense for 2006, 2005 and 2004 totaled \$3.9 million, \$3.7 million and \$3.1 million, reflecting increases of 8% in 2006 and 20% in 2005. These increases reflect the increased mailings associated with the higher volume of loans and deposits.

Stationery and supplies totaled \$3.2 million in 2006, \$3.3 million in 2005 and \$2.6 million in 2004, reflecting an decrease of \$29,000, or 1%, in 2006 and an increase of \$693,000, or 27%, in 2005. The increased level in 2005 was attributable to acquisitions and the opening of new banking facilities.

Miscellaneous non-interest expense includes correspondent bank service charges, insurance, telephone, directors' fees, loan expenses and other sundry expenses.

This category increased \$3.0 million, or 14%, in 2006 and \$3.1 million, or 18%, in 2005. These increases are in line with increases in the other non-interest expense categories and reflect the growth in the Company's balance sheet.

Income Taxes

The Company recorded income tax expense of \$37.7 million in 2006, \$37.9 million in 2005 and \$29.6 million in 2004. The effective tax rates were 36.2%, 36.1% and 36.5% in 2006, 2005 and 2004, 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 four primary segments: banking, premium finance, Tricom and wealth management. The Company's profitability is primarily dependent on the net interest income, provision for credit 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 segment. For purposes of internal segment profitability analysis, management reviews the results of its premium finance segment as if all loans originated and sold to the banking segment were retained within that segment's operations. Similarly, for purposes of analyzing the contribution from the wealth management segment, management allocates the net interest income earned by the banking segment on deposit balances of customers of the wealth management segment to the wealth management segment.

The banking segment's net interest income for the year ended December 31, 2006 totaled \$235.2 million as compared to \$211.7 million for the same period in 2005, an increase of \$23.5 million, or 11%. The increase in net interest income for 2005 when compared to the total of \$142.5 million in 2004 was \$69.2 million, or 49%. These increases were primarily the result of continued growth in the loan portfolio partially offset by the effect of a decrease in net interest margin. Total loans increased 22% in 2006 and 20% in 2005. Provision for credit losses decreased to \$6.3 million in 2006 compared to \$6.5 million in 2005. The provision for credit losses was \$6.2 million in 2004. The banking segment's non-interest income totaled \$40.6 million in 2006, a decrease of \$10.4 million, or 20%, when compared to the 2005 total of \$51.0 million. The decrease in non-interest income in 2006 is primarily a result of a lower level of fees from covered call options, lower gains on sales of premium finance receivables and lower mortgage banking revenues. In 2005, non-interest income for the banking segment increased \$9.6 million, or 23% when compared to the 2004 total of \$41.4 million. This improvement resulted from a \$7.7 million increase in revenue from mortgage banking activities primarily due to the May 2004 acquisitions of WestAmerica and Guardian coupled with a \$1.9 million increase in service charges on deposits primarily due to the acquisitions of Northview Bank, Town Bank, State Bank of The Lakes and First Northwest Bank. The banking segment's net income for the year ended December 31, 2006 totaled \$61.1 million, a decrease of \$8.3 million, or 12%, as compared to the 2005 total of \$69.4 million. The total segment profit in 2005 increased \$22.0 million, or 46%, over the \$47.4 million that was recorded in 2004.

The premium finance segment's net interest income totaled \$42.4 million for the year ended December 31, 2006 and increased \$1.9 million, or 5%, over the \$40.5 million in 2005. This increase was primarily the result of \$141.7 million of higher average levels of premium finance receivables compared to 2005. Wintrust did not sell any premium finance receivables to an unrelated third party financial institution in the third and fourth quarters of 2006. In 2005, net interest income for the premium finance segment decreased \$8.4 million, or 17%, over the 2004 total of \$48.9 million. During 2005, this segment was negatively impacted by both competitive asset pricing pressures and higher variable funding costs, which were partially offset by \$49 million of higher average levels of premium finance receivables compared to 2004. During 2004, this segment benefited from higher average levels of premium finance receivables, increasing \$165 million over 2003, which helped offset competitive pricing pressures in this segment. The premium finance segment's non-interest income totaled \$2.9 million, \$6.5 million and \$7.3 million for the years ended December 31, 2006, 2005 and 2004, 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. Net after-tax profit of the premium finance segment totaled \$19.6 million, \$21.7 million and \$25.1 million for the years ended December 31, 2006, 2005 and 2004, respectively. New receivable originations totaled \$3.0 billion in 2006, \$2.7 billion in 2005 and \$2.6 billion in 2004. The increases in new volumes each year are indicative of this segment's ability to increase market penetration in existing markets and establish a presence in new markets. However, compet-

itive asset pricing pressures and higher variable funding costs offset production gains in 2006.

The Tricom segment data reflects the business associated with short-term accounts receivable financing and value-added outsourced 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 \$3.9 million in 2006, decreasing \$187,000, or 5%, compared to the \$4.1 million reported for 2005. Net interest income increased \$326,000, or 9%, in 2005 compared to 2004. The increase in net interest income in 2006 resulted from higher average receivable balances from both existing and new clients as compared to 2005. The decrease in net interest income in 2006 is attributable to the lower fee yields charged on the short-term accounts receivable financing due to competitive pressures in the industry. Non-interest income for 2006 was \$4.6 million, increasing \$60,000, or 1%, from the \$4.5 million reported in 2005. This followed an increase of \$555,000, or 14%, in 2005 compared to the \$4.0 million in 2004. Revenue trends at Tricom reflect the general staffing trends of the economy and the entrance of new competitors in most market places served by Tricom. In 2006, Tricom had steady sales volumes with its current client base. The segment's net income was \$1.8 million in 2006, \$1.8 million in 2005 and \$1.5 million 2004. The stable levels of net income produced by this segment over the past three years reflect Tricom's ability to contract and expand its business model to address both economic and competitive challenges.

The wealth management segment reported net interest income of \$6.3 million for 2006 compared to \$1.4 million for 2005 and \$5.3 million for 2004. Net interest income is comprised of the net interest earned on brokerage customer receivables at WHI and an allocation of the net interest income earned by the banking segment on non-interest bearing and interest-bearing wealth management customer account balances on deposit at the Banks. The allocated net interest income included in this segment's profitability was \$5.2 million (\$3.2 million after tax) in 2006 and \$391,000 (\$241,000 after tax) in 2005. During the third quarter of 2006, the Company changed the measurement methodology for the net interest income component of the wealth management segment. In conjunction with the change in the executive management team for this segment in the third quarter of 2006, the contribution attributable to the wealth management deposits was redefined to measure the full net interest income contribution. In previous periods, the contribution from these deposits was limited to the value as an alternative source of funding for each bank. As such, the contribution in previous periods did not capture the total net interest income contribution of this funding source. Current executive management of this segment uses this measured contribution to determine overall profitability. Insured wealth management customer account balances on deposit at the Banks were \$465.4 million, \$407.8 million and \$390.1 million at December 31, 2006, 2005 and 2004, respectively. Additional funds deposited at the Banks in future periods in the insured bank deposits would be generated through internal growth of the existing balances on deposit. This segment recorded non-interest income of \$38.0 million for 2006 as compared to \$36.6 million for 2005 and \$35.4 million in 2004. Distribution of wealth management services through each bank subsidiary continues to be a focus of the Company as the number of brokers in its Banks continues to increase. Wealth Management revenue growth generated in the banking locations is significantly outpacing the growth derived from the traditional Wayne Hummer Investment downtown Chicago sources. At the end of December 2006, Focused Investments was merged into its parent Wayne Hummer Investments and is now being marketed as part of the Wealth Management family of products. Wintrust is committed to growing the wealth management segment in order to better service its customers and create a more diversified revenue stream and continues to focus on reducing the fixed cost structure of this segment to a variable cost structure. As a result of the higher level of allocated net interest income to the wealth management segment in 2006, this segment reported a net gain of \$3.3 million for 2006 compared to net loss of \$589,000 for 2005 and net income of \$1.1 million for 2004.

ANALYSIS OF FINANCIAL CONDITION

The Company's total assets were \$9.57 billion at December 31, 2006, an increase of \$1.39 billion, or 17%, when compared to the \$8.18 billion at December 31, 2005. Total assets increased \$1.76 billion, or 27%, in 2005 over the \$6.42 billion at December 31, 2004. Loans increased \$1.28 billion in 2006, and \$866 million in 2005, representing the most significant component of the total asset growth in these years.

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,					
	2006		2005		2004	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
Loans:						
Commercial and commercial real estate	\$3,647,982	45%	\$2,931,230	42%	\$1,967,119	39%
Home equity	641,494	8	621,160	9	509,840	10
Residential real estate ⁽¹⁾	365,159	5	401,473	6	305,050	6
Premium finance receivables	989,689	12	847,970	12	798,970	16
Indirect consumer loans	229,757	3	195,697	3	177,352	4
Tricom finance receivables	41,703	1	36,599	1	26,501	—
Consumer and other loans	97,560	1	103,783	2	76,851	2
Total loans, net of unearned income ⁽²⁾	6,013,344	75	5,137,912	75	3,861,683	77
Liquidity management assets ⁽³⁾	2,054,798	25	1,738,725	25	1,108,891	22
Other earnings assets ⁽⁴⁾	29,675	—	23,644	—	38,901	1
Total average earning assets	\$8,097,817	100%	\$6,900,281	100%	\$5,009,475	100%
Total average assets	\$8,925,557		\$7,587,602		\$5,451,527	
Total average earning assets to total average assets		91%		91%		92%

(1) Includes mortgage loans held-for-sale

(2) Includes non-accrual loans

(3) Includes available-for-sale securities, interest earning deposits with banks and federal funds sold and securities purchased under resale agreements

(4) Includes brokerage customer receivables and trading account securities

Average earning assets increased \$1.2 billion, or 17%, in 2006 and \$1.9 billion, or 38%, in 2005. The ratio of average earning assets as a percent of total average assets in 2006 remained unchanged at 91% from 2005 and decreased slightly as compared to 92% in 2004.

Total average loans increased \$875.4 million, or 17%, in 2006, and \$1.3 billion, or 33%, in 2005. The increase in average loans was primarily funded by increases in deposits. The average loans to average deposits ratio decreased to 82.2% in 2006 from 83.4% in 2005 and 87.7% in 2004. The loan-to-deposit ratio in 2006 fell short of management's target range of 85% - 90% as deposit growth at recently opened *de novo* branches was very strong and loan originations were slower than expected as the Company has chosen not to compromise on underwriting and pricing standards when competing for loan balances.

Loans. Total loans at December 31, 2006 were \$6.5 billion, increasing \$1.3 billion, or 25%, over the December 31, 2005 total of \$5.2 billion. Average total loans, net of unearned income, totaled \$6.0 billion in 2006, \$5.1 billion in 2005 and \$3.9 billion in 2004.

Average commercial and commercial real estate loans, the largest loan category, totaled \$3.6 billion in 2006, and increased \$716.8 million, or 24%, over the average balance in 2005. The average balance in 2005 increased \$964.1 million, or 49%, over the average balance in 2004. This category comprised 61% of the average loan portfolio in 2006 and 57% in 2005. The solid growth realized in this category is attributable to acquisitions, increased business development efforts, a relatively low, but rising, interest rate environment and a continued healthy local economy.

