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**PVTB 10-K 12/31/2007**

**Section 1: 10-K (ANNUAL REPORT)**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 10-K**

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☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

or

☐ **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: 000-25887

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(Exact name of Registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**36-3681151**  
(I.R.S. Employer  
Identification Number)

**70 W. Madison Street, Chicago, Illinois 60602**  
(Address of principal executive offices)

**(312) 683-7100**  
(Registrant's telephone number, including area code)

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**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> |
|-----------------------------------|--|
| <b>Common Stock, no par value</b> | <b>Nasdaq Global Select Market</b>               |

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

**None**  
(Title of class)

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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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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 common equity of the Registrant held by non-affiliates of the Registrant was approximately \$535,258,363 based on the closing price of the common stock of \$28.80 on June 30, 2007, as reported by the NASDAQ National Market.

As of February 27, 2008, the Registrant had outstanding 28,688,897 shares of common stock.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company's Proxy Statement for the 2008 Annual Meeting of Stockholders are incorporated by reference into Part III.

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## PART I

### ITEM 1. BUSINESS

#### Overview

PrivateBancorp, Inc. (“Private Bancorp” or the “Company”), a Delaware corporation, through its PrivateBank subsidiaries, provides distinctive, highly-personalized, premium financial services primarily to entrepreneurial and middle-market companies, affluent individuals, wealthy families, professionals, entrepreneurs and real estate investors. Since its inception in 1989, The PrivateBank has expanded into multiple geographic markets in the Midwest and Southeastern United States through the creation of *de novo* banks and banking offices and the acquisition of existing banks. In the fourth quarter of 2007, we announced the implementation of our new Strategic Growth Plan (the “Plan”), designed to take advantage of the disruption in the Chicago middle-market commercial banking market caused by the announcement of the sale of LaSalle Bank, N.A. to Bank of America, and, as a result, seize an opportunity to expand our lines of business, product offerings and reach within our current markets as well as in select new markets, with the goal of becoming the premier middle-market commercial, commercial real estate, private, and wealth management bank in our chosen markets. As a part of implementing the Plan, we recruited our new CEO and President, Larry D. Richman, and hired a significant number of talented, experienced middle-market commercial bankers and other personnel, thereby substantially increasing the size and scope of our organization.

#### Overview of Our Strategic Growth Plan

2007 was a transformational year for us. Beginning in the latter part of 2006 and continuing into early 2007, declining market and economic conditions affecting financial institutions generally and our lending and business levels specifically put pressure on our ability to continue to grow our franchise at the same pace as in past years. In addition, our Chairman and then Chief Executive Officer, Ralph B. Mandell, who turned 67 during the year, increased our focus on succession planning. Furthermore, the April 2007 announcement by ABN AMRO of its agreement to sell LaSalle Bank, N.A., Chicago, the Middle-west’s leading relationship-based, middle market commercial lender, to Bank of America presented us with what we believed to be a once-in-a-lifetime strategic opportunity.

We, like other banks operating in Chicago, anticipated that the sale of LaSalle Bank would cause significant disruption in the Chicago middle market for commercial bankers and commercial banking relationships. We believed a gap in middle market lending and commercial banking would be created by the sale. We determined that if we could recruit a significant number of senior commercial banking and other officers, we could successfully execute a plan to fill that gap. In doing so, we could transform the Company into a larger and more diversified financial institution with a broader and deeper management team. We believed that if we could successfully exploit this opportunity, we could exceed the pace of growth we had experienced in prior years while enhancing stockholder value over the long term. In order to take advantage of this opportunity, we developed a Strategic Growth Plan with these goals at its core.

We have been successful in implementing the initial stages of our Strategic Growth Plan, including accomplishing the majority of our recruiting goals. During the fourth quarter of 2007, Mr. Richman and approximately 52 managing directors as well as 39 staff level employees joined us in Chicago and other market locations. Through February 12, 2008, we had hired an additional 28 managing directors. We attribute our success to an aggressive recruiting plan executed by our senior officers, led by Mr. Mandell, the support of our Board of Directors and our willingness to commit substantial resources to capture this strategic opportunity.

Unlike the acquisition of another bank, our recruitment of Mr. Richman and the many commercial banking and other officers did not require us to pay an acquisition premium that resulted in goodwill. We did, however, make a substantial investment in human capital in order to attract these individuals to join our franchise, including incurring significant compensation-related expense. We made these investments

believing that the additional business the new bankers can generate for our Company is substantial, and the combination of the new employees with the Company's existing, talented managing directors will position the Company as the premier middle-market commercial, commercial real estate, private banking and wealth management bank in all of its chosen markets. Our Strategic Growth Plan calls for us to evolve and reposition ourselves at a higher level within the commercial banking market, including a keener focus on middle market companies and a more comprehensive suite of banking products and services offered to our clients. Included below are the key strategic goals and tactical elements of this plan.

***Competing For and Acquiring Additional Talent.*** We hired a significant number of senior commercial bankers and other professionals during the fourth quarter 2007, increasing the size and scope of the Company, especially in our Chicago offices. Subsequent to year-end, and as we continue to execute our Strategic Growth Plan, we will continue to hire additional experienced senior bankers both in Chicago and our other existing locations, as well as selected new geographic markets. To enable us to attract and retain the talent for our strategic initiative to be successful, we have committed to the payment of sign-on bonuses, competitive salaries as well as equity awards for these new recruits. Although the cost of recruiting and retaining new hires represents substantial current cost and dilution to our stockholders, we believe it is appropriate in light of the strategic opportunity. Importantly, the majority of the value of this compensation is performance-based, meaning it is contingent on achievement of our Strategic Growth Plan and long-term earnings per share ("EPS") and stock price growth targets, assuring alliance between the interests of our management team and our stockholders.

