

Performance. Priorities. Principles.

Coletaylor

The image features the word "Coletaylor" rendered in a bold, 3D, orange font. The letters are thick and have a slight shadow beneath them, giving them a three-dimensional appearance. A faint, semi-transparent reflection of the word is visible on the surface below the main text. The background is a plain, light gray gradient.

Our mission is straightforward:

Helping closely held companies improve their performance by delivering solutions centered on customer priorities and driven by our enduring relationship-focused values.

The year 2006 was one of solid progress for Taylor Capital Group, Cole Taylor Bank, and the clients we serve. Throughout the year, our mission was straightforward: To help closely held companies improve their performance by delivering solutions centered on customer priorities and driven by our enduring relationship-focused values.

We believe that this focus on customer needs is the best way to build our own performance and market position. As the highlights on the facing page show, we ended the year with strong fundamentals and profitability. Now, as we enter 2007, we are advancing on several fronts building on important steps we took last year. For example:

- *Our “business specialist” communication strategy bolstered our brand and market presence and advanced Cole Taylor’s reputation as Chicago’s leading bank for closely held businesses.*
- *We invested in our core businesses, expanding our relationship teams by adding seasoned bankers, experienced in working closely with business owners.*
- *We strengthened our wealth management capabilities by forging an alliance with Mesriow Financial – one of Chicago’s leading asset managers – to provide investment management services for wealth management clients and retirement plans.*
- *We augmented our products and services introducing our market-leading remote deposit capture and image lock box cash management systems.*

In addition, we further developed our capital markets advisory services; created The Works product package, initially targeting companies close to our banking centers; and continued to deliver a wide range of correspondent banking services, now including the image cash letter product which we rolled out early in 2007.

As a result of these steps and many others, the foundation of our company is strong and we are positioned for continued growth, thanks to our clear focus, the expertise of our staff, and the breadth of the Chicago area business market.

Of course, we faced some challenges along the way, including an inverted yield curve that lasted almost a full year, slow downs in the homebuilding and automotive sectors of the economy, and tough competition across the Chicago market. More banks, in fact, are chartered in Illinois than any other state, giving customers a wide range of commercial banks from which to choose.

Still, the people of Cole Taylor were up to those challenges, supporting our clients through the changing business cycle and helping them respond quickly and effectively to the opportunities and challenges they faced.

## **2006 FINANCIAL RESULTS —**

### **TAYLOR CAPITAL GROUP**

At December 31, 2006, Cole Taylor ranked as the ninth largest commercial bank headquartered in the Chicago metropolitan area, with \$3.4 billion in assets. For the year, Taylor Capital recorded \$46.2 million in net income, compared with \$31.8 million in 2005. Regulatory capital stood at a healthy \$338 million, and our Tier 1 capital ratio – an important indicator of a bank’s overall soundness – totaled a solid 12.10 percent.