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. Specialty loan programs include premium finance, indirect auto, Tricom finance receivables, 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. Other than the premium finance receivables, Tricom finance receivables and indirect auto, all of the loans generated by these specialty loan programs are included in commercial and commercial real estate loans in the preceding table. 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.

Home equity loans averaged \$641.5 million in 2006, and increased \$20.3 million, or 3%, when compared to the average balance in 2005. Unused commitments on home equity lines of credit totaled \$846.8 million at December 31, 2006, and \$745.7 million at December 31, 2005.

Residential real estate loans averaged \$365.2 million in 2006, and decreased \$36.3 million, or 9%, over the average balance in 2005. This category includes mortgage loans held-for-sale. By selling residential mortgage loans into the secondary market, the Company eliminates the interest-rate risk associated with these loans, as they are predominantly long-term fixed rate loans, and provides a source of non-interest revenue. The remaining loans in this category are maintained within the Banks' loan portfolios and represent mostly adjustable rate mortgage loans and shorter-term fixed rate mortgage loans.

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 credit standards, and substantially all such loans are made to commercial customers. The Company rarely finances consumer insurance premiums. Average premium finance receivables totaled \$989.7 million in 2006, and accounted for 16% of the Company's average total loans. Average premium finance receivables increased \$141.7 million, or 17%, from the average balance of \$848.0 million in 2005. The majority of the receivables originated by FIFC are sold to the Banks and retained in their loan portfolios. However, premium finance receivables are also sold to an unrelated third party with servicing retained. Having a program in place to sell premium finance receivables to a third party allows the Company to execute its strategy to be asset-driven while providing the benefits of additional sources of liquidity and revenue. During the third quarter of 2006, the Company's average loan-to-deposit ratio remained below the target range and, accordingly, the sale of these receivables was suspended. Consistent with the Company's strategy to be asset-driven, it is possible that sales of these receivables may occur in the future. See Consolidated Results of Operations for further information on these loan sales. Total premium finance loan originations were \$3.0 billion, \$2.7 billion and \$2.6 billion in 2006, 2005 and 2004, respectively.

Indirect consumer loans are comprised primarily of automobile loans (93% of indirect portfolio) and to a lesser extent, boat loans, as a result of the acquisition of State Bank of The Lakes in 2005. These loans are financed from networks of unaffiliated automobile and boat dealers located throughout the Chicago and southern Wisconsin metropolitan areas with which the Company has established relationships. Indirect auto loans are secured by new and used automobiles and generally have an original maturity of 36 to 72 months with the average actual maturity estimated to be approximately 35 to 40 months. The risk associated with the Company's portfolios are diversified among many individual borrowers. Like other consumer loans, the indirect consumer 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 to ensure the Banks are not dependent on any one dealer as a source of such loans. During 2006, 2005 and 2004 average indirect consumer loans totaled \$229.8 million, \$195.7 million and \$177.4 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 \$41.7 million in 2006, \$36.6 million in 2005 and \$26.5 million in 2004. Higher sales volumes with Tricom's current client base coupled with new client business has led to the higher level of Tricom finance receivables in 2006, compared with 2005 and 2004.

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 accounted for 25% of total average earning assets in 2006 and 2005 and 22% in 2004. Average liquidity management assets increased \$316.1 million in 2006 compared to 2005, and \$629.8 million in 2005 compared to 2004, 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 at WHI. These other earning assets averaged \$29.7 million in 2006, an increase of \$6.0 million, or 26%, compared to the average 2005 balance of \$23.6 million. Average other earning assets decreased \$15.3 million, or 39%, in 2005 compared to 2004. The decrease in 2005 was attributable to a short period of time in 2005 when these assets were funded by a third party. 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, under an agreement with the out-sourced securities firm, 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 the out-sourced securities firm 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, under an agreement with the out-sourced securities firm, 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.

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 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 enter a community where it believes the new 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 2006 and 2005, the Company 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 acquisition of Hinsbrook Bank in the second quarter of 2006. Total deposits at December 31, 2006, were \$7.9 billion, increasing \$1.2 billion, or 17%, over the \$6.7 billion at December 31, 2005.

Average deposit balances in 2006 were \$7.3 billion, reflecting an increase of \$1.2 billion, or 19%, compared to the average balances in 2005. During 2005, average deposits increased \$1.8 billion, or 40%, 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,					
	2006		2005		2004	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
Non-interest bearing deposits	\$ 623,542	9%	\$ 592,879	9%	\$ 400,333	9%
NOW accounts	774,481	10	699,323	11	481,759	11
Wealth management deposits	464,438	6	407,816	7	360,047	8
Money market accounts	639,590	9	657,788	11	528,831	12
Savings accounts	307,142	4	298,468	5	197,132	5
Time certificates of deposit	4,509,488	62	3,507,771	57	2,433,036	55
Total deposits	\$7,318,681	100%	\$6,164,045	100%	\$4,401,138	100%

Wealth management deposits are funds from the brokerage customers of WHI, and the trust and asset management customers managed by Wayne Hummer Trust Company which have been placed into deposit accounts of the Banks ("Wealth management deposits" in the 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.

Growth in the deposit base continues to be generated by each of the Banks. The following table presents average deposit balances for each Bank 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,					
	2006		2005		2004	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
Lake Forest Bank	\$1,048,493	14%	\$ 947,014	15%	\$ 827,063	19%
Hinsdale Bank ⁽⁴⁾	888,430	12	740,092	12	658,407	15
North Shore Bank	819,010	11	767,464	12	718,299	16
Libertyville Bank	741,231	10	662,330	11	527,179	12
Barrington Bank	707,620	10	653,509	11	543,401	12
Crystal Lake Bank	457,486	6	410,168	7	392,095	9
Northbrook Bank	632,337	9	554,717	9	280,514	6
Advantage Bank	219,689	3	209,136	3	177,243	4
Village Bank ⁽¹⁾	504,021	7	359,224	6	128,730	3
Beverly Bank ⁽²⁾	138,800	2	83,285	1	25,151	1
Wheaton Bank ⁽³⁾⁽⁵⁾	157,440	2	94,194	2	64,324	2
Town Bank ⁽³⁾	358,295	5	283,548	5	58,732	1
State Bank of The Lakes	418,805	6	399,364	6	—	—
Old Plank Trail Bank ⁽⁴⁾	44,569	1	—	—	—	—
St. Charles Bank ⁽⁵⁾	182,455	2	—	—	—	—
Total deposits	\$7,318,681	100%	\$6,164,045	100%	\$4,401,138	100%
Percentage increase from prior year		19%		40%		28%

- (1) For 2005, represents effect on consolidated average deposits from effective acquisition date of March 31, 2005 for First Northwest Bank, which was merged with Village Bank. At December 31, 2005, Village Bank had total deposits of \$498.0 million.
- (2) For 2004, represents effect on consolidated average deposits from effective organization date of April 1, 2004 for Beverly Bank. At December 31, 2004, Beverly Bank had total deposits of \$58.1 million.
- (3) For 2004, represents effect on consolidated average deposits from effective acquisition dates of September 30, 2004 for Wheaton Bank and October 1, 2004 for Town Bank. At December 31, 2004, Wheaton Bank had total deposits of \$64.6 million and Town Bank had total deposits of \$242.8 million.
- (4) For 2006, represents effect on consolidated average deposits from effective organization date of March 23, 2006 for Old Plank Trail Bank. At December 31, 2006, Old Plank Trail Bank had total deposits of \$92.0 million.
- (5) For 2006, represents effect on consolidated average deposits from effective acquisition date of May 31, 2006 for Hinsbrook Bank. Branches (and related deposits) from Hinsbrook Bank were sold to Hinsdale Bank and Wheaton Bank in the fourth quarter of 2006. Hinsbrook's Geneva branch was renamed St. Charles Bank.



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 2006, 2005 and 2004 is presented in the following table (dollars in thousands):

	Years Ended December 31,					
	2006		2005		2004	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
Notes payable	\$ 6,913	1%	\$ 12,100	2%	\$ 5,004	1%
Federal Home Loan Bank advances	364,149	45	333,108	43	222,278	40
Subordinated notes	66,742	8	50,000	7	50,000	9
Short-term borrowings	140,968	17	152,575	20	114,831	21
Wayne Hummer Companies funding	—	—	—	—	10,016	2
Long-term debt — trust preferred securities	237,249	29	217,983	28	130,830	23
Other	1,883	—	3,255	—	24,726	4
Total other funding sources	\$817,904	100%	\$769,021	100%	\$557,685	100%

Notes payable balances represent the balances on a credit agreement with an unaffiliated bank. This credit facility is available for corporate purposes such as to provide capital to fund continued growth at existing bank subsidiaries, possible future acquisitions and for other general corporate matters. At December 31, 2006 and 2005, the Company had \$11.8 million and \$1.0 million, respectively, of notes payable outstanding. See Note 11 to the Consolidated Financial Statements for further discussion of the terms of this credit facility.

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 \$325.5 million at December 31, 2006, and \$349.3 million at December 31, 2005. See Note 12 to the Consolidated Financial Statements for further discussion of the terms of these advances.

The Company borrowed \$75.0 million under three separate \$25 million subordinated note agreements. Each subordinated note requires annual principal payments of \$5.0 million beginning in the sixth year of the note and has terms of ten years with final maturity dates in 2012, 2013 and 2015. These 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 include securities sold under repurchase agreements and federal funds purchased. These borrowings totaled \$159.9 million and \$93.5 million at December 31, 2006 and 2005, 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, their customers and the Banks' operating subsidiaries.

Wayne Hummer Companies' funding consists of collateralized demand obligations to third party banks that were used to finance securities purchased by customers on margin and securities owned by WHI, and demand obligations to brokers and clearing organizations. During the third quarter of 2004, WHI entered into a lending relationship with an affiliate bank to satisfy its funding needs.

The Company has \$249.8 million of long-term debt — trust preferred securities outstanding as of December 31, 2006. This balance is comprised of issuances of these securities through nine separate trusts. The amounts reflected on the balance sheet represent the debentures issued to the trusts by the Company and equal the amount of the preferred and common securities issued by the trusts. The increases in the average balances in 2006 and 2005 compared to the respective prior year's average balances were due to additional issuances of

these debentures in the last three years. In 2004, the Company assumed \$6.2 million of debentures in connection with the acquisition of Northview Financial Corporation, and in October 2004, assumed an additional \$6.2 million in connection with the acquisition of Town Bancshares, Ltd. In May and December 2004, the Company issued \$41.2 million and \$51.6 million, respectively, of these debentures. In March 2005, the Company assumed \$5.2 million of debentures in connection with the acquisition of First Northwest Bancorp, Inc. In August 2005, the Company issued \$41.2 million of floating rate debentures in connection with a private placement of the related trust-preferred securities to an institutional investor. The proceeds from this issuance were used in part to redeem at par \$20.6 million of 10.5% fixed rate debentures that were originally issued in 2000. On September 1, 2006, the Company issued \$51.4 million of 6.84% fixed rate debenture in connection with a private placement of the related trust-preferred securities and on September 5, 2006, the Company used the proceeds from this issuance to redeem at par \$32.0 million of 9.0% fixed rate debentures originally issued in 1998.

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 regulatory capital. Interest expense on the securities is deductible for tax purposes, resulting in a cost-efficient form of regulatory capital.