***Developing our Existing Relationships and Creating New Ones.*** An important part of our future growth will be the continued development of our existing client relationships as well as the generation of new clients and business. As the needs of our clients change and grow, we seek to grow with them and continue to provide them with our custom-tailored, flexible services. For example, we strive to provide our commercial clients with financing and cash management services for their business and follow that relationship through to the business owners and their family members as these individuals seek private banking, mortgage and wealth management services. Likewise, we depend upon our clients to introduce and provide us with referrals to other successful business owners and commercial firms, which means we rely heavily upon meeting our clients' expectations as our primary marketing tool. We believe we have a significant opportunity to further develop our existing and new client relationships in each of our chosen markets.

***Growing our Business in Chicago and our Other Chosen Markets.*** In addition to increasing the services provided to our existing clients, we seek to expand the number of our client relationships through each of the offices in the markets we serve. We believe that the growing need for private and commercial banking and wealth management services in our markets is unmet, and we believe there is a significant opportunity to increase our client base in all of our offices. The success of our Strategic Growth Plan to date has, in large part, been due to the reputation of our managing directors, who with their personal and professional contacts in the financial and corporate arenas, have been instrumental in developing our business. We have only just begun to nurture the banking and wealth management relationships of our new hires and expect the addition of the Managing Directors we have hired since September 30, 2007 to accelerate the growth in the number of our clients and the volume of our banking and wealth management business.

***Raising Capital to Support our Growth.*** As part of the implementation of our Strategic Growth Plan and in order to support the anticipated growth in our balance sheet, on December 11, 2007, we completed a \$200.0 million private placement of equity securities to institutional and individual accredited investors. Our Strategic Growth Plan anticipates continued robust loan growth, especially in commercial. In order to fund this anticipated growth as well as to provide sufficient capital resources and liquidity to meet our commitments and business needs, we will continue to evaluate our capital and liquidity needs, and to the extent necessary and market conditions warrant, we will seek to raise additional capital through the issuance of additional equity, preferred stock and/or debt securities to support our

continued growth. With the additional capital we raised in December 2007, our loan to one borrower limit increased from \$106.0 million at September 30, 2007 to \$125.0 million at December 31, 2007, giving us more flexibility to serve our expanded and growing portfolio of credits to middle market companies.

***Diversifying our Loan Portfolio.*** Our lending business has traditionally focused on commercial real estate credits and, to a much lesser extent, commercial loans. As we continue to execute our Strategic Growth Plan, we anticipate a shift in our lending strategy to emphasize commercial lending, in addition to real estate-based lending. Accordingly, we expect our loan portfolio and clientele to become more diversified and, eventually, to create more parity between our commercial real estate and commercial loan portfolios. Our increased focus on commercial lending brings with it opportunities to develop cash management relationships with our commercial clients, which, in turn, helps us grow our deposits, a necessary source of liquidity and funding. The growing commercial middle market portfolio will also create more fee income opportunities as we expand the products and services provided to this client base.

***Developing New Lines of Business; Offering New Products and Services to our Clients.*** In the fourth quarter of 2007, we reorganized our lending activities and created three new commercial lines of business: Illinois Commercial Banking, National Commercial Banking and Commercial Real Estate. These commercial banking teams focus our commercial lending efforts on small and middle market private and publicly held companies and real estate developers. To compliment these lines of business, we have and will continue to develop additional lending, treasury management, investment, risk management, and private banking products and services. By continuing to add products and services that we currently do not offer, we expect to diversify our fee income and strengthen our client relationships. We believe that the relationships these teams will generate will greatly diversify our loan portfolio and our revenue stream.

***Investing in Infrastructure and Integration.*** As we continue to implement our Strategic Growth Plan, we are focused on building infrastructure to support our growth as well as integrating our new employees into our organization. Our significant investment in infrastructure includes additional risk management, operations, legal and compliance resources, in addition to securing additional physical space for not only new banking offices but corporate functions as well. Our integration activities include ensuring we are developing internally or through outsourced private label providers the products and services our clients need and realigning our internal resources and management structure along business lines.

## **Redirecting the Organization**

Our Strategic Growth Plan emphasizes the development of client relationships with larger private and public companies, the making of larger credits and a greater rate of balance sheet growth than the Company has experienced in the past. This represents a substantial shift in our strategic direction, and has caused us to change the way we manage our business and to manage, going forward, around lines-of-business. Notwithstanding this shift, we continue our style of doing business using “The PrivateBank approach”. We believe organization of our Company around lines-of-business enhances “The PrivateBank approach” with deeper banking service capabilities to serve clients in our target markets.

Our business model has and continues to put the decision-making power in the hands of our managing directors in the local markets in which we operate, and our hallmark is our highly personalized service. Our goal is to be the primary source of financial products and services for our clients. We strive to develop a valued relationship with our clients, using an experienced team of managing directors to serve our client's needs, and by tailoring our products and services to consistently meet those needs.

***The PrivateBank Approach.*** Our approach to banking is client-driven, and we believe we have developed a unique approach to commercial, commercial real estate, private banking and wealth management designed to provide our clients with superior service. We emphasize personalized client



relationships and custom-tailored financial services, complemented by the convenience of technology. The key aspects of our commercial and private banking approach are:

- *Personal Relationships.* Our approach begins with the development of strong, dedicated, valued relationships with our clients. Clients are matched with a team of individuals headed by a managing director, who is the client's central point of contact with us. Each of our managing directors and associate managing directors, who are senior financial professionals, act as a financial partner with our clients, working with them to identify and service their commercial and private banking and wealth management needs. By dedicating a team of executives to each client, we are able to build ongoing relationships that allow our managing directors to use their increasing knowledge of the client's financial history and financial, business and personal goals to quickly adapt our services to the client's individual needs. We believe this approach gives our clients a sense of security and continuity of personal service in their banking relationship. On the basis of this trust and confidence, we then seek to expand the scope of products and services provided to each client. Satisfied clients provide our most fertile source of new business and new client referrals as well.
- *Customized Financial Services.* In taking a long-term relationship approach with our clients, we are able to differentiate our services from the "one-size-fits-all" mentality of many other financial institutions. Our clients use a wide variety of financial services beyond the traditional banking products, and we work with them to identify their particular needs and to develop and shape our services tailored to meet those needs. While we offer a suite of banking products, we believe that it is our personalized service that distinguishes us from most of our competitors. We encourage, not discourage, our clients to contact us. We use regular contact as a way to strengthen our relationships, increase our services to existing clients and earn referral business.
- *Efficient Decision-Making Process.* Unlike many other banks, we do not have a lengthy chain of command. Our clients generally deal directly with their dedicated managing directors, who are given broad decision-making authority. This allows our managing directors to respond quickly and efficiently to our clients' needs. We are able to use a streamlined approach because our organization has many qualified, experienced credit officers with credit approval authority who make themselves available on short notice to help consult on or approve credits when time is of the essence. Generally, we use an "on call" approach to approve credit. As the amount and the complexity of the credit increases, we use a more rigorous approval process that includes a formal loan committee with heads of each line of business, the Chief Credit and Chief Risk Officers and the Chief Executive Officer.
- *Network of Comprehensive Financial Services.* In order to compete with other financial service providers, we rely on a network of professionals in the financial and investment communities with whom we have developed strategic alliances over the years. This enables us to offer our clients a broad array of high quality services. For example, in our PrivateWealth Group, we work with selected investment management firms in providing services to our wealth management clients. Our clients can either maintain their existing investment management relationships when they become wealth management clients, use our subsidiary, Lodestar, or use our approved providers of investment management services. We believe this choice distinguishes our service from the rigid policies set by some of our competitors. We, in turn, assist our clients in selecting a complete package of services best suited to their individual needs without incurring the overhead associated with directly employing diversified portfolio managers. We also have a strategic partner who provides our clients with on-site securities brokerage services through The PrivateWealth Group.

**New Management Structure.** With the adoption of our Strategic Growth Plan and our management succession, we created an Executive Committee that works with our CEO to manage the Company. Members of the Executive Committee include the President of each business line—commercial real

estate, Illinois commercial banking, national commercial banking, The PrivateWealth Group, The PrivateClients Group (which includes both the city and suburban offices of The PrivateBank – Chicago)—as well as the leaders of each functional area of the Company—the Chief Financial Officer, the Chief Operating Officer, the General Counsel, the Chief Risk Officer, head of Strategy and Integration and the Chief Credit Officer. This management structure centralizes decision-making and creates uniformity and standardization across the Company.

The fundamentals of “The PrivateBank approach” have not changed as a result of our new Strategic Growth Plan. Rather, our business model has been supplemented and enhanced as necessary to drive a new pattern of strategic growth, relying on “The PrivateBank approach”, including an emphasis on: (1) middle-market client relationships, (2) larger and varied credits, (3) an expanded product suite of cash management and other fee generating services, and (4) enhancements to risk management infrastructure.

## **Our Banking and Wealth Management Services**

We offer banking and wealth management services to our clients at a personal level. We believe this is not the same as personal banking service. We tailor our products and services to fit our clients’ needs and desires instead of compelling our clients to fit predetermined products and services. Our services are organized around the following four lines of business:

- *Commercial Banking Services.* We offer a full range of lending products to businesses owned by or affiliated with our clients. We offer lines of credit for working capital, term loans for equipment and other investment purposes, and letters of credit to support the commitments our clients make. We tailor these products to meet the varied needs of our clients. Non-credit products we offer include remote merchant capture, lockbox, cash concentration accounts, merchant credit card processing, electronic funds transfer, other cash management products, foreign exchange and derivatives. Additionally, we are developing capital markets products and trade services both internally and through third parties. We strive to offer banking packages that are competitive and allow us to provide service to our clients beyond what is expected in our industry.
- *Real Estate Lending Services.* We provide real estate loan products to businesses and individuals. We provide a full range of fixed and floating rate permanent and interim mortgages for our clients to finance a variety of owner-occupied properties as well as investment properties such as apartment buildings, office buildings, and shopping centers. We also provide construction lending for commercial developments. We offer residential mortgage products and we have developed a proficiency for jumbo mortgages and will work with our clients and market sources to place these loans into the secondary market. Our experience has been that residential lending is an excellent vehicle to attract new clients.
- *Wealth Management Services.* The wealth management services offered to clients of our PrivateWealth Group include investment management, personal trust, guardianship and estate administration services, custody services, retirement accounts, and investment services. Our trust personnel work with our clients to define objectives, goals and strategies for their investment portfolios. We assist the client with the selection of an outside investment manager, as necessary, and work to tailor the investment program accordingly. Our wealth management and estate account administrators also work with our clients and their attorneys to develop their estate plans. We work closely with our clients and their beneficiaries to ensure that their needs are met and advise them on financial matters. When serving as agent, trustee or executor, we often structure and will periodically monitor the performance of the investment management of our clients’ investment portfolios. In some situations, we provide the asset allocation and investment planning services related to the management of these assets. We also provide our clients with custodial services for safekeeping of their assets. We emphasize a high level of personal service in the PrivateWealth Group, including prompt collection and reinvestment of interest and dividend

income, daily portfolio valuation, tracking of tax information, customized reporting and security settlement. We also offer retirement products such as individual retirement accounts and IRA rollovers.

- *Private Banking Services.* We are committed to giving consistent and personal attention to those we serve—individuals and families, the self-employed, professionals, professional athletes and business owners—by providing them with customized financial solutions within a framework of exceptional personal service. We offer the services our clients need to succeed in their work, their investments and their lives. We are successful in offering our clients the experience of a large, mature bank with the personal service of a highly responsive, entrepreneurial firm. The result is rapidly growing and deepening relationships based on client satisfaction. Each client has access to a managing director with years of banking and investment experience. Our personal attention to each client's welfare ensures continuity of relationships, service levels, and quality.

## **Lending Activities**

We provide a full range of commercial, real estate and personal lending products and services to our clients. We have adopted loan policies that contain general lending guidelines consistent with regulatory requirements and are subject to review and revision by the Board of Directors of each of the banks as well as our Board of Directors. We extend credit consistent with these comprehensive loan policies.