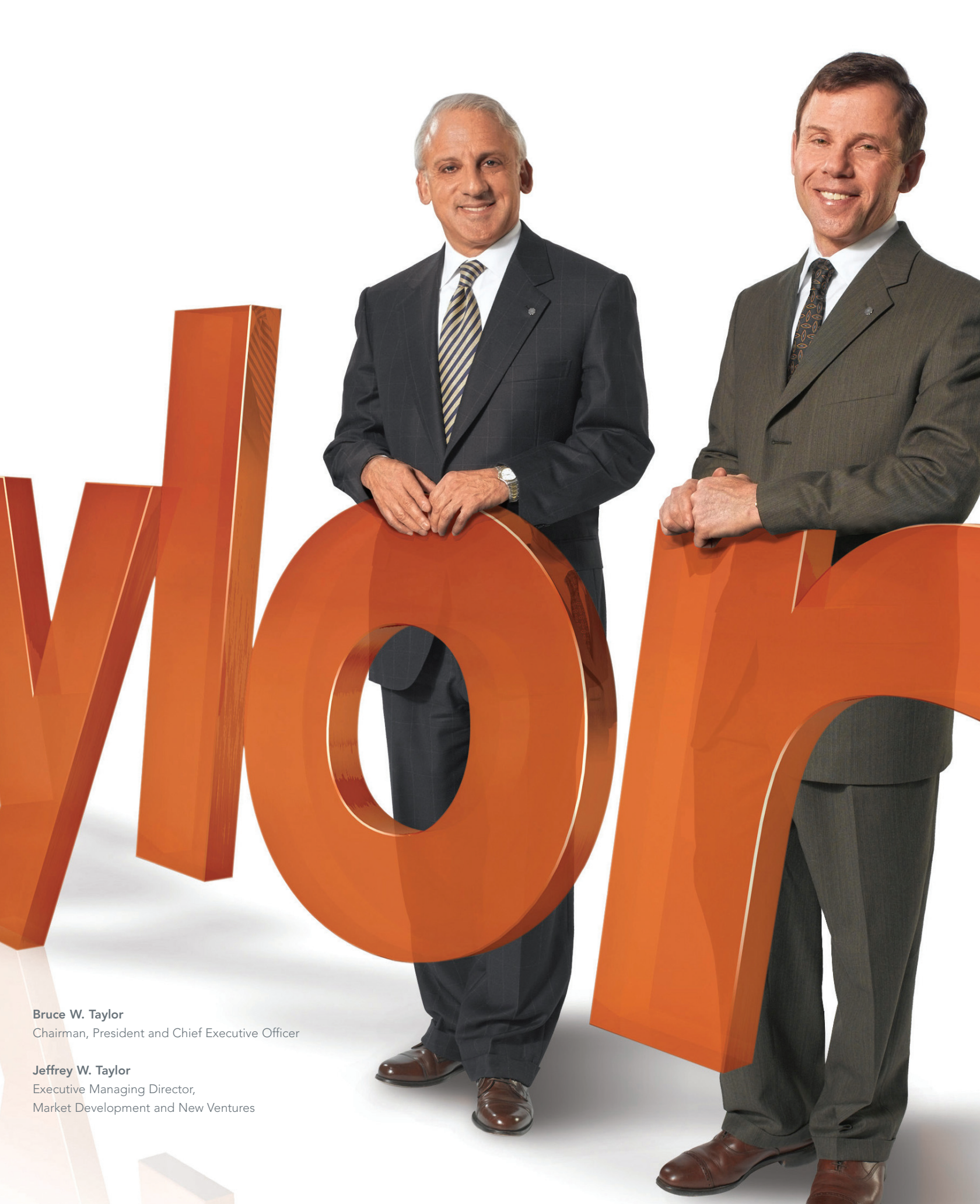
Other financial indicators were strong as well. Despite an uptick in nonperforming loans, credit quality remained solid. Net charge-offs stood at just 0.25 percent of average total loans, while the allowance for loan losses represented 113 percent of nonperforming loans.

### **WHAT SETS COLE TAYLOR BANK APART**

We’re proud of that performance, but what really sets Cole Taylor Bank apart is our focus. Our top priority is meeting the needs of closely held businesses and their owners, and our goal is to be the leading bank serving this market in Chicago.

In meeting that goal, we have a great advantage: We share the entrepreneurial spirit that characterizes our clients, most of whom have founded and run their own businesses.

While we bring to the market the financial muscle of Chicago’s ninth largest commercial bank, our approach is shaped by our history as a privately owned and operated institution formed by a group of business owners in the late 1920s. Involved with the bank from its very beginning, we’re entrepreneurs ourselves. As a public company today, we have the size and strength to meet the broad and complex needs of our clients. But we bring more than money to the table. Thanks to our own entrepreneurial history, we’ve done away with traditional banking bureaucracy. Instead, we offer quick decisions along with the insight, personal service, accessibility, and relationship focus our clients need to succeed.



**Bruce W. Taylor**  
Chairman, President and Chief Executive Officer

**Jeffrey W. Taylor**  
Executive Managing Director,  
Market Development and New Ventures

In fact, attention to relationships defines who we are. And we've found that five guiding principles help us forge lasting, long-term client relationships.

- **Customer-first focus.** *We are driven to be close to our customers and their businesses, to serve as passionate advocates for their aspirations and dreams.*
- **Ready to do business at all times.** *Our goal is to support our customers at all times, helping them capitalize on new opportunities whenever they arise and adapt to challenges and changing market conditions. Customer intimacy, insight, responsiveness, and flexibility are the keys.*
- **Safety and soundness.** *We are building the company for the long term, earning the trust and confidence our customers place in us every day.*
- **Closely held business focus.** *Our resources and our staff of talented bankers are completely concentrated on what matters most to closely held businesses and their owners. Customer feedback confirms the critical role the Cole Taylor banking team plays in their success. They value our energy, experience, and entrepreneurial drive.*
- **Integrity.** *Living up to the commitments we make, holding ourselves to high standards of conduct, and dealing with all of our stakeholders in a fair and honest manner are at the core of how we do business.*

## THE ADVANTAGES OF ALIGNMENT

Great things happen when all aspects of an organization are aligned and the company's interests are aligned with those of its clients. At our company we share a common understanding of what is important to our clients, and the important role each of us plays in supporting their relationships with us. We are working together to take customer intimacy and responsiveness to new levels.