Shareholders' Equity. Total shareholders' equity was \$773.3 million at December 31, 2006 reflecting an increase of \$145.4 million over the December 31, 2005 total of \$627.9 million. In 2005, shareholders' equity increased \$154.0 million over the December 31, 2004 balance. During 2006, shareholders' equity increased \$59.5 million as a result of earnings retention (\$66.5 million of net income less dividends of \$7.0 million), \$57.1 million due to stock issued in business combinations, \$11.6 million from the issuance of 200,000 new shares in final settlement of a forward sale agreement of the Company's common stock, \$17.3 million due to stock-based compensation costs pursuant to the adoption of SFAS 123R, \$14.2 million from the issuance of shares (including related tax benefits) pursuant to various stock-based compensation plans and \$1.1 million from the cumulative effect adjustment of a change in accounting for MSRs pursuant to the adoption of SFAS 156. Shareholders' equity decreased \$16.3 million in 2006 as a result of the purchase of 344,089 shares of treasury stock, at an average price of \$47.50 per share. The shares were repurchased pursuant to a 2,000,000 share repurchase plan authorized by the Board of Directors in July 2006. At December 31, 2006, 1,655,911 shares were still available for repurchase under the plan. The \$154.0 million increase in shareholders' equity in 2005 was primarily due to the retention of earnings (net of dividends) of \$61.6 million, proceeds of \$55.8 million from the issuance of 1.0 million new shares at \$59.50 per share (before issuance costs) in partial settlement of a forward sale agreement entered into in December 2004, \$30.6 million from stock issuance in business combinations and \$16.0 million from the issuance of stock pursuant to various stock-based compensation arrangements (including related tax benefits), offset by \$11.0 million of unrealized loss in other comprehensive income.

Asset-Liability Management

As an ongoing 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 Risk Management Committee of the Company's Board of Directors. The policies establish 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 changes in net interest income in future years as a result of interest rate fluctuations by performing simulation analysis of various interest rate environments. If a potential adverse change in net interest margin and/or net income is identified, management would take appropriate actions with its asset-liability structure to mitigate the effects of 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 Banks operate. 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 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. Derivative financial instruments include interest rate swaps, interest rate caps and floors, futures, forwards, option contracts and other financial instruments with similar characteristics. As of December 31, 2006, the Company had \$175 million of interest rate swaps outstanding as hedges against certain variable rate liabilities. See Note 21 of the Consolidated Financial Statements for further information.

Additionally, the Company enters into commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third party investors. These transactions are considered derivatives and at December 31, 2006 the Company had approximately \$118 million of interest rate lock commitments and \$263 million of forward commitments for the future delivery of residential mortgage loans.

During 2006 and 2005, the Company also entered into certain covered call option transactions related to certain securities held by the Company. The Company uses these option transactions (rather than entering into other derivative interest rate contracts, such as interest rate floors) to increase the total return associated with the related securities. Although the revenue received from these options is recorded as non-interest income rather than interest income, the increased return attributable to the related securities from these options contributes to the Company's overall profitability. The Company's exposure to interest rate risk may be affected by these transactions. To mitigate this risk, the Company may acquire fixed-rate term debt or use financial derivative instruments. There were no covered call options outstanding as of December 31, 2006 or December 31, 2005.

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 maximizing net interest income. Tools used by management include a standard gap analysis and a rate simulation model whereby changes in net interest income are measured in the event of various changes in interest rate indices. An institution with more assets than liabilities re-pricing over a given time frame is considered asset sensitive and will generally benefit from rising rates, and conversely, a higher level of re-pricing liabilities versus assets would be beneficial in a declining rate environment.

Standard gap analysis reflects contractual re-pricing information for assets, liabilities and derivative financial instruments. The following table illustrates the Company's estimated interest rate sensitivity and periodic and cumulative gap positions as of December 31, 2006:

(Dollars in thousands)	Time to Maturity or Repricing				Total
	0-90 Days	91-365 Days	1-5 Years	Over 5 Years	
Assets:					
Federal funds sold and securities purchased under resale agreements	\$ 136,221	—	—	—	136,221
Interest-bearing deposits with banks	19,259	—	—	—	19,259
Available-for-sale securities	383,078	226,416	373,282	856,940	1,839,716
Total liquidity management assets	538,558	226,416	373,282	856,940	1,995,196
Loans, net of unearned income ⁽¹⁾	3,844,436	1,391,481	1,307,590	101,304	6,644,811
Other earning assets	26,364	—	—	—	26,364
Total earning assets	4,409,358	1,617,897	1,680,872	958,244	8,666,371
Other non-earning assets	—	—	—	905,481	905,481
Total assets (RSA)	\$4,409,358	1,617,897	1,680,872	1,863,725	9,571,852
Liabilities and Shareholders' Equity:					
Interest-bearing deposits ⁽²⁾	\$3,800,351	2,311,763	1,024,835	33,088	7,170,037
Federal Home Loan Bank advances	27,505	12,018	101,008	185,000	325,531
Notes payable and other borrowings	172,910	—	1,912	—	174,822
Subordinated notes	75,000	—	—	—	75,000
Long-term debt — trust preferred securities	192,002	—	57,826	—	249,828
Total interest-bearing liabilities	4,267,768	2,323,781	1,185,581	218,088	7,995,218
Demand deposits	—	—	—	699,203	699,203
Other liabilities	—	—	—	104,085	104,085
Shareholders' equity	—	—	—	773,346	773,346
Effect of derivative financial instruments ⁽³⁾:					
Interest rate swaps (Company pays fixed, receives floating)	(175,000)	—	85,000	90,000	—
Total liabilities and shareholders' equity including effect of derivative financial instruments (RSL)	\$4,092,768	2,323,781	1,270,581	1,884,722	9,571,852
Repricing gap (RSA - RSL)	\$ 316,590	(705,884)	410,291	(20,997)	
Cumulative repricing gap	\$ 316,590	(389,294)	20,997	—	
Cumulative RSA/Cumulative RSL	108%	94%	101%		
Cumulative RSA/Total assets	46%	63%	81%		
Cumulative RSL/Total assets	43%	67%	80%		
Cumulative GAP/Total assets	3%	(4)%	0%		
Cumulative GAP/Cumulative RSA	7%	(6)%	0%		

(1) Loans, net of unearned income, include 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.

(3) Excludes interest rate swaps to qualified commercial customers as they are offset with interest rate swaps entered into with a third party and have no effect on asset-liability management. See Note 21 of the Consolidated Financial Statements for further discussion of these interest rate swaps.

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.

As a result of the static position and inherent limitations of gap analysis, 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 100 and 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, 2006 and December 31, 2005, is as follows:

	+ 200 Basis Points	+ 100 Basis Points	- 100 Basis Points	- 200 Basis Points
Percentage change in net interest income due to an immediate 200 basis point shift in the yield curve:				
December 31, 2006	4.6%	1.7%	(2.0)%	(7.2)%
December 31, 2005	1.4%	1.1%	(3.9)%	(8.7)%

These results are based solely on an instantaneous 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 actions 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.

The Company's business strategy provides a solid base on which to grow the deposit and loan portfolios. This growth in the balance sheet has helped fuel earnings growth despite low net interest margins. The Company also mitigates the net interest margin pressure by realizing mortgage banking fees and by engaging in 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, 2006 and December 31, 2005.

	Minimum Ratios	Well Capitalized Ratios	Wintrust's Ratios at Year-end 2006	Wintrust's Ratios at Year-end 2005
Tier 1 Leverage Ratio	4.0%	5.0%	8.2%	8.3%
Tier 1 Capital to Risk-Weighted Assets	4.0%	6.0%	9.8%	10.3%
Total Capital to Risk-Weighted Assets	8.0%	10.0%	11.3%	11.9%
Total average equity to total average assets	N/A	N/A	7.9%	8.0%

As reflected in the table, each of the Company's capital ratios at December 31, 2006 exceeded the Well-Capitalized ratios established by the Federal Reserve. Refer to Note 19 of the Consolidated Financial Statements for further information on the capital positions of the 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 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 Company increased its regulatory capital by \$120.2 million in 2006 and \$113.0 million in 2005. Management is committed to maintaining the Company's capital levels above the "Well-Capitalized" levels established by the Federal Reserve for bank holding companies.



In December 2004, the Company completed an underwritten public offering of 1.2 million shares of its common stock at \$59.50 per share. In connection with the public offering, the Company entered into a forward sale agreement with RBC relating to 1.2 million shares of our common stock. The Company's objective with the use of the forward sale agreement was to efficiently provide funding for the acquisitions of Antioch and First Northwest and for general corporate purposes. The forward sale agreement allowed the Company to deliver common stock and receive cash at the Company's election, to the extent provided by the forward sale agreement. Management believes this flexibility allowed a more timely and efficient use of capital resources. In March 2005, the Company issued 1.0 million shares of common stock in partial settlement of the forward sale agreement and received net proceeds of approximately \$55.8 million. In May 2006, in conjunction with the completion of the acquisition of Hinsbrook Bancshares, Inc., the forward sale agreement was fully settled with the Company issuing 200,000 shares of common stock and receiving net proceeds of \$11.6 million. See Note 23 of the Consolidated Financial Statements for further information.

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, 2007, subject to minimum capital requirements at the Banks, approximately \$53.0 million was available for 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, 2007, approximately \$24.7 million was available as dividends from the Banks without compromising the Banks' well-capitalized positions. During 2006, 2005 and 2004 the subsidiaries paid dividends to Wintrust totaling \$183.6 million, \$45.1 million and \$25.5 million, respectively.

The Company declared its first semi-annual cash dividend on its common stock in 2000. A summary of the Company's cash dividends on common stock is as follows:

Record Date	Payable Date	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
August 10, 2004	August 24, 2004	0.1000
February 8, 2005	February 22, 2005	0.1200
August 9, 2005	August 23, 2005	0.1200
February 9, 2006	February 23, 2006	0.1400
August 10, 2006	August 24, 2006	0.1400
February 8, 2007	February 22, 2007	0.1600

The dividend payout ratio was 10.9% in 2006, 8.7% in 2005 and 8.5% in 2004. The Company continues to target an earnings retention ratio of approximately 90% to support continued growth. The dividends paid in 2006 represented a 17% increase over the dividends paid in 2005. Along those same lines, the semi-annual dividend declared in January 2007 represents (on an annualized basis) a 14% increase over 2006.

In July 2006, the Company's Board of Directors approved the repurchase of up to 2,000,000 shares of its outstanding common stock over the next 18 months. This repurchase plan replaces the previous share repurchase plan that was announced in January 2000. During 2006, the Company repurchased 344,089 shares of its common stock under this new plan for approximately \$16.3 million, representing an average price per share of \$47.50.

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 hold-



ing company. In addition, the Banks are eligible to borrow under Federal Home Loan Bank advances, another source of 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 55% of the Company's total assets were funded by core deposits at the end of 2006 compared to 56% at the end of 2005. The remaining assets were funded by other funding sources such as time deposits with balances in excess of \$100,000, borrowed funds and equity capital. Due to the affluent nature of many of the communities that the Company serves, management 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, 2006, net liquid assets totaled approximately \$346.7 million, compared to approximately \$418.1 million at December 31, 2005.