The goal of our lending program is to meet the credit needs of our diverse client base while using sound credit principles to protect our asset quality. Our business and credit strategy is relationship-driven and we strive to provide a reliable source of credit, a variety of lending alternatives, and sound financial advice to our clients. When extending credit, our decisions are based upon our client's ability to repay the loan from non-speculative sources. The quality and integrity of the borrower is crucial in the loan approval process. We monitor the performance of our loan portfolio through regular contact with our clients, continuous portfolio review and careful monitoring of delinquency reports and internal watch lists.

Through the implementation of our Strategic Growth Plan in the fourth quarter 2007 and throughout 2008, the diversity and complexity of our loan portfolio is increasing. We expect the average credit size to increase during 2008 as well as the geographic dispersion of credits given new banking offices opened late in 2007 and during the first quarter 2008 as well as a more national lending focus than in the past. Likewise, the complexion of the credits has changed and our new expertise in several commercial sectors, such as healthcare and the construction industries, allows us to expand our product offerings to a new client base. We expect to attract larger clients going forward including private and publicly held companies that have a need for a more diverse and sophisticated suite of credit products and services than we have offered in the past. We are building our credit capabilities to meet these needs.

To address the changes in the complexity and complexion of our credit business going forward, management has developed a bi-weekly loan committee review process so it can focus on time-sensitive approval of credits that respond to our clients' needs. Our loan committee of the Board of Directors has been recalibrated to focus on credit risk management, loan policies and other issues related to supervising the management of a larger more complicated loan portfolio. We believe our new approach to credit management will allow us to deliver our traditional "PrivateBank" approach of providing credit to our clients—which involves highly responsive, customized solutions—while managing our credit risks at an enterprise-level with appropriate interaction between our Board and management.

The following table sets forth our loan portfolio by category as of December 31, 2007 and 2006:

|                                     | December 31,<br>2007 | Percentage<br>of total<br>loans<br>(dollars in thousands) | December 31,<br>2006 | Percentage<br>of total<br>loans |
|-------------------------------------|----------------------|---|----------------------|---------------------------------|
| Commercial and Industrial           | \$ 827,837           | 20%   | \$ 563,155           | 16%                             |
| Owner Occupied CRE                  | 483,920              | 12%   | 265,439              | 8%                              |
| Total Commercial                    | \$ 1,311,757         | 32%   | \$ 828,594           | 24%                             |
| Commercial real estate              | 1,386,275            | 33%   | 1,273,599            | 36%                             |
| Commercial real estate—multi-family | 217,884              | 5%  | 212,863              | 6%                              |
| Total CRE                           | \$ 1,604,159         | 38%   | \$ 1,486,462         | 42%                             |
| Construction                        | 613,468              | 15%   | 591,704              | 17%                             |
| Personal(1)                         | 247,462              | 6%  | 192,397              | 6%                              |
| Residential real estate             | 265,466              | 6%  | 262,107              | 7%                              |
| Home equity                         | 135,483              | 3%  | 138,724              | 4%                              |
| Total loans                         | \$ 4,177,795         | 100%  | \$ 3,499,988         | 100%                            |

(1) Includes overdraft lines

**Commercial Loans.** Our commercial loan portfolio is comprised of lines of credit to businesses for working capital needs, term loans for equipment and expansion, letters of credit and owner-occupied commercial real estate loans. We classify owner-occupied commercial real estate loans as commercial loans because we primarily look to the business for repayment. Unsecured loans are made to businesses when a guarantor, as a secondary source of repayment, has a significant ability to repay and a significant interest in the business entity. Commercial loans can contain risk factors unique to the business of each borrower. In order to mitigate these risks, we seek to gain an understanding of the business of each borrower, place appropriate value on collateral taken and structure the loan properly to make sure that collateral values are maintained while loans are committed. Appropriate documentation of commercial loans is also important to protect our interests.

Our lines of credit typically are limited to a percentage of the value of the assets securing the line, and priced by a floating rate formula. In general, lines of credit are reviewed annually and are supported by accounts receivable, inventory and equipment. Depending on the risk profile of the borrower, we may require periodic aging of receivables, and inventory and equipment listings to verify the quality of the borrowing base prior to advancing funds. Our term loans are also typically secured by the assets of our clients' businesses. Term loans typically have maturities between one to five years, with either floating or fixed rates of interest. Commercial borrowers are required to provide updated financial statements quarterly and personal financial statements at least annually. Letters of credit are an important product to many of our clients. We issue standby or performance letters of credit, and can service the international needs of our clients through correspondent banks. We use the same underwriting standards for letters of credit as we do for funded loans.

Our credit approval process for commercial loans involves reviewing the current and future cash needs of the borrower, the business strategy, management's ability, the strength of the collateral, and the strength of the guarantors. While our loan policies have guidelines for advances on different types of collateral, we establish eligible asset values on a case-by-case basis for each borrower. As the Company grows its middle market commercial lending business, we will offer more traditional middle market commercial loan products that will require higher monitoring of our borrower's collateralized assets and include lending that is nonrecourse.

Our commercial lending underwriting process includes an evaluation of the borrower's financial statements and projections with an emphasis on operating results, cash flow, liquidity and balance sheet proportions as well as the collateral to determine the level of creditworthiness of the borrower. Generally,

these loans are secured by a first priority security interest in all the assets of the borrower and also include the support of a personal guarantee of one or more of the principals of the borrower.

*Commercial Real Estate Loans.* Our commercial real estate portfolio is comprised of loans secured by various types of collateral including 1-4 family housing units located primarily in the banks' target market areas, multi-family real estate, office buildings, warehouses, retail, mixed use buildings, and vacant land, the bulk of which is held for long-term investment or development. Please see page 50 for more detail on our commercial real estate and construction loans by collateral type.

Risks inherent in real estate lending are related to the market value of the property taken as collateral, the underlying cash flows and documentation. It is important to accurately assess property values through careful review of appraisals. Some examples of risky commercial real estate lending include loans secured by properties with widely fluctuating market values or income properties occupied by renters with unstable sources of income, and not perfecting liens on property taken as collateral. We mitigate these risks by understanding real estate values in areas in which we lend, investigating the sources of cash flow servicing the debt on the property and adhering to our loan documentation policy.