We would like to thank the directors of both Cole Taylor Bank and Taylor Capital Group for their support and guidance throughout the year.

Above all, however, we want to thank our employees, who, through their expertise and passion, made 2006 a successful year for our clients and our company.

We had a good year in 2006, and we are looking forward to the challenges and opportunities 2007 will certainly bring.

Bruce W. Taylor  
Jeffrey W. Taylor  
April 2007

*Sal Ferrara sticks with us because our banking specialists have helped Ferrara Pan Candy realize record growth. The sweet taste of success.*



## Improving customer performance is what we're about.

In today's competitive marketplace, closely held companies need new approaches to raising and managing the capital they need for growth. And companies across Chicago are turning to Cole Taylor Bank for insight, innovation, and creativity in meeting their growth and performance goals. We can provide access to credit and capital, of course. But more important, we are committed to building long-term relationships with our customers.

Our dedication to long-term relationships and personal service is important to the closely held companies we serve. That's why we're continually expanding our offerings to companies, their owners and their managers.

Building lasting relationships and supporting long-term customer growth is our fundamental focus, and providing access to the capital companies need to grow is an important part of our mission.

In 2006, businesses of all descriptions relied on Cole Taylor Bank for the financing they needed for growth. Reflecting our financing capabilities, the loan portfolio topped \$2.5 billion in 2006, an increase of five percent from 2005. Our expanded corporate finance capabilities also allow us to offer clients innovative capital-raising ideas and alternatives – an important consideration in a world where the competition may be housed down the block, or half way around the world.

As their businesses grow, however, clients look to Cole Taylor to bring more than money to the table. They also look to us to help manage the demands that growth brings.

For example, more complex cash flows require more sophisticated cash management techniques. Our highly regarded suite of treasury management tools developed specifically for closely held businesses – and now including remote deposit capture and image lock box processing – is helping an increasing number of companies meet that challenge.

At the same time, we are expanding our wealth management capabilities to help business owners better manage their own as well as their companies' finances. In early 2007, we established a relationship with Chicago-based Mesirow Financial to provide sub-advisory investment management services for wealth management clients and retirement plans. Through this alliance, Cole Taylor now offers superior investment capabilities both in traditional and alternative asset classes, as well as in quantitative analysis and portfolio management services.



*Mike Abt is focused on keeping his family-owned electronics business a retail leader—and appreciates that we stay tuned to our clients' priorities.*

## Customer-centered priorities set us apart.

Where business owners once thought of their banks as sources of credit, today they view them as mission-critical partners in managing their business and personal finances. Business owners are looking for innovative, intelligent approaches to urgent issues, and they count on Cole Taylor to provide them. The range of services we offer matters, of course. But what sets us apart is the way we think. Rather than selling a set of off-the-shelf services, we deliver the ideas and perspectives that business owners and managers need to compete and grow.

At Cole Taylor Bank all of our resources are firmly focused on our customers and their priorities. We have distinguished ourselves with our relationship-based brand of business – entrepreneurially driven, business owner to business owner. In fact, many of the customers we work with today have been with us for three generations of Taylor family involvement with the bank. We have supported them as they have changed and grown.

One reason our customers remain loyal is our ability to adapt our approach to meet their needs. Rather than offering off-the-rack products and services or forcing a company to fit our expectations, we bring creativity, drive, and passion to every client we serve.

We work hard to know our clients' businesses, their goals, and their personal aspirations. And we work even harder to respond – quickly, flexibly, effectively – with the ideas and solutions that will help them achieve their dreams.

This passion and personalized service has been our hallmark – and survey after survey confirms that it's working today.

We're proud of the high marks our relationship managers have received in the marketplace. But we're even prouder of the success our clients have achieved.



# aylor

Mel, Dorsi, Tom and Mel P. are confident that their company's financial future is well protected. Like the Thillens, we believe in making the client feel secure.