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, 2006 and 2005, the Banks had approximately \$910.1 million and \$774.5 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, 2006, 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	
<i>(in thousands)</i>						
Deposits ⁽¹⁾	10	\$7,010,782	829,055	263,894	2,676	8,106,407
Notes payable	11	11,750	—	—	1,000	12,750
FHLB advances ⁽¹⁾⁽²⁾	12	28,000	17,000	70,500	210,000	325,500
Subordinated notes	13	—	—	—	75,000	75,000
Other borrowings	14	160,072	—	2,000	—	162,072
Long-term debt — trust preferred securities ⁽¹⁾	15	—	—	—	249,493	249,493
Operating leases	16	5,009	5,764	4,734	18,824	34,331
Purchase obligations ⁽³⁾		37,347	17,014	21,165	233	75,759

(1) Excludes basis adjustment for purchase accounting valuations.

(2) Certain advances provide the FHLB with one-time call dates which are not reflected in the above table.

(3) Purchase obligations 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, 2006 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, 2006. 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
<i>(in thousands)</i>					
<i>Commitment type:</i>					
Commercial, commercial real estate and construction	\$1,220,274	378,949	52,819	10,618	1,662,660
Residential real estate	117,795	—	—	—	117,795
Revolving home equity lines of credit	846,821	—	—	—	846,821
Letters of credit	96,246	59,030	19,810	175	175,261
Commitments to sell mortgage loans	262,712	—	—	—	262,712

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, 2006, outstanding premium finance receivables sold to and serviced for third parties for which the Company has a recourse obligation were \$58.3 million and the recourse obligation was \$129,000 and included in other liabilities on the balance sheet. The Company has historically sold premium finance receivables to an unrelated third party, however in the third and fourth quarters of 2006, the Company did not sell premium finance receivables to an unrelated third party. Please refer to the Consolidated Results of Operations section of this report for further discussion of these loan sales.

The Company enters into residential mortgage loan sale agreements with investors in the normal course of business. These agreements usually require certain representations concerning credit information, loan documentation, collateral and insurability. On occasion, investors have requested the Company to indemnify them against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. Upon completion of its own investigation, the Company generally repurchases or provides indemnification on certain loans. Indemnification requests are generally received within two years subsequent to sale. Management maintains a liability for estimated losses on loans expected to be repurchased or on which indemnification is expected to be provided and regularly evaluates the adequacy of this recourse liability based on trends in repurchase and indemnification requests, actual loss experience, known and inherent risks in the loans, and current economic conditions. At December 31, 2006 the liability for estimated losses on repurchase and indemnification was \$322,000 and was included in other liabilities on the balance sheet.

CREDIT RISK AND ASSET QUALITY**Allowance for Credit Losses**

The following table summarizes the activity in the allowance for credit losses during the last five years (dollars in thousands):

	2006	2005	2004	2003	2002
Allowance for loan losses at beginning of year	\$ 40,283	34,227	25,541	18,390	13,686
Provision for credit losses	7,057	6,676	6,298	10,999	10,321
Allowance acquired in business combinations	3,852	4,792	5,110	1,602	—
Reclassification to allowance for lending-related commitments	92	(491)	—	—	—
Charge-offs:					
Commercial and commercial real estate loans	4,534	3,252	2,356	2,382	1,677
Home equity loans	97	88	—	358	—
Residential real estate loans	81	198	—	—	3
Consumer and other loans	371	363	204	222	294
Premium finance receivables	2,760	2,067	1,852	2,558	3,680
Indirect consumer loans	584	555	425	937	925
Tricom finance receivables	50	—	33	—	10
Total charge-offs	8,477	6,523	4,870	6,457	6,589
Recoveries:					
Commercial and commercial real estate loans	2,299	527	1,148	339	314
Home equity loans	31	—	6	39	—
Residential real estate loans	2	—	—	13	—
Consumer and other loans	148	243	104	40	26
Premium finance receivables	567	677	738	399	456
Indirect consumer loans	191	155	152	173	150
Tricom finance receivables	10	—	—	4	26
Total recoveries	3,248	1,602	2,148	1,007	972
Net charge-offs	(5,229)	(4,921)	(2,722)	(5,450)	(5,617)
Allowance for loan losses at end of year	\$ 46,055	40,283	34,227	25,541	18,390
Allowance for lending-related commitments at end of year	457	491	—	—	—
Allowance for credit losses at end of year	\$ 46,512	40,774	34,227	25,541	18,390
Net charge-offs (recoveries) by category as a percentage of its own respective category's average:					
Commercial and commercial real estate loans	0.06%	0.09%	0.06%	0.14%	0.12%
Home equity loans	0.01	0.01	—	0.08	—
Residential real estate loans	0.02	0.05	—	(0.01)	—
Consumer and other loans	0.23	0.12	0.13	0.34	0.44
Premium finance receivables	0.22	0.16	0.14	0.34	0.70
Indirect consumer loans	0.17	0.20	0.15	0.45	0.42
Tricom finance receivables	0.10	—	0.12	(0.02)	(0.08)
Total loans, net of unearned income	0.09%	0.10%	0.07%	0.18%	0.24%
Net charge-offs as a percentage of the provision for credit losses	74.10%	73.71%	43.22%	49.55%	54.42%
Year-end total loans	\$6,496,480	5,213,871	4,348,346	3,297,794	2,556,086
Allowance for loan losses as a percentage of loans at end of year	0.71%	0.77%	0.79%	0.77%	0.72%
Allowance for credit losses as a percentage of loans at end of year	0.72%	0.78%	0.79%	0.77%	0.72%



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 credit losses, is determined based on management's assessment of the adequacy of the allowance for loan losses. Management evaluates on a monthly 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, 2006 and 2005 was 0.71% and 0.77%, respectively. As a percent of average total loans, total net charge-offs for 2006 and 2005 were 0.09% and 0.10%, 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. In 2006, the Company reclassified \$92,000 to the allowance for loan losses from a separate liability account which represents the portion of the allowance for credit losses that was associated with lending-related commitments, specifically unfunded loan commitments and letters of credit. In 2005, the Company reclassified \$491,000 from its allowance for loan losses to the allowance for lending-related commitments. The allowance for loan losses is a reserve against loan amounts that are actually funded and outstanding while the allowance for lending-related commitments relates to certain amounts that the Company is committed to lend but for which funds have not yet been disbursed. The allowance for credit losses is comprised of the allowance for loan losses and the allowance for lending-related commitments. In future periods, the provision for credit losses may contain both a component related to funded loans (provision for loan losses) and a component related to lending-related commitments (provision for unfunded loan commitments and letters of credit).

The Company allocates allowance to specific loan portfolio groups and maintains its allowance for loan losses at a level believed adequate by management to absorb probable losses inherent in the loan portfolio and is based on the size and current risk characteristics of the loan portfolio, an assessment of internal problem loan identification system ("Problem Loan Report") loans and actual loss experience, changes in the composition of the loan portfolio, historical loss experience, changes in lending policies and procedures, including underwriting standards and collections, charge-off, and recovery practices, changes in the experience, ability and depth of lending management and staff, changes in national and local economic and business conditions and developments, including the condition of various market segments and changes in the volume and severity of past due and classified loans and trends in the volume of non-accrual loans, troubled debt restructurings and other loan modifications. The allowance for loan losses also includes an element for estimated probable but undetected losses and for imprecision in the credit risk models used to calculate the allowance. The Company reviews Problem Loan Report 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 and commercial real estate, residential real estate, home equity, premium finance receivables, indirect consumer, Tricom finance receivables and consumer. Determination of the allowance is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current environmental factors and economic trends, all of which may be susceptible to significant change. The allowance for lending-related commitments is computed using a methodology similar to that used to determine the allowance for loan losses. Loan losses are charged off against the allowance, while recoveries are credited to the allowance. A provision for credit losses is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. Evaluations are conducted at least quarterly and more frequently if deemed necessary.

The allowance for loan losses as of December 31, 2006, increased \$5.8 million to \$46.1 million from December 31, 2005, primarily due to \$3.9 from an acquired institution coupled with internal growth, primarily in the commercial and commercial real estate 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 consumer portfolio.

Commercial and commercial real estate loans represent the largest loan category in the Company's loan portfolio, accounting for 63% of total loans at December 31, 2006. Net charge-offs in this category totaled \$2.2 million, or 0.06% of average loans in this category in 2006, and \$2.7 million, or 0.09% of average loans in this category in 2005.

Premium finance receivable net charge-offs for the year ended December 31, 2006 totaled \$2.2 million as compared to \$1.4 million in 2005. Net charge-offs were 0.22% of average premium finance receivables in 2006 versus 0.16% in 2005. As noted in the next section of this report, non-performing premium finance receivables as a percent of total premium finance receivables were 1.07% at December 31, 2006 and 1.40% at December 31, 2005. Indirect consumer loan net charge-offs decreased to \$393,000 in 2006 compared to \$400,000 in 2005. Net charge-offs as a percentage of average indirect consumer loans were 0.17% in 2006 and 0.20% in 2005.

Past Due Loans and Non-performing Assets

The following table classifies the Company's non-performing assets 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):

	2006	2005	2004	2003	2002
Loans past due greater than 90 days and still accruing:					
Residential real estate and home equity	\$ 308	159	—	—	32
Commercial, consumer and other	8,454	1,898	715	1,024	3,047
Premium finance receivables	4,306	5,211	3,869	3,439	2,198
Indirect consumer loans	297	228	280	313	423
Tricom finance receivables	—	—	—	—	—
Total loans past due greater than 90 days and still accruing	13,365	7,496	4,864	4,776	5,700
Non-accrual loans:					
Residential real estate and home equity	1,738	457	2,660	3,217	711
Commercial, consumer and other	12,959	11,712	3,550	9,646	1,132
Premium finance receivables	8,112	6,189	7,396	5,994	4,725
Indirect consumer loans	376	335	118	107	254
Tricom finance receivables	324	—	—	—	20
Total non-accrual	23,509	18,693	13,724	18,964	6,842
Total non-performing loans:					
Residential real estate and home equity	2,046	616	2,660	3,217	743
Commercial, consumer and other	21,413	13,610	4,265	10,670	4,179
Premium finance receivables	12,418	11,400	11,265	9,433	6,923
Indirect consumer loans	673	563	398	420	677
Tricom finance receivables	324	—	—	—	20
Total non-performing loans	36,874	26,189	18,588	23,740	12,542
Other real estate owned	572	1,400	—	368	76
Total non-performing assets	\$37,446	27,589	18,588	24,108	12,618
Total non-performing loans by category as a percent of its own respective category's year end balance:					
Residential real estate and home equity	0.23%	0.07%	0.32%	0.48%	0.14%
Commercial, consumer and other	0.51	0.42	0.17	0.63	0.30
Premium finance receivables	1.07	1.40	1.46	1.26	1.50
Indirect consumer loans	0.27	0.28	0.23	0.24	0.38
Tricom finance receivables	0.74	—	—	—	0.10
Total non-performing loans	0.57%	0.50%	0.43%	0.72%	0.49%
Total non-performing assets as a percentage of total assets	0.39%	0.34%	0.29%	0.51%	0.34%
Allowance for loan losses as a percentage of non-performing loans	123.90%	153.82%	184.13%	107.59%	146.63%

Non-performing Residential Real Estate and Home Equity

The non-performing residential real estate and home equity loans totaled \$2.0 million at December 31, 2006. The balance increased \$1.4 million from December 31, 2005. Each non-performing credit is well secured and in the process of collection. Management believes that the current reserves against these credits are appropriate to cover any potential losses.

