



## 2007 BUSINESS REPORT

## CHAIRMAN'S REPORT

### **Dear Friends:**

The past year proved to be a challenging time as our economy, the banking industry, many of our customers, and our company faced important transitions. Fortunately, opportunity can usually be found amid the challenges. For more than 78 years we have been inspired by the ability of our business customers to adapt to changing times, manage risk and find new avenues for growth.

Cole Taylor Bank's performance in 2007 was impacted by a slowdown in the general economy; in particular, a weakened local real estate market has taken its toll. Although many analysts believe the economy is now in recession and industry observers expect the housing market to remain challenged throughout much of 2008, we appreciate the strengths in Chicago's well-diversified economic base. Indeed, looking at the wide variety of new customers we've attracted in recent months, we cannot help but be impressed by the depth and breadth of the economic sectors they represent. From technology and manufacturing to the service and banking sectors, these companies are truly indicative of the vibrancy that characterizes our local economy.

Despite the economic downturn, Cole Taylor ended the year with a strong capital base and remains well-positioned to help our customers strengthen their businesses in 2008. Our commitment to them and the industries they represent is unwavering.

## 2007 HIGHLIGHTS

### **Investing in our company has been a constant.**

The advances in technology that enabled us to introduce new products last year continue to revolutionize the way our customers use our banking services. Our efforts have been geared toward the implementation of image-based technologies, enhanced treasury and information reporting systems, fraud prevention and process improvement for ourselves and our customers. The services we call Cole Taylor DirectConnect (remote deposit capture), image cash letter, Cole Taylor Reporter, Positive Pay, and ACH Filters are being used by a larger number of our customers than ever before.

### **Serving our customers has been a priority.**

- In January, we launched **The Works**, a product package intended to make banking easier and more economical for smaller businesses. In September, we introduced the **Smart Practice Account** and the **Advocate Account**, á la carte packages targeted, respectively, to medical practices and trade associations.
- In September, Cole Taylor initiated the **Legacy Series**, a small-group seminar focusing on issues facing family-owned businesses. The three-part breakfast seminar was the first in what will be an annual event and was very well received.
- In October, our relationship bankers and their support staffs relocated to more spacious quarters at **225 West Washington** in Chicago's Loop. We believe that centralization will improve synergies among our business units, contributing to a better overall customer experience.

**Our roots in Chicago are deep.** While other banks have come and gone, Cole Taylor has been helping area businesses navigate in both rough waters and smooth since our founding in 1929, on the eve of the Great Depression. Today, Chicago is among the most competitive banking markets in the nation, with competing institutions to be found on almost every corner. Unfortunately, their logos have been known to change with sometimes unsettling frequency. In the shifting landscape, opportunities have been created for us to expand both our talent pool and our customer base – opportunities, I’m pleased to report, that we have taken advantage of.

Our message to business owners whose banking relationships have been disrupted by consolidation within our industry is clear: As one of Illinois’ oldest and largest independent banks, Cole Taylor has the financial muscle and expertise to help you grow your business and – perhaps more importantly – we’re in it for the long haul.

Although a stable force in Chicago’s banking landscape, Cole Taylor is by no means static, as illustrated by the transition within our own ranks in 2007. The torch was passed in our Commercial Real Estate unit from Tom Hennessy, who oversaw record growth in our commercial real estate portfolio and contributed mightily to the bank’s prosperity, to Tom Wallace. Tom Wallace’s years of experience and recognized position of leadership within commercial real estate banking circles made him, in our opinion, the best person to continue leading our commercial real estate business.

Our thanks are also due to John Timmer, who is leaving Cole Taylor Bank after more than five years at the helm of our relationship banking division. As an executive of the bank, John’s influence helped us attract new customers and talented

new bankers and enhanced Cole Taylor's reputation in the marketplace. His contributions leave us well-positioned to move forward, and we wish him the very best in the future.

Even as John takes leave, we are delighted to welcome Mark Hoppe, who joins us from LaSalle Bank, as president and chief executive officer of Cole Taylor Bank. Mark's abilities and reputation in the banking industry are second to none. We are proud and excited that he has chosen to join Cole Taylor Bank and help take our company to the next level.

Providing capital to our customers and offering them a relevant mix of services will always be the most tangible parts of our mission; however, I believe that building lasting relationships focused on supporting our customers' growth is what sets us apart from the competition. At Cole Taylor, our commitment to our customers' success extends beyond economic cycles, withstands industry trends, and transcends technology. This important difference has made us the preferred banking partner for generations of Chicago business owners.

**In closing.** Closely-held businesses tend to be reflections of their owners, each one unique and distinctive. If there is a common thread that our customers share, it is their entrepreneurial spirit and their passion for what they do. We continue to admire and be inspired by each and every one of you and we look forward to continuing as your trusted advisor, helping to support the growth of your business, as we together face the challenges and opportunities that 2008 will surely bring.

Respectfully,

A handwritten signature in black ink that reads "Bruce Taylor". The signature is written in a cursive, flowing style.

Bruce Taylor  
Chairman

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## COLE TAYLOR BANK

December 31, 2007

[in thousands]

### Balance sheet data:

Cash and cash equivalents	\$	83,561
Investment securities		892,371
Loans, net of allowance for loan losses of \$54,681		2,478,652
Other assets		93,123
<b>Total assets</b>	<b>\$</b>	<b>3,547,707</b>
Total deposits	\$	2,602,169
Borrowings and other liabilities		632,786
Total stockholder's equity		312,752
<b>Total liabilities and stockholder's equity</b>	<b>\$</b>	<b>3,547,707</b>

The financial data above is derived from the unaudited financial statements of Cole Taylor Bank. You should not place undue reliance on this data. In conjunction with your review of the financial data above, we encourage you to read Management's Discussion and Analysis of Financial Condition and Results of Operations, audited consolidated financial statements as of and for the year ended December 31, 2007, and the related notes included in Taylor Capital Group's 2007 Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 13, 2008.

A copy of Taylor Capital Group's 2007 Annual Report on Form 10-K can be obtained on the SEC's Web site at <http://www.sec.gov>, or by contacting Kathryn Kaporis, Senior Vice President, Marketing, at 847.653.7555.



**ColeTaylorBank**

Chicago's business banking specialists.