In our credit analysis process for commercial real estate loans, we typically review the appraised value of the property, the ability of the cash flow generated from the collateral property to service debt, the significance of any outside income of the borrower or income from other properties owned by the borrowers, and the strength of guarantors, if any. Our real estate appraisal policy addresses selection of appraisers, appraisal standards, environmental issues and specific requirements for different types of properties, and has been approved by the banks' loan committees.

*Construction Loans.* Our construction loan portfolio consists of single-family residential properties, multi-family properties, and commercial projects, and includes both investment properties and properties that will be owner-occupied. As construction lending has greater inherent risk, we closely monitor the status of each construction loan throughout its term. Typically, we require full investment of the borrower's equity in construction projects prior to injecting our funds. Generally, we do not allow borrowers to recoup their equity from the sale proceeds of finished units (if applicable) until we have recovered our funds on the overall project.

Our construction loans are often the highest yielding loans in our portfolio due to the inherent risks and the monitoring requirements. We seek to manage these risks by, among other things, ensuring that the collateral value of the property throughout the construction process does not fall below acceptable levels, ensuring that funds disbursed are within parameters set by the original construction budget, and properly documenting each construction draw. Although we have recently experienced an increase in the number of construction loans that are non-performing, due to our more stringent standards for underwriting and monitoring construction loans and the credit profile of our borrowers, we are comfortable with the risk associated with this portfolio and are committed to construction lending as an integral part of our lending program.

*Personal Loans.* Our personal loan portfolio consists of loans to secure funds for personal investment, loans to acquire personal assets such as automobiles and boats, and personal lines of credit. Frequently, our borrowers prefer not to liquidate assets to obtain funds for investment, short-term liquidity requirements or personal acquisitions. Instead, they will use these assets as collateral for personal loans, or if their financial statements and personal reputations are sufficient, we will grant unsecured credit. Knowing our borrowers is a key factor in originating personal loans.

*Residential Real Estate Loans.* Our residential real estate portfolio consists primarily of first and second mortgage loans for 1-4 unit residential properties. We do not generally originate long-term fixed rate loans for our own portfolio due to interest rate risk considerations. However, we do originate these loans for sale into the secondary market. Many of the loans originated by The PrivateBank Mortgage Company are sold into the secondary market; otherwise the loans are purchased by one of the banks and held in the bank's respective loan portfolio.

## **Investment Activities**

We maintain an actively managed investment portfolio intended to maximize risk-adjusted total return, provide liquidity, and improve the quality of our asset/liability position. We invest primarily in mortgage-backed securities and collateralized mortgage obligations ("CMOs") backed by Fannie Mae and Freddie Mac, and bank-qualified tax-exempt obligations of state and local political subdivisions. We also may invest in corporate debt or other securities as permitted by our investment policy. More than 90% of the bond portfolio is rated either "AAA" by S&P or "Aaa" by Moody's based on the underlying issuer or via credit enhancement, as it is our stated intent to take very little credit risk in the investment portfolio. For more information on the ratings on our bond portfolio as of December 31, 2007, please see page 57.

When evaluating the effectiveness of our investment strategy, we employ a methodology that focuses on the total return of the portfolio over reasonably long periods of time such as one, three and five years. Each bank's investment portfolio is managed by the Investment Officer of a subsidiary of The PrivateBank – Chicago. He reviews the portfolio management activities and financial results with the investment committee of the Board of Directors and the individual bank asset liability committees.

The investment portfolio is one of the tools utilized to manage each bank's net asset/liability position by countering the interest rate risk characteristics of the loan portfolio. Most of the loans on the balance sheet are either floating-rate or have very short maturities. If interest rates change, these assets will reprice very quickly. Overall, the investment portfolio has a longer duration than the loan portfolio, which has the effect of making the company's net interest rate risk position more neutral.

## **Asset-Liability Management Committee**

The Company and each bank subsidiary has an asset/liability committee ("ALCO") comprised of selected senior officers who are charged with the dual goals of optimization and stabilization of net interest income over time while adhering to prudent banking practices. ALCO oversees asset growth, liquidity and capital, and directs our overall acquisition and allocation of funds. At its meetings, ALCO reviews issues including: data on current economic conditions, information regarding the current interest rate outlook, the pipeline of anticipated loan and deposits growth, the mix of interest rate sensitive assets and liabilities, the bank's liquidity position, recent investment portfolio purchases and sales, and other relevant matters.

ALCO is also responsible for monitoring compliance with our investment policy. At least quarterly, ALCO presents asset liability management reporting to the investment committees of each of the banks' boards of directors, who review the reports and decisions made by ALCO affecting net interest income.

## **Competition**

We do business in the highly competitive financial services industry. Our geographic markets include the greater Chicago, St. Louis, Milwaukee, Detroit, Atlanta, and Kansas City metropolitan areas. During the first quarter of 2008, we opened business development offices in Cleveland, Ohio and Minneapolis, Minnesota. The financial services industry is comprised of commercial banks, thrifts, credit unions, investment banks, brokerage firms, money managers, and other providers of financial products and services. We compete with regional, national, and international commercial and retail banks in all of the markets we serve. For wealth management services we also compete with brokerage firms, wealth consulting firms and investment managers. While our products and services may be similar to those of our competitors, we attempt to distinguish ourselves by emphasizing consistent delivery of the superior levels of personal service, customized solutions and responsiveness expected by our clients.

Some of our competitors are not subject to the same degree of regulation as that imposed on bank holding companies, federally insured state chartered banks, national banks and federal savings banks, and may be able to price loans, deposits and other products and services more aggressively.



## **Employees**

As of December 31, 2007, we had approximately 597 full-time equivalent employees. The salaries of our employees are paid by the applicable subsidiary, with the exception of certain employees who also perform services for PrivateBancorp, which pays a portion of such salaries. We consider our relationship with our employees to be good.

## **Available Information**

Our Internet address is [www.pvtb.com](http://www.pvtb.com). We make available at this Internet address, free of charge, our annual report on Form 10-K, 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 we electronically file such material with, or furnish it to, the SEC.