Non-performing Commercial, Consumer and Other

The commercial, consumer and other non-performing loan category totaled \$21.4 million as of December 31, 2006. The balance in this category increased \$7.8 million from December 31, 2005. Management believes that the current reserves against these credits are appropriate to cover any potential losses.

Non-performing Premium Finance Receivables

The table below presents the level of non-performing premium finance receivables as of December 31, 2006 and 2005, and the amount of net charge-offs for the years then ended.

	2006	2005
Non-performing premium finance receivables	\$12,418	\$11,400
- as a percent of premium finance receivables outstanding	1.07%	1.40%
Net charge-offs of premium finance receivables	\$ 2,193	\$ 1,390
- annualized as a percent of average premium finance receivables	0.22%	0.16%

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. Interest continues to accrue until maturity as the unearned premium is ordinarily sufficient to pay-off the outstanding balance and contractual interest due.

Non-performing Indirect Consumer Loans

Total non-performing indirect consumer loans were \$673,000 at December 31, 2006, compared to \$563,000 at December 31, 2005. The ratio of these non-performing loans to total indirect consumer loans was 0.27% at December 31, 2006 compared to 0.28% at December 31, 2005. As noted in the Allowance for Credit Losses table, net charge-offs as a percent of total indirect consumer loans were 0.17% for the year ended December 31, 2006 compared to 0.20% in the same period in 2005. The level of nonperforming and net charge-offs of indirect consumer loans continues to be below standard industry ratios for this type of lending.

Potential Problem Loans

Management believes that any loan where there are serious doubts as to the ability of such borrowers to comply with the present loan repayment terms should be identified as a non-performing loan and should be included in the disclosure of "Past Due Loans and Non-performing Assets". Accordingly, at the periods presented in this report, the Company has no potential problem loans as defined by Securities and Exchange Commission regulations.

Credit Quality Review Procedures

The Company utilizes a loan rating system to assign risk to loans and utilizes that risk rating system to assist in identifying Problem Loan Report loans 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 Problem Loan Report 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 Problem Loan Report, which exhibit a higher than normal credit risk. These Problem Loan Report credits are reviewed individually by management to determine whether any spe-

cific reserve amount should be allocated to 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 on the Problem Loan Report. The principal amount of loans on the Company's Problem Loan Report (exclusive of those loans reported as non-performing) as of December 31, 2006 and December 31, 2005, was approximately \$84.7 million and \$75.9 million, respectively. The year-over-year increase is primarily a result of the acquisition of Hinsbrook Bank. 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 multiple 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, 2006, 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 the "Asset-Liability Management" section of this report for additional information.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of federal securities laws. Forward-looking information in this document can be identified through the use of words such as “may,” “will,” “intend,” “plan,” “project,” “expect,” “anticipate,” “should,” “would,” “believe,” “estimate,” “contemplate,” “possible,” and “point.” The forward-looking information is premised on many factors, some of which are outlined below. 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 acquisitions 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:

- Competitive pressures in the financial services business which may affect the pricing of the Company’s loan and deposit products as well as its services (including wealth management services).
- Changes in the interest rate environment, which may influence, among other things, the growth of loans and deposits, the quality of the Company’s loan portfolio, the pricing of loans and deposits and interest income
- The extent of defaults and losses on our loan portfolio.
- Unexpected difficulties or unanticipated developments related to the Company’s strategy of *de novo* bank formations and openings. *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.
- The ability of the Company to obtain liquidity and income from the sale of premium finance receivables in the future and the unique collection and delinquency risks associated with such loans.
- Failure to identify and complete acquisitions in the future or unexpected difficulties or unanticipated developments related to the integration of acquired entities with the Company.
- Legislative or regulatory changes or actions, or significant litigation involving the Company.
- Changes in general economic conditions in the markets in which the Company operates.
- The ability of the Company to receive dividends from its subsidiaries.
- The loss of customers as a result of technological changes allowing consumers to complete their financial transactions without the use of a bank.
- The ability of the Company to attract and retain senior management experienced in the banking and financial services industries.

Therefore, there can be no assurances that future actual results will correspond to these forward-looking statements. The reader is cautioned not to place undue reliance on any forward looking statement made by or on behalf of Wintrust. Any such statement speaks only as of the date the statement was made or as of such date that may be referenced within the statement. Wintrust does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Persons are advised, however, to consult any further disclosures management makes on related subjects in its reports filed with the SEC and in its press releases.

Corporate Locations

Wintrust Financial Corporation

www.wintrust.com

727 North Bank Lane
Lake Forest, IL 60045
847-615-4096

Lake Forest Bank & Trust Company

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

Highland Park Bank & Trust

1949 St. Johns Avenue
Highland Park, IL 60035
847-432-9988
www.highlandparkbank.com

Highland Park Bank & Trust — Ravinia

643 Roger Williams Ave.
Highland Park, IL 60035
847-266-0300

North Chicago Community Bank

1801 Sheridan Road
North Chicago, IL 60064
847-473-3006
www.nchicagobank.com

Hinsdale Bank & Trust Company

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

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

Riverside Bank

17 E. Burlington
Riverside, IL 60546
708-447-3222
www.bankriverside.com

Community Bank of Downers Grove

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

718 Ogden Avenue
Downers Grove, IL 60515
630-435-3600
www.downersgrovebank.com

Hinsbrook Bank

6262 South Route 83
Willowbrook, IL 60527
630-920-2700
www.hinsbrookbank.com

ATM Drive-thru
Route 83 at 67th Street
Darien, IL 60561

North Shore Community Bank & Trust Company

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 Avenue
Winnetka, IL 60093
847-441-2265

Skokie

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

Sauganash

4343 West Peterson Avenue
Chicago, IL 60646
773-545-5700

Libertyville Bank & Trust Company

www.libertyvillebank.com

Libertyville Locations

Main Bank
507 North Milwaukee Avenue
Libertyville, IL 60048
847-367-6800

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

South Libertyville
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

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

Gurnee Community Bank

675 North O'Plaine Road
Gurnee, IL 60031
847-625-3800
www.gurneebank.com

Lake Villa Community Bank

345 South Milwaukee Avenue
Lake Villa, IL 60046
847-265-0300
www.lakevillabank.com

Mundelein Community Bank

1110 W. Maple Avenue
Mundelein, IL 60060
847-837-1110
www.mundeleinbank.com

Barrington Bank & Trust Company, N.A.

www.barringtonbank.com

Barrington Locations

Main Bank
201 S. Hough Street
Barrington, IL 60010
847-842-4500

Northwest Highway
233 W. Northwest Highway
Barrington, IL 60010
847-381-1715

Commercial Lending
217 S. Hough Street
Barrington, IL 60010
847-842-4500

Community Advantage

217 S. Hough Street
Barrington, IL 60010
847-842-7980
www.communityadvantage.com

Physicians Financial Care

217 S. Hough Street
Barrington, IL 60010
847-842-7980
www.physiciansfinancialcare.com

Hoffman Estates Community Bank

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

Palatine Bank & Trust

109 W. Slade Street
Palatine, IL 60067
847-963-0047
www.palatinebank.com

Crystal Lake Bank & Trust Company, N.A.

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

2205 N. Richmond Road
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

Algonquin Bank & Trust

4049 W. Algonquin Rd.
Algonquin, IL 60102
847-669-7500
www.bankalgonquin.com

NorthAmerican Aviation Finance

27 N. Main Street
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
847-418-2800

West Northbrook

875 Sanders Road
Northbrook, IL 60062
847-418-2850

Buffalo Grove Bank & Trust

200 N. Buffalo Grove Road
Buffalo Grove, IL 60089
847-634-8400
www.buffalogrovebank.com

Northview Bank & Trust

245 Waukegan Road
Northfield, IL 60093
847-446-0245
www.northview.com

Orchard Office

1751 Orchard Lane
Northfield, IL 60093
847-441-1751

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 & Trust

www.bankatvillage.com

Main Bank
234 West Northwest Highway
Arlington Heights, IL 60004
847-670-1000

Uptown Banking Center

150 East Rand Road
Arlington Heights, IL 60004
847-870-5000

Mid-Town Banking Center

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

Prospect Heights Banking Center

1845 East Rand Road
Arlington Heights, IL 60004
847-483-6000

Beverly Bank & Trust Company, N.A.