## Our guiding principles create value for our customers and shareholders.

At Cole Taylor, our performance is driven by the needs and expectations of our customers. They need fast, efficient turnaround...access to senior management...ideas that support their business and personal goals...loyalty through changing business cycles...and a passionate advocate for their goals and dreams. These are the principles on which Cole Taylor has operated for 78 years, and which we bring to our customers today:

- Our customers always come first.
- We are always ready to do business.
- Safety and soundness are vital.
- We concentrate on closely held businesses.
- Integrity is central to our success.

Our integrated mix of strengths, services and principles, delivered with a deep relationship focus and an organization-wide commitment to our customers' success, is the reason that closely held businesses across Chicago look to Cole Taylor as their preferred banking partner.

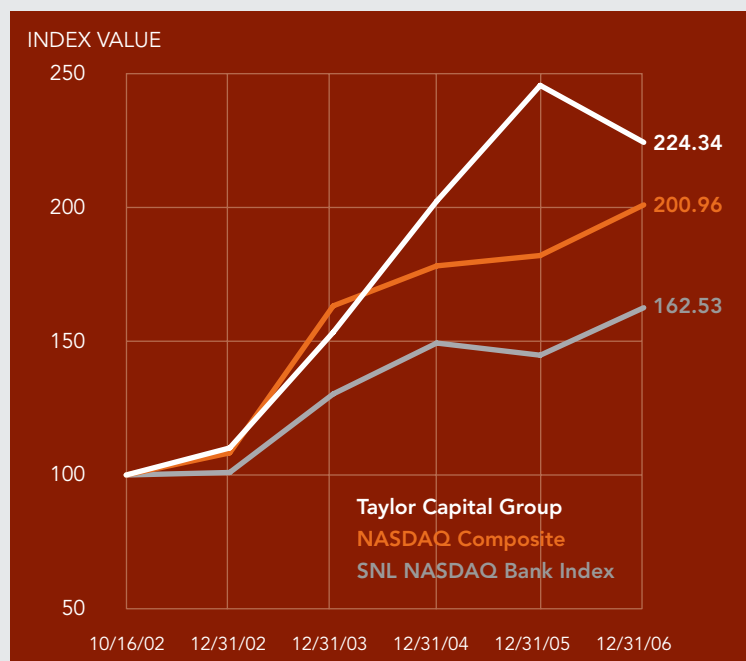
# Financial highlights

Taylor Capital Group, Inc.

This graph compares our cumulative stockholder return on our common stock from October 16, 2002 through December 31, 2006, with the composite index for all U.S. companies included in the NASDAQ Stock Market and the SNL NASDAQ Stock Market Bank Index. The source for the information below is SNL Financial LC, Charlottesville, VA.

Since October 16, 2002, our common stock has been traded principally on the NASDAQ under the symbol "TAYC."

## TOTAL RETURN PERFORMANCE



Index	Period Ending					
	10/16/02	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06
Taylor Capital Group, Inc.	100.00	110.11	153.34	202.36	245.63	224.34
NASDAQ Composite	100.00	108.27	163.22	178.16	182.04	200.96
SNL NASDAQ Bank Index	100.00	100.94	130.29	149.32	144.77	162.53

This graph is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to the SEC's proxy rules or to the liabilities of Section 18 of the Exchange Act, and the graph shall not be deemed to be incorporated by reference into any prior or subsequent filing by us under the Securities Act or the Exchange Act.

For the year ended December 31, 2006

[in thousands]

### Income statement data:

Total interest income	\$	221,000
Total interest expense		109,808
Net interest income		111,192
Provision for loan losses		6,000
Net interest income after provision for loan losses		105,192
Total non-interest income		16,265
Total non-interest expense		73,259
Income before income taxes		48,198
Income taxes		2,035
<b>Net income</b>	<b>\$</b>	<b>46,163</b>

December 31, 2006

[in thousands]

### Balance sheet data:

Cash and cash equivalents	\$	134,920
Investment securities		669,085
Loans, net of allowance for loan losses of \$37,516		2,463,169
Other assets		112,493
<b>Total assets</b>	<b>\$</b>	<b>3,379,667</b>
Total deposits		2,639,927
Borrowings and other liabilities		468,548
Total stockholders' equity		271,192
<b>Total liabilities and stockholders' equity</b>	<b>\$</b>	<b>3,379,667</b>

The financial data above is derived from the unaudited financial statements of Taylor Capital Group, Inc. 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, 2006, and the related notes included in Taylor Capital Group's 2006 Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 15, 2007.

A copy of Taylor Capital Group's 2006 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.

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