# **SUPERVISION AND REGULATION**

## **General**

Banking is a highly regulated industry. The following is a summary of various statutes and regulations applicable to PrivateBancorp and its subsidiaries. These summaries are not complete, however, and you should refer to the statutes and regulations for more information. Also, these statutes and regulations are likely to change in the future, and we cannot predict what effect these changes, if made, will have on our operations. Finally, please remember that the supervision, regulation and examination of banks and bank holding companies by bank regulatory agencies are intended primarily for the protection of customers and the banking system in the United States rather than stockholders of banks and bank holding companies.

## **Bank Holding Company Regulation**

PrivateBancorp is registered as a bank holding company with the Board of Governors of the Federal Reserve System (the "Federal Reserve") pursuant to the Bank Holding Company Act of 1956, as amended (the Bank Holding Company Act of 1956 and the regulations issued thereunder are collectively referred to as the "BHC Act"), and we are subject to regulation, supervision and examination by the Federal Reserve.

*Minimum Capital Requirements.* The Federal Reserve has adopted risk-based capital requirements for assessing bank holding company capital adequacy. These standards define 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 applicable to PrivateBancorp, capital is classified into two categories, Tier 1 and Tier 2 capital.

For bank holding companies, Tier 1 capital, or core capital, consists of common stockholders' equity, qualifying noncumulative perpetual preferred stock (including related surplus), qualifying cumulative perpetual preferred stock (including related surplus) (subject to certain limitations) and minority interests in the common equity accounts of consolidated subsidiaries, and is reduced by goodwill, specified intangible assets, and certain other assets. Tier 2 capital, or supplementary capital, consists of the following items, all of which are subject to certain conditions and limitations: the allowance for loan 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%, of which at least 4% must be in the form of Tier 1 capital. The Federal Reserve has established a minimum ratio of Tier 1 capital to total assets of 3% 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 (after deducting all intangibles) in evaluating proposals for expansion or new activities.

Under 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 state that banking organizations experiencing growth, whether internally or by making acquisitions, are expected to maintain strong capital positions substantially above the minimum levels.

As of December 31, 2007, we had regulatory capital in excess of the Federal Reserve's well-capitalized requirements. Our total risk-based capital ratio at December 31, 2007 was 14.20% and our leverage ratio was 10.93%.

*Acquisitions.* 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 limited exceptions, the BHC Act prohibits a bank holding company from acquiring direct or indirect ownership or control of voting shares of any company that is not a bank or bank holding company and from engaging directly or indirectly in any activity other than banking or managing or controlling banks or performing services for its authorized subsidiaries. A bank holding company may, however, engage in or acquire an interest in a company that engages in activities that the Federal Reserve has determined, by regulation or order, to be so closely related to banking or managing or controlling banks as to be a proper incident thereto, such as owning and operating a savings association, performing functions or activities that may be performed by a trust company, owning a mortgage company, or acting as an investment or financial advisor. 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. The Gramm-Leach-Bliley Act (the "GLB Act") allows bank holding companies that are in compliance with certain requirements to elect to become "financial holding companies." Financial holding companies may engage in a broader range of activities than is permitted for bank holding companies. At this time, PrivateBancorp has not elected to become a financial holding company.

*Redemptions.* Under the BHC Act, bank holding companies are required to provide the Federal Reserve with prior written notice of any purchase or redemption of their outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding twelve months is equal to 10% or more of their consolidated net worth. The Federal Reserve may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, Federal Reserve order, or any condition imposed by or, written agreement with the Federal Reserve. This prior notice requirement does not apply to any bank holding company that meets certain well-capitalized and well managed standards and is not subject to any unresolved supervisory issues.

*Tie-in Arrangements.* Under the BHC Act and Federal Reserve regulations, we are prohibited from engaging in tie-in arrangements in connection with an extension of credit, lease, sale of property or furnishing of services. That means that, except with respect to traditional banking products, we may not condition a client's purchase of one of our services on the purchase of another service.

*Interstate Banking and Branching Legislation.* Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking Act"), bank holding companies that are adequately capitalized and managed are allowed to acquire banks across state lines subject to certain limitations. States may prohibit interstate acquisitions of banks that have not been in existence for at least five years. The Federal Reserve is prohibited from approving an application for acquisition if the applicant controls more than 10% of the total amount of deposits of insured depository institutions nationwide. In addition, interstate acquisitions may also be subject to statewide concentration limits.



In addition, under the Interstate Banking Act, banks are permitted, under some circumstances, to merge with one another across state lines and thereby create a main bank with branches in separate states. Approval of interstate bank mergers is subject to certain conditions, including: adequate capitalization, adequate management, Community Reinvestment Act compliance and deposit concentration limits, compliance with federal and state antitrust laws and compliance with applicable state consumer protection laws. After establishing branches in a state through an interstate merger transaction, a bank may establish and acquire additional branches at any location in the state where any bank involved in the interstate merger could have established or acquired branches under applicable federal and state law.

*Ownership Limitations.* Under the Illinois Banking Act, any acquisition of PrivateBancorp stock that results in a change in control may require prior approval of the Illinois Department of Financial and Professional Regulation (the "IDFPR"). Under the Federal Change in Bank Control Act, a person may be required to obtain the prior regulatory approval of the Federal Reserve before acquiring the power to directly or indirectly control the management, operations or policies of PrivateBancorp or before acquiring control of 10% or more of any class of our outstanding voting stock.

*Source of Strength.* Under a longstanding policy of the Federal Reserve, PrivateBancorp is expected to act as a source of financial and managerial strength to our banking subsidiaries and to commit resources to support them. The Federal Reserve takes the position that in implementing this policy, it may require us to provide financial support when we otherwise would not consider ourselves able to do so.