www.thebeverlybank.com

Main Bank
10258 South Western Avenue
Chicago, IL 60643
773-239-2265

1908 West 103rd Street
Chicago, IL 60643
773-239-2265

Town Bank

www.townbank.us

Town Bank of Delafield

400 Genesee Street
Delafield, WI 53018
262-646-6888

Town Bank of Madison

10 W. Mifflin
Street Madison, WI 53703
608-282-4840

Town Bank of Wales

200 West Summit Avenue
Wales, WI 53183
262-968-1740

Town Bank of Elm Grove

12960 W. Bluemound Rd
Elm Grove, WI 53122
262-789-8696

Wheaton Bank & Trust Company

www.wheatonbank.com

211 South Wheaton Avenue
Wheaton, IL 60137
630-690-1800

Glen Ellyn Bank & Trust

462 N. Park Boulevard, Suite 110
Glen Ellyn, IL 60137
630-469-4501
www.glenellynbank.com

500 Roosevelt Road
Glen Ellyn, IL 60137
630-469-3000

State Bank of The Lakes

www.thisisyourbank.com

Antioch

440 Lake Street
Antioch, IL 60002
847-395-2700

Lindenhurst

2031 Grand Avenue
Lindenhurst, IL 60046
847-356-5700

Grayslake

50 Commerce Drive
Grayslake, IL 60030
847-548-2700

Spring Grove

1906 Holian Drive
Spring Grove, IL 60081
815-675-3700

McHenry

2730 W. Route 120
McHenry, IL 60050
815-344-5100

**Old Plank Trail Community Bank,
N.A.**

www.oldplanktrailbank.com

Frankfort

37 Old Frankfort Way
Frankfort, IL 60423
815-464-6888

Mokena

11041 Front Street
Mokena, IL 60448
708-478-4447

New Lenox

352 West Maple Street
New Lenox, IL 60451
815-485-0001

St. Charles Bank & Trust Company

www.bankstcharles.com

311 North Second Street
St. Charles, IL 60174
630-377-9500

Geneva

2401 Kaneville Road
Geneva, IL 60134
630-845-4800

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

N48 W16866 Lisbon Road
Menomonee Falls, WI 53051
262-509-6200

**Wintrust Information
Technology Services Company**

851 North Villa Ave.
Villa Park, IL 60181
630-516-4050

Wayne Hummer Wealth Management

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

**Wayne Hummer Trust Company,
N.A**

**Wayne Hummer Asset Management
Company**

www.whummer.com

4049 West Algonquin Road
Algonquin, IL 60102
815-479-1710

440 Lake Street
Antioch, IL 60002
847-395-2700

311 South Arlington Heights Road
Arlington Heights, IL 60005
847-483-6039

201 South Hough Street
Barrington, IL 60010
847-842-4500

4343 West Peterson Avenue
Chicago, IL 60646
847-251-4385

10258 South Western Avenue
Chicago, IL 60643
773-298-6205

1908 West 103rd Street
Chicago, IL 60643
773-239-2265

1111 Warren Avenue
Downers Grove, IL 60515
630-325-6571

75 East Turner Avenue
Elk Grove Village, IL 60007
847-879-7935

50 Commerce Drive
Grayslake, IL 60030
847-838-7605/7608

675 North O'Plaine Road
Gurnee, IL 60031
847-549-1578

1949 St. Johns Avenue
Highland Park, IL 60035
847-810-5025

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

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

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

1200 South Milwaukee Avenue
Libertyville, IL 60048
847-573-1633

2205 North Richmond Road
McHenry, IL 60050
815-344-6600

352D West Maple Street
New Lenox, IL 60451
815-462-5510

1100 Waukegan Road
Northbrook, IL 60062
847-418-2813

245 Waukegan Road
Northfield, IL 60093
847-446-4378

1000 Hillgrove Avenue
Western Springs, IL 60558
708-246-0203

211 South Wheaton Avenue
Wheaton, IL 60187
630-588-4090

6262 South Route 83
Willowbrook, IL 60527
630-920-2700

720 12th Street
Wilmette, IL 60091
866-713-7227

1145 Wilmette Avenue
Wilmette, IL 60091
847-853-2093

200 East Washington Street
Appleton, WI 54911
920-734-1475

417 Genesee Street
Delafield, WI 53018
262-646-3157

WestAmerica Mortgage Company

Colorado Corporate Headquarters

5655 South Yosemite Street, Suite 460
Greenwood Village, Colorado 80111
303-771-2800

Illinois Corporate Headquarters

1 South 660 Midwest Rd., Suite 100
Oakbrook Terrace, Illinois 60181
630-916-9299

Branch Offices

Phoenix, AZ
Scottsdale, AZ
Walnut Creek, CA
Fort Myers, FL
Chicago, IL
Matteson, IL
Oakbrook Terrace, IL
Schaumburg, IL
Tinley Park, IL
Warsaw, IN
Overland Park, KS
Charlotte, NC
Ocean, NJ

Corporate Information

Public Listing and Market Symbol

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

Website Location

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

Annual Meeting of Shareholders

May 24, 2007
10:00 a.m.
Michigan Shores Club
911 Michigan Avenue
Wilmette, Illinois

Form 10-K

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

Transfer Agent

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

Exhibit 21.1

Subsidiaries of the Registrant
December 31, 2006

<u>Subsidiary</u>	<u>State of Organization or Incorporation</u>
Lake Forest Bank & Trust Company	Illinois
North Shore Community Bank & Trust Company	Illinois
Hinsdale Bank & Trust Company	Illinois
Libertyville Bank & Trust Company	Illinois
Barrington Bank & Trust Company, N.A.	National Banking Association
Crystal Lake Bank & Trust Company, N.A.	National Banking Association
Northbrook Bank & Trust Company	Illinois
Advantage National Bank	National Banking Association
Village Bank & Trust	Illinois
Beverly Bank & Trust Company, N.A.	National Banking Association
Wheaton Bank and Trust Company	Illinois
State Bank of The Lakes	Illinois
Old Plank Trail Community Bank, N.A.	National Banking Association
St. Charles Bank & Trust Company	Illinois
Northview Mortgage, LLC	Illinois
245 Waukegan Road Limited Partnership	Illinois
Town Bank	Wisconsin
Town Investment Management, LLC	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 III	Delaware
Wintrust Statutory Trust IV	Connecticut
Wintrust Statutory Trust V	Connecticut
Wintrust Capital Trust VII	Delaware
Wintrust Statutory Trust VIII	Delaware
Wintrust Capital Trust IX	Delaware
Northview Capital Trust I	Delaware
Town Bankshares Capital Trust I	Delaware
First Northwest Capital Trust I	Delaware
Wintrust Information Technology Services Company	Illinois
Wayne Hummer Investments, LLC	Delaware
Wayne Hummer Asset Management Company	Illinois
SGB Corporation d/b/a WestAmerica Mortgage Company	Colorado
Guardian Real Estate Services, Inc.	Illinois

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Wintrust Financial Corporation of our reports dated February 28, 2007, with respect to the consolidated financial statements of Wintrust Financial Corporation, Wintrust Financial Corporation management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Wintrust Financial Corporation, included in the 2006 Annual Report to Shareholders of Wintrust Financial Corporation.

We consent to the incorporation by reference in the following Registration Statements:

- (1) Form S-8 Nos. 333-140141, 333-136964, 333-61678, 333-33459, 333-52650, 333-96983, 333-52652, 333-124433, 333-111277, 333-119979, 333-119976 and 333-117044;
- (2) Form S-3 Nos. 333-56566, 333-84188, 333-103134, 333-115898 and 333-119345; and
- (3) Form S-4 Nos. 333-130897 and 333-122178

of our reports dated February 28, 2007, with respect to the consolidated financial statements of Wintrust Financial Corporation, Wintrust Financial Corporation management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting of Wintrust Financial Corporation

/s/ Ernst & Young LLP

Chicago, Illinois
February 28, 2007

Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
SARBANES-OXLEY ACT SECTION 302**

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 of Wintrust Financial Corporation;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, 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 report;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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 the period covered by this report based on such evaluation; and
 - d) 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 1, 2007

/s/ EDWARD J. WEHMER

Name: Edward J. Wehmer

Title: President and Chief Executive Officer

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
SARBANES-OXLEY ACT SECTION 302**

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 of Wintrust Financial Corporation;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, 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 report;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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 the period covered by this report based on such evaluation; and
 - d) 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 1, 2007

/s/ DAVID L. STOEHR

Name: David L. Stoehr

Title: Executive Vice President and
Chief Financial Officer

Exhibit 32.1

CERTIFICATIONS
SARBANES-OXLEY ACT SECTION 906

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, the undersigned Chief Executive Officer and Chief Financial Officer of Wintrust Financial Corporation (“the Company”) certify, on the basis of such officers’ knowledge and belief that:

- (1) The Annual Report of the Company on Form 10-K for the year ended December 31, 2006, as filed with the Securities and Exchange Commission on March 1, 2007, (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ EDWARD J. WEHMER

Name: Edward J. Wehmer

Title: President and Chief Executive Officer

Date: March 1, 2007

/s/ DAVID L. STOEHR

Name: David L. Stoehr

Title: Executive Vice President and
Chief Financial Officer

Date: March 1, 2007

The 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.

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT dated as of June 1, 2006 (this "Amendment"), is entered into among WINTRUST FINANCIAL CORPORATION (the "Borrower"), the financial institutions that are or may from time to time become parties hereto (together with their respective successors and assigns, the "Lenders") and LASALLE BANK NATIONAL ASSOCIATION (in its individual capacity, "LaSalle"), and as Administrative Agent for the Lenders.

RECITALS

- A.** The Borrower and the Bank entered into that certain Credit Agreement dated as of November 1, 2005 (the "Agreement");
- B.** Bank of Scotland elected not to continue as a Lender with respect to the Term A Loan and assigned all of its interest therein to LaSalle effective on the date hereof. As of the date hereof, LaSalle is the sole lender with respect to the Term A Loans; and
- C.** The Borrower desires to extend the maturity date of the Term A Notes from June 1, 2006 to September 1, 2006.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and adequacy of which me hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. All capitalized terms used herein without definition shall have the respective meanings set forth in the Agreement.

2. AMENDMENTS TO THE AGREEMENT.

2.1 Amendment to Section 3(b) of the Agreement. Section 3(b) of the Agreement is hereby amended as of the date hereof by deleting the date "June 1, 2006" and inserting the date "September 1, 2006".

2.2 Term A Notes. All references in the Loan Agreement to the form of the Term A Note in the form of Exhibit "1" to the Loan Agreement shall be deemed to be references to the form of the Term A Note in the form of Exhibit "A-1" attached hereto and made a part hereof.

3. WARRANTIES. To induce the Administrative Agent and the Lenders to enter into this Amendment, the Borrower warrants that:

3.1 Authorization. The Borrower is duly authorized to execute and deliver this Amendment and is and will continue to be duly authorized to borrow monies under the Agreement, as amended hereby, and to perform its obligations under the Agreement, as amended hereby.

3.2 No. Conflicts . The execution and delivery of this Amendment and the performance by the Borrower of its obligations under the Agreement as amended hereby, do not and will not conflict with any provision of law or of the charter or by-laws of the Borrower or of any agreement binding upon the Borrower.

3.3 Validity and Binding Effect . The Agreement, as amended hereby, is a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

3.4 No Default . As of the date hereof, no Event of Default under Section 9 of the Agreement, as amended by this Amendment or event or condition which, with the giving of notice or the passage of time, shall constitute an Event of Default, has occurred or is continuing.

3.5 Warranties . As of the date hereof, the representations and warranties in Section 5 of the Agreement are true and correct as though made on such date, except for such changes as are specifically permitted under the Agreement,

4. CONDITIONS PRECEDENT. This Amendment shall become effective as of the date above first written after receipt by the Administrative Agent of the following documents:

- (a) This Amendment duly executed by the Borrower;
- (b) A \$50,000,000 Term A Note duly executed by Borrower and made payable to LaSalle Bank National Association;
and
- (c) Such other documents and instruments as the Bank reasonably requests.

5. GENERAL.

5.1 Law . This Amendment shall be construed in accordance with and governed by the laws of the State of Illinois.

5.2 Successors . This Amendment shall be binding upon the Borrower, the Lenders and the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of the Borrower, the Lenders and the Administrative Agent and the successors and assigns of the Lenders and the Administrative Agent. No other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Amendment or any of the other Loan Documents. The Borrower may not assign or transfer any of its rights or Obligations under this Amendment without the prior written consent of the Administrative Agent and each Lender.

5.3 Counterparts . This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same agreement. Receipt of an executed signature page to this Amendment by

facsimile or other electronic transmission shall constitute effective delivery thereof. Electronic records of executed Loan Documents maintained by the Lenders shall be deemed to be originals.

5.3 Confirmation of the Agreement. Except as amended hereby, the Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects.

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

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

WINTRUST FINANCIAL CORPORATION

By: _____
Its: _____

727 North Bank Lane
Lake Forest, Illinois 60645
Attention: Edward J. Wehmer
Facsimile: _____

TERM LOAN A: \$50,000,000.00
PRO RATA SHARE: 100%

LASALLE BANK NATIONAL
ASSOCIATION, as Lender and Administrative
Agent

By: _____
Its: _____

TERM LOAN B: \$1,000,000.00
PRO RATA SHARE: 100%

135 South LaSalle Street
Chicago, Illinois 60674
Attention: Jeffery J. Bowden
Facsimile: (312) 904-6352

EXHIBIT A-1

Form of Term A Note

TERM A NOTE

\$____,000,000

Dated as of June 1, 2006

FOR VALUE RECEIVED, WINTRUST FINANCIAL CORPORATION, an Illinois corporation (the "Maker") promises to pay to the order of LASALLE BANK NATIONAL ASSOCIATION, a national banking association (the "Bank") the lesser of the principal sum of ____MILLION DOLLARS (\$____,000,000), or the aggregate unpaid principal amount outstanding under the Credit Agreement dated as of November 1, 2005 (as amended from time to time, the "Credit Agreement") between the the Maker, as Borrower, LaSalle Bank National Association, as Administrative Agent, and the Lenders parties thereto (including the Bank) at the maturity or maturities and in the amount or amounts as stated on the records of the Bank together with interest (computed on actual days elapsed on the basis of a 360 day year) on any and all principal amounts outstanding hereunder from time to time from the date hereof until maturity. Interest shall be payable at the rates of interest and the times set forth in the Credit Agreement. All unpaid principal, and accrued interest, if not paid sooner, shall be due and payable in full on September 1, 2006.

This Note shall be available for direct advances.

Principal and interest shall be paid to the Bank at its office at 135 South LaSalle Street, Chicago, Illinois 60603, or at such other place as the holder of this Note may designate in writing to the Maker. This Note may be prepaid in whole or in part as provided for in the Credit Agreement.

This Note evidences indebtedness incurred under the Credit dated as of November 1, 2005, as amended from time to time, between the Maker, as Borrower, LaSalle Bank National Association, as Administrative Agent, and the Lenders parties thereto (including the Bank), to which reference is hereby made for a statement of the terms and conditions under which the due date of the Note or any payment thereon may be accelerated. The holder of this Note is entitled to all of the benefits provided for in the Credit Agreement.

The Maker agrees that in action or proceeding instituted to collect or enforce collection of this Note, the amount on the Bank's records shall be conclusive and binding evidence, absent demonstrable error, of the unpaid principal balance of this Note.

WINTRUST FINANCIAL CORPORATION

By: _____

Its: _____

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT dated as of August 1, 2006 (this "Amendment"), is entered into among WINTRUST FINANCIAL CORPORATION (the "Borrower") and LASALLE BANK NATIONAL ASSOCIATION (in its individual capacity, "LaSalle").

RECITALS

A. The Borrower and the Bank entered into that certain Credit Agreement dated as of November 1, 2005, as amended by that certain First Amendment to Credit Agreement dated as of June 1, 2006 (the "Agreement");

B. The Borrower desires to extend the maturity date of the Term A Notes from September 1, 2006 to June 1, 2007 and the parties have agreed to modify the definition of "Interest Period".

C. The Borrower has requested an amendment to the Credit Agreement eliminating the provisions relating to an Administrative Agent in light of the fact that LaSalle is the only Lender under the Credit Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and adequacy of which me hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. All capitalized terms used herein without definition shall have the respective meanings set forth in the Agreement.

2. AMENDMENTS TO THE AGREEMENT.

2.1 Amendment to Section 3(b) of the Agreement. Section 3(b) of the Agreement is hereby amended as of the date hereof by deleting the date "September 1, 2006" and inserting the date "June 1, 2007".

2.2 Amendment to Section 3(d) of the Agreement. The fourth paragraph of Section 3(d) is hereby deleted in its entirety and in lieu thereof is inserted the following:

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 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 (a) with respect to subsection 3(d)(i) hereof,

successive three month periods as selected from time to time by the Borrower by notice given to Lender not less than one banking day prior to the first day of each respective Interest Period; provided that: (x) each such three month period occurring after such initial period shall commence on the day on which the next preceding period expires; and (y) the final Interest Period shall be such that its expiration occurs on the stated maturity date hereof, and may be less than a three month period (although the interest rate charged thereunder will be based upon a three month Interest Period). Each such notice shall be effective upon receipt by Lender, shall be irrevocable, and shall specify the date, amount and type of interest rate. The Borrower hereby further promises to pay to the order of Lender, on demand, interest on the unpaid principal amount hereof after maturity (whether by acceleration or otherwise) at a rate of two per cent per annum in excess of the Prime Rate in effect at the time of maturity. In the absence of an election to the contrary, any LIBOR Loan shall be renewed at the conclusion of a given Interest Period for another Interest Period as a LIBOR Loan.

2.2 Term A Notes . All references in the Loan Agreement to the form of the Term A Note in the form of Exhibit "1" to the Loan Agreement shall be deemed to be references to the form of the Term A Note in the form of Exhibit "A-1" attached hereto and made a part hereof.

2.3 Elimination of Administrative Agent . Notwithstanding anything to the contrary contained in the Credit Agreement, the Credit Agreement is hereby revised to eliminate all references to the Administrative Agent and all references to Lenders in the plural. From and after the date hereof, LaSalle shall be the only Lender and the words "Administrative Agent" or "Lenders" shall mean LaSalle, in its individual capacity as Lender. All references to "Required Lenders" shall mean LaSalle.

3. WARRANTIES . To induce the Lender to enter into this Amendment, the Borrower warrants that:

3.1 Authorization . The Borrower is duly authorized to execute and deliver this Amendment and is and will continue to be duly authorized to borrow monies under the Agreement, as amended hereby, and to perform its obligations under the Agreement, as amended hereby.

3.2 No. Conflicts . The execution and delivery of this Amendment and the performance by the Borrower of its obligations under the Agreement as amended hereby, do not and will not conflict with any provision of law or of the charter or by-laws of the Borrower or of any agreement binding upon the Borrower.

3.3 Validity and Binding Effect . The Agreement, as amended hereby, is a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or

other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

3.4 No Default . As of the date hereof, no Event of Default under Section 9 of the Agreement, as amended by this Amendment or event or condition which, with the giving of notice or the passage of time, shall constitute an Event of Default, has occurred or is continuing.

3.5 Warranties . As of the date hereof, the representations and warranties in Section 5 of the Agreement are true and correct as though made on such date, except for such changes as are specifically permitted under the Agreement,

4. CONDITIONS PRECEDENT. This Amendment shall become effective as of the date above first written after receipt by the Administrative Agent of the following documents:

(a) This Amendment duly executed by the Borrower;

(b) A \$50,000,000 Term A Note duly executed by Borrower and made payable to LaSalle Bank National Association;
and

(c) Such other documents and instruments as the Bank reasonably requests.

5. GENERAL.

5.1 Law . This Amendment shall be construed in accordance with and governed by the laws of the State of Illinois.

5.2 Successors . This Amendment shall be binding upon the Borrower and the Lender and their respective successors and assigns, and shall inure to the benefit of the Borrower and the Lender and the successors and assigns of the Lender. No other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Amendment or any of the other Loan Documents. The Borrower may not assign or transfer any of its rights or Obligations under this Amendment without the prior written consent of the Lender.

5.3 Counterparts . This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same agreement. Receipt of an executed signature page to this Amendment by facsimile or other electronic transmission shall constitute effective delivery thereof. Electronic records of executed Loan Documents maintained by the Lenders shall be deemed to be originals.

5.3 Confirmation of the Agreement . Except as amended hereby, the Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects.

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

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

WINTRUST FINANCIAL CORPORATION

By: _____
Its: _____

727 North Bank Lane
Lake Forest, Illinois 60645
Attention: Edward J. Wehmer
Facsimile: _____

TERM LOAN A: \$50,000,000.00
PRO RATA SHARE: 100%

LASALLE BANK NATIONAL
ASSOCIATION

By: _____
Its: _____

TERM LOAN B: \$1,000,000.00
PRO RATA SHARE: 100%

135 South LaSalle Street
Chicago, Illinois 60674
Attention: Jeffery J. Bowden
Facsimile: (312) 904-6352

EXHIBIT A-1

Form of Term A Note

TERM A NOTE

\$50,000,000

Dated as of July 27, 2006

FOR VALUE RECEIVED, WINTRUST FINANCIAL CORPORATION, an Illinois corporation (the "Maker") promises to pay to the order of LASALLE BANK NATIONAL ASSOCIATION, a national banking association (the "Bank") the lesser of the principal sum of FIFTY MILLION DOLLARS (\$50,000,000), or the aggregate unpaid principal amount outstanding under the Credit Agreement dated as of November 1, 2005 (as amended from time to time, the "Credit Agreement") between the Maker, as Borrower, and LaSalle Bank National Association, as Lender, at the maturity or maturities and in the amount or amounts as stated on the records of the Bank together with interest (computed on actual days elapsed on the basis of a 360 day year) on any and all principal amounts outstanding hereunder from time to time from the date hereof until maturity. Interest shall be payable at the rates of interest and the times set forth in the Credit Agreement. All unpaid principal, and accrued interest, if not paid sooner, shall be due and payable in full on June 1, 2007.

This Note shall be available for direct advances.

Principal and interest shall be paid to the Bank at its office at 135 South LaSalle Street, Chicago, Illinois 60603, or at such other place as the holder of this Note may designate in writing to the Maker. This Note may be prepaid in whole or in part as provided for in the Credit Agreement.

This Note evidences indebtedness incurred under the Credit Agreement dated as of November 1, 2005, as amended from time to time, between the Maker, as Borrower, and LaSalle Bank National Association, to which reference is hereby made for a statement of the terms and conditions under which the due date of the Note or any payment thereon may be accelerated. The holder of this Note is entitled to all of the benefits provided for in the Credit Agreement.

The Maker agrees that in action or proceeding instituted to collect or enforce collection of this Note, the amount on the Bank's records shall be conclusive and binding evidence, absent demonstrable error, of the unpaid principal balance of this Note.

WINTRUST FINANCIAL CORPORATION

By: _____
Its: _____

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT dated as of January 1, 2007 (this "Amendment"), is entered into among WINTRUST FINANCIAL CORPORATION (the "Borrower") and LASALLE BANK NATIONAL ASSOCIATION (in its individual capacity, "Lender").

RECITALS

A. The Borrower and the Bank entered into that certain Credit Agreement dated as of November 1, 2005, as amended by that certain First Amendment to Credit Agreement dated as of June 1, 2006, and as amended by that certain Second Amendment to Credit Agreement dated as of July 27, 2006 (collectively, with all amendments thereto, the "Agreement");

B. The parties hereto have agreed to reduce the interest rate, effective as of January 1, 2007 with respect to the indebtedness owed to Lender, and effective as of February 1, 2007, with respect to the indebtedness owed to all lenders who purchased participations in the Loans from Lender.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and adequacy of which me hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. All capitalized terms used herein without definition shall have the respective meanings set forth in the Agreement.

2. AMENDMENTS TO THE AGREEMENT.

2.1 Amendment to Section 3(d) of the Agreement. Section 3(d) of the Agreement is hereby deleted in its entirety and in lieu thereof is inserted the following:

(d) Effective January 1, 2007, the amounts outstanding under the Term A Notes and the Term B Note 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 (i) the London Inter-Bank offered Rate ("LIBOR") plus 115 basis points; provided, however, with respect to all participations in the Term A Notes and the Term B Note heretofore sold by Lender (as disclosed by Lender to Borrower), interest shall continue to be calculated and paid by Borrower on the basis of LIBOR plus 140 basis points until January 31, 2007, or (ii) the greater of (a) the Prime Rate, or (b) the Federal Funds Rate plus 50 basis points. The rate so selected is hereafter referred to as the "Interest Rate".

3. WARRANTIES. To induce Lender to enter into this Amendment, the Borrower warrants that:

3.1 Authorization . The Borrower is duly authorized to execute and deliver this Amendment and is and will continue to be duly authorized to borrow monies under the Agreement, as amended hereby, and to perform its obligations under the Agreement, as amended hereby.

3.2 No. Conflicts . The execution and delivery of this Amendment and the performance by the Borrower of its obligations under the Agreement as amended hereby, do not and will not conflict with any provision of law or of the charter or by-laws of the Borrower or of any agreement binding upon the Borrower.