*Dividends.* The Federal Reserve has issued a policy statement on the payment of cash dividends by bank holding companies. In the policy statement, the Federal Reserve expressed its view that a bank holding company generally should not maintain its existing rate of cash dividends on common stock unless the organization's net income available to common stockholders over the last year has been sufficient to fully fund the dividends and the prospective rate of earnings retention appears consistent with the organization's capital needs, asset quality and overall financial condition. The policy further provides that a bank holding company should not maintain a level of cash dividends for its stockholders that places undue pressure on the capital of the bank subsidiaries, or that can be funded only through additional borrowings or other arrangements that may undermine the bank holding company's ability to serve as a source of strength to the bank 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 banks and bank holding companies.

In addition to the restrictions on dividends imposed by the Federal Reserve, Delaware law also places limitations on our ability to pay dividends. For example, if the capital of the holding company has been diminished to an amount less than the aggregate amount of capital represented by the issued and outstanding stock, a dividend shall not be paid until the deficiency in capital is repaired. Because a major source of our revenue could be dividends that we expect to receive from our banking subsidiaries, our ability to pay dividends will depend on the amount of dividends paid by our banking subsidiaries. We cannot be sure that our banking subsidiaries will pay such dividends to us.

## **Bank Regulation**

Our subsidiary banks, The PrivateBank – Chicago, The PrivateBank – Michigan, The PrivateBank – Georgia, The PrivateBank – Wisconsin, The PrivateBank – St. Louis, The PrivateBank – Kansas City (in organization) and The PrivateWealth Trust Company (in organization) are subject to extensive supervision and regulation by various federal and state authorities. Additionally, as an affiliate of our subsidiary banks, PrivateBancorp is also subject, to some extent, to regulation by these respective authorities.

The PrivateBank – Chicago is an Illinois state-chartered bank and as such, is subject to supervision and examination by the IDFP and, as a Federal Reserve non-member bank, its primary federal regulator, the Federal Deposit Insurance Corporation (the “FDIC”).

The PrivateBank – Michigan is a Michigan state-chartered bank and is subject to supervision and examination by the Michigan Office of Financial and Insurance Services. As a Federal Reserve non-member bank, it is subject to supervision and examination by its primary federal regulator, the FDIC. The PrivateBank – Michigan is a member of the Federal Home Loan Bank (the “FHLB”) of Indianapolis.

The PrivateBank – Georgia is a Georgia state-chartered bank and is subject to supervision and examination by the Georgia Department of Banking and Finance, (the “GDBF”) and, as a Federal Reserve non-member bank, its primary federal regulator, the FDIC. The PrivateBank – Georgia is a member of the FHLB of Atlanta.

The PrivateBank – Wisconsin is a national bank and is subject to supervision and examination by the Office of the Comptroller of the Currency (the “OCC”) and, to a lesser extent, by the FDIC. The PrivateBank – Wisconsin is a member of the FHLB of Chicago.

The PrivateBank – St. Louis is, and The PrivateBank – Kansas City (in organization) and The PrivateWealth Trust Company (in organization) will be, federal savings banks, subject to supervision and regulation by the Office of Thrift Supervision (the “OTS”) and, to a lesser extent, by the FDIC. The PrivateBank – St. Louis is a member of FHLB of Des Moines and may also be subject to examination by the FHLB of Des Moines. The PrivateWealth Trust Company (in organization), which will engage primarily in fiduciary activities, will also be subject to certain state laws pertaining to the conduct of fiduciary activities within a state.

*Regulatory Approvals and Enforcement.* Federal and state laws require banks to seek approval by the appropriate federal or state banking agency (or agencies) for any merger and/or consolidation by or with another depository institution, as well as for the establishment or relocation of any bank or branch office and, in some cases to engage in new activities or form subsidiaries.

Federal and state statutes and regulations provide the appropriate bank regulatory agencies with great flexibility and powers to undertake enforcement actions against financial institutions, holding companies or persons regarded as “institution affiliated parties.” Possible enforcement actions range from the imposition of a capital plan and capital directive to a cease and desist order, civil money penalties, receivership, conservatorship or the termination of deposit insurance.

*Transactions with Affiliates.* Federal and state statutes place certain restrictions and limitations on transactions between banks and their affiliates, which includes holding companies. Among other provisions, these laws place restrictions upon:

- extensions of credit by an insured financial institution to the bank holding company and any non-banking affiliates;
- the purchase by an insured financial institution of assets from affiliates;
- the issuance by an insured financial institution of guarantees, acceptances or letters of credit on behalf of affiliates; and
- investments by an insured financial institution in stock or other securities issued by affiliates or acceptance thereof as collateral for an extension of credit.

*Permissible Activities, Investments and Other Restrictions.* Federal and state laws provide extensive limitations on the types of activities in which our subsidiary banks may engage and the types of investments they may make. For example, banks are subject to restrictions with respect to engaging in securities activities, real estate development activities and insurance activities and may invest only in certain types and amounts of securities and may invest only up to certain dollar amount thresholds in their premises.

*Monetary Policy.* All of our subsidiary banks are affected by the credit policies of the Federal Reserve, which regulate the national supply of bank credit. Such regulation influences overall growth of bank loans, investments, and deposits and may also affect interest rates charged on loans and paid on deposits. The Federal Reserve's monetary policies have had a significant effect on the operating results of commercial banks in the past and we expect this trend to continue in the future.

*Dividends.* Federal and state laws restrict and limit the dividends our subsidiary banks may pay. Under the Illinois Banking Act, The PrivateBank – Chicago, while continuing to operate a banking business, may not pay dividends of an amount greater than its current net profits after deducting losses and bad debts. 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.

Under Georgia law, The PrivateBank – Georgia may not pay dividends if the bank is insolvent or if payment of the dividend would render the bank insolvent. Additionally, dividends may be paid only out of the bank's retained earnings and may not be paid if the bank does not have the paid-in capital and appropriated retained earnings required by statute. Moreover, to ensure the bank maintains an adequate capital structure, dividends may not be paid without the prior approval of the GDBF if the dividends are in excess of specified amounts defined by regulation.

Under Michigan's Banking Code of 1999, The PrivateBank – Michigan may not pay dividends unless the bank will have a surplus amounting to not less than 20% of its capital after the payment of the dividend. A dividend may be paid only out of net income then on hand and only after deducting the bank's losses and bad debts.