3.3 Validity and Binding Effect . The Agreement, as amended hereby, is a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

3.4 No Default . As of the date hereof, no Event of Default under Section 9 of the Agreement, as amended by this Amendment or event or condition which, with the giving of notice or the passage of time, shall constitute an Event of Default, has occurred or is continuing.

3.5 Warranties . As of the date hereof, the representations and warranties in Section 5 of the Agreement are true and correct as though made on such date, except for such changes as are specifically permitted under the Agreement,

4. CONDITIONS PRECEDENT. This Amendment shall become effective as of the date above first written after receipt by the Administrative Agent of the following documents:

- (a) This Amendment duly executed by the Borrower; and
- (b) Such other documents and instruments as the Bank reasonably requests.

5. GENERAL.

5.1 Law . This Amendment shall be construed in accordance with and governed by the laws of the State of Illinois.

5.2 Successors . This Amendment shall be binding upon the Borrower and Lender and their respective successors and assigns, and shall inure to the benefit of the Borrower and Lender and the successors and assigns of Lender. No other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Amendment or any of the other Loan Documents. The Borrower may not assign or transfer any of its rights or Obligations under this Amendment without the prior written consent of Lender.

5.3 Counterparts . This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute

but one and the same agreement. Receipt of an executed signature page to this Amendment by facsimile or other electronic transmission shall constitute effective delivery thereof. Electronic records of executed Loan Documents maintained by the Lenders shall be deemed to be originals.

5.3 Confirmation of the Agreement. Except as amended hereby, the Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects.

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

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

WINTRUST FINANCIAL CORPORATION

By: _____
Its: _____

727 North Bank Lane
Lake Forest, Illinois 60645
Attention: Edward J. Wehmer
Facsimile: _____

TERM LOAN A: \$50,000,000.00
PRO RATA SHARE: 100%

LASALLE BANK NATIONAL
ASSOCIATION

By: _____
Its: _____

TERM LOAN B: \$1,000,000.00
PRO RATA SHARE: 100%

135 South LaSalle Street
Chicago, Illinois 60674
Attention: Jeffery J. Bowden
Facsimile: (312) 904-6352

**FIFTH AMENDMENT TO SECOND AMENDED
AND RESTATED LOAN AGREEMENT**

THIS FIFTH AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AGREEMENT dated as of June 1, 2006 (this "Amendment"), is between WINTRUST FINANCIAL CORPORATION, an Illinois corporation (the "Borrower"), and LASALLE BANK NATIONAL ASSOCIATION, a national banking association (the "Bank").

RECITALS

A. The Borrower and the Bank entered into that certain Second Amended and Restated Loan Agreement dated as of April 30, 2003, as amended by that certain First Amendment to Second Amended and Restated Loan Agreement dated as of April 30, 2004, as amended by that certain Second Amendment to Second Amended and Restated Loan Agreement dated as of May 1, 2005, as amended by that certain Third Amendment to Second Amended and Restated Loan Agreement dated as of May 29, 2005 and as amended by that certain Fourth Amendment to Second Amended and Restated Loan Agreement dated as of July 20, 2005 (collectively, the "Agreement"); and

B. The Borrower desires to extend the maturity date of Note 2 from June 1, 2006 to September 1, 2006 and make certain other modifications to the Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and adequacy of which me hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. All capitalized terms used herein without definition shall have the respective meanings set forth in the Agreement.

2. AMENDMENTS TO THE AGREEMENT.

2.1 Section 3. Section 3 of the Agreement is hereby deleted in its entirety and in lieu thereof is inserted the following:

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), and by Note 2 in the principal amount of FIFTY MILLION DOLLARS (\$50,000,000).

(a) Interest on amounts outstanding under the Notes shall be payable quarterly, in arrears, commencing on August 29, 2006, and continuing on each November 29, February 28, May 29 and August 29 thereafter. Interest shall be also payable at maturity, after maturity on demand.

(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 June 1, 2015.

(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 September 1, 2006.

(d) The amounts outstanding under the Notes from time to time shall bear interest calculated on the actual number of days elapsed on the basis of a 360 day year, at a rate equal, at the Borrower's option, to either (i) the London Inter-Bank offered Rate ("LIBOR") plus 140 basis points, or (ii) the greater of (a) the Prime Rate or (b) the Federal Funds Rate plus 50 basis points. The rate so selected is hereafter referred to as the "Interest Rate".

For purposes of this Agreement, the term Federal Funds Rate means, for any day, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by the Bank. The Bank's determination of such rate shall be binding and conclusive absent manifest error.

For purposes of this Agreement, the term "Prime Rate" shall mean the floating prime rate in effect from time to time as set by Bank, and referred to by Bank as its Prime Rate. The Borrower acknowledges that the Prime Rate is not necessarily Bank'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 Bank.

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 Bank 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 (a) with respect to subsection 3(d)(i) hereof, successive three month periods as selected from time to time by the Borrower by notice given to Bank not less than three banking days prior to the first day of each respective interest Period; provided that: (x) each such three month period occurring after such initial period shall commence on the day on which the next preceding period expires; and (y) the final Interest Period shall be such that its expiration occurs on or before the stated maturity date hereof, and shall mean with respect to subsection 3(d)(ii) hereof, the rate in effect in effect from time to time, which rate shall change if and when LIBOR changes. The Borrower hereby further promises to pay to the order of Bank, 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.

Bank's determination of LIBOR as provided above shall be conclusive, absent manifest error. Furthermore, if Bank 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 Bank 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, Bank 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 Bank or its lending office (a "Regulatory Change"), shall, in the opinion of counsel to Bank, makes it unlawful for Bank to make or maintain any LIBOR Loan evidenced hereby, then Bank 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 Bank against any loss (including any loss on redeployment of the funds repaid), cost or expense incurred by Bank 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, Bank; (b) subject Bank or any LIBOR Loan to any tax, duty, charge, stamp tax or fee or change the basis of taxation of payments to Bank of principal or interest due from the Borrower to Bank hereunder (other than a change in the taxation of the overall net income of Bank); or (c) impose on Bank any other condition regarding such LIBOR Loan or Bank's funding thereof, and Bank shall determine (which determination shall be conclusive, absent manifest error) that the result of the foregoing is to increase the cost to Bank of making or maintaining such LIBOR Loan or to reduce the amount of principal or interest received by Bank hereunder, then the Borrower shall pay to Bank, on demand, such additional amounts as Bank shall, from time to time, determine are sufficient to compensate and indemnify Bank for such increased cost or reduced amount.

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

(f) Each Loan shall be made available to the Borrower upon its written or verbal request, from any person whose authority to so act has not been revoked by the Borrower in writing previously received by Bank. 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 Bank by credit to the account of the Borrower or by other means requested by the Borrower and acceptable to Bank. Bank is authorized to rely on the telephonic,

teletype or telegraphic loan requests which Bank 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 Bank and does hereby indemnify Bank against losses and expenses (including court costs, attorneys' and paralegals' fees) and shall hold Bank harmless with respect thereto.

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

2.2 Note 2 . All references in the Loan Agreement to the Revolving Note in the form of Exhibit "B" to the Loan Agreement shall be deemed to be references to the Note 2 in the form of Exhibit "B-1" attached hereto and made a part hereof.

3. WARRANTIES . To induce the Bank to enter into this Amendment, the Borrower warrants that:

3.1 Authorization . The Borrower is duly authorized to execute and deliver this Amendment and is and will continue to be duly authorized to borrow monies under the Agreement, as amended hereby, and to perform its obligations under the Agreement, as amended hereby.

3.2 No Conflicts . The execution and delivery of this Amendment and the performance by the Borrower of its obligations under the Agreement as amended hereby, do not and will not conflict with any provision of law or of the charter or by-laws of the Borrower or of any agreement binding upon the Borrower.

3.3 Validity and Binding Effect . The Agreement, as amended hereby, is a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

3.4 No Default . As of the date hereof, no Event of Default under Section 9 of the Agreement, as amended by this Amendment or event or condition which, with the giving of notice or the passage of time, shall constitute an Event of Default, has occurred or is continuing.

3.5 Warranties . As of the date hereof, the representations and warranties in Section 5 of the Agreement are true and correct as though made on such date, except for such Changes as are specifically permitted under the Agreement,

4. CONDITIONS PRECEDENT. This Amendment shall become effective as of the date above first written after receipt by the Bank of the following documents:

- (a) This Amendment duly executed by the Borrower;

(b) A \$50,000,000 Revolving Note in the form attached hereto as Exhibit B-1 duly executed by the Borrower; and

(c) Such other documents and instruments as the Bank reasonably requests.

5. GENERAL.

5.1 Law . This Amendment shall be construed in accordance with and governed by the laws of the State of Illinois.

5.2 Successors . This Amendment shall be binding upon the Borrower and the Bank and their respective successors and assigns, and shall inure to the benefit of the Borrower and the Bank and their respective successors and assigns.

5.3 Confirmation of the Agreement . Except as amended hereby, the Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects.

(remainder of page left blank; signature page follows)

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

LASALLE BANK NATIONAL ASSOCIATION

WINTRUST FINANCIAL CORPORATION

By: _____

By: _____

Its: _____

Its: _____

EXHIBIT B-1

REVOLVING NOTE

\$50,000,000

Dated as of June 1, 2006

FOR VALUE RECEIVED, WINTRUST FINANCIAL CORPORATION, an Illinois corporation (the "Maker") promises to pay to the order of LASALLE BANK NATIONAL ASSOCIATION, a national banking association (the "Bank") the lesser of the principal sum of FIFTY MILLION DOLLARS (\$50,000,000), or the aggregate unpaid principal amount outstanding under the Second Amended and Restated Loan Agreement dated April 20, 2003 (as amended from time to time, the "Loan Agreement") between the Bank and the Maker at the maturity or maturities and in the amount or amounts as stated on the records of the Bank together with interest (computed on actual days elapsed on the basis of a 360 day year) on any and all principal amounts outstanding hereunder from time to time from the date hereof until maturity. Interest shall be payable at the rates of interest and the times set forth in the Loan Agreement. All unpaid principal, and accrued interest, if not paid sooner, shall be due and payable in full on September 1, 2006.

This Note shall be available for direct advances.

Principal and interest shall be paid to the Bank at its office at 135 South LaSalle Street, Chicago, Illinois 60603, or at such other place as the holder of this Note may designate in writing to the Maker. This Note may be prepaid in whole or in part as provided for in the Loan Agreement.

This Note evidences indebtedness incurred under the Loan Agreement, to which reference is hereby made for a statement of the terms and conditions under which the due date of the Note or any payment thereon may be accelerated. The holder of this Note is entitled to all of the benefits provided for in the Loan Agreement.

The Maker agrees that in action or proceeding instituted to collect or enforce collection of this Note, the amount on the Bank's records shall be conclusive and binding evidence, absent demonstrable error, of the unpaid principal balance of this Note.

This Note is in replacement, a combination and substitution of, but not repayment for, a Revolving Note of the Borrower dated July 20, 2005 maturing June 1, 2006, in the principal amount of \$50,000,000, and is in no way intended to constitute a novation therefor.

WINTRUST FINANCIAL CORPORATION

By: _____
Its: _____