As federally chartered savings banks, The PrivateBank – St. Louis, The PrivateBank – Kansas City (in organization) and The PrivateWealth Trust Company (in organization) may only pay dividends without prior approval of the OTS if each maintains the appropriate level of capital and the total amount of capital distributions for the applicable calendar year does not exceed the net income for that year to date plus retained net income for the preceding two years.

As a national bank, The PrivateBank – Wisconsin may not declare dividends in any year in excess of its net income for the year, plus the retained net income for the preceding two years, less any required transfers to the surplus account. Furthermore, the OCC may, after notice and opportunity for hearing, prohibit the payment of a dividend by a national bank if it determines that such payment would constitute an unsafe or unsound practice.

In addition to the foregoing, the ability of our subsidiary banks to pay dividends may be affected by the various minimum capital requirements and the capital and non-capital standards established under the Federal Deposit Insurance Corporation Improvements Act of 1991 ("FDICIA"), as described below.

*Reserve Requirements.* Our subsidiary banks are subject to Federal Reserve regulations requiring depository institutions to maintain non-interest-earning reserves against their transaction accounts. The first \$9.3 million of a bank's transaction accounts (subject to adjustments by the Federal Reserve) are exempt from the reserve requirements. The Federal Reserve regulations generally require 3% reserves on a bank's transaction accounts totaling between \$9.3 million and \$43.9 million. For transaction accounts totaling over \$43.9 million, Federal Reserve regulations require reserves of \$1,038,000 plus 10% of the amount over \$43.9 million.

*Cross-Guaranty.* Under the Federal Deposit Insurance Act, an insured institution that is commonly controlled with another insured institution shall generally be liable for losses incurred, or reasonably anticipated to be incurred, by the FDIC in connection with the default of such commonly controlled insured institution, or for any assistance provided by the FDIC to such commonly controlled institution, which is in danger of default.

*Standards for Safety and Soundness.* The Federal Deposit Insurance Act, as amended by FDICIA and the Riegle Community Development and Regulatory Improvement Act of 1994, require the FDIC, together with the other federal bank regulatory agencies, to prescribe standards of safety and soundness, by regulations or guidelines, relating generally to operations and management, asset growth, asset quality, earnings, stock valuation, and compensation. The federal bank regulatory agencies have adopted a set of guidelines prescribing safety and soundness standards pursuant to FDICIA. The guidelines establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal stockholder. In addition, the federal bank regulatory agencies adopted regulations that authorize, but do not require, the agencies to order an institution that has been given notice that it is not satisfying the safety and soundness guidelines 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 agency 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 institution is subject under the “prompt corrective action” provisions of FDICIA. If an institution fails to comply with such an order, the agency may seek to enforce its order in judicial proceedings and to impose civil money penalties. The federal bank regulatory agencies have also adopted guidelines for asset quality and earning standards. State-chartered banks may also be subject to state statutes, regulations and guidelines relating to safety and soundness, in addition the federal requirements.

*Capital Requirements and Prompt Corrective Action.* Capital requirements for our subsidiary banks generally parallel the capital requirements previously noted for bank holding companies. There are five capital levels: “well-capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” and “critically undercapitalized.”

FDICIA 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 restrictions on growth, investment activities, capital distributions and affiliate transactions, and will be required to submit a capital restoration plan which, to be accepted by the regulators, must be guaranteed in part by any company having control of the institution (for example, the company or a stockholder controlling the company). In other respects, FDICIA provides for enhanced supervisory authority, including greater authority for the appointment of a conservator or receiver for critically undercapitalized institutions. The capital-based prompt corrective action provisions of FDICIA and its implementing regulations apply to FDIC-insured depository institutions. However, federal banking agencies have indicated that, in regulating bank holding companies, the agencies may take appropriate action at the holding company level based on their assessment of the effectiveness of supervisory actions imposed upon subsidiary insured depository institutions pursuant to the prompt corrective action provisions of FDICIA. State-chartered banks may also be subject to similar supervisory actions by their respective state banking agencies.

*Insurance of Deposit Accounts.* Under FDICIA, as FDIC-insured institutions, our subsidiary banks are required to pay deposit insurance premiums based on the risk they pose to the Deposit Insurance Fund (the “DIF”). The FDIC has authority to raise or lower assessment rates on insured deposits in order to achieve required ratios in the insurance fund and to impose special additional assessments. To determine an institution’s assessment rate, each insured institution is placed in one of four risk categories using a two-step process based on capital and supervisory information. First, each insured institution is assigned to one of the following three capital groups: “well capitalized,” “adequately

capitalized” or “undercapitalized.” Each insured institution is then assigned one of three supervisory ratings: “A” (institutions with few minor weaknesses), “B” (institutions which demonstrate weaknesses which, if not corrected, could result in significant deterioration of the institution and increased risk of loss to DIF) and “C” (institutions that pose a substantial probability of loss to DIF unless effective corrective action is taken). Insured institutions classified as strongest by the FDIC are subject to the lowest insurance rate; insured institutions classified as weakest by the FDIC are subject to the highest insurance assessment rate.

During 2007, The PrivateBank – Chicago paid deposit insurance premiums in the aggregate amount of \$553,000, The PrivateBank – St. Louis paid deposit insurance premiums in the aggregate amount of \$328,000, The PrivateBank – Michigan paid deposit insurance premiums in the aggregate amount of \$61,000, The PrivateBank – Georgia paid deposit insurance premiums in the aggregate amount of \$131,000, and The PrivateBank – Wisconsin paid deposit insurance premiums in the aggregate amount of \$58,000. Neither The PrivateBank – Kansas City nor The PrivateWealth Trust Company, both still in organization, paid deposit insurance premiums in 2007.

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. We do not know of any practice, condition or violation that might lead to termination of deposit insurance for any of our subsidiary banks.

*Community Reinvestment.* Under the CRA, a financial institution has a continuing and affirmative obligation 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, or limit an institution’s discretion to develop the types of products and services that it believes are best suited to its particular community. However, institutions are rated on their performance in meeting the needs of their communities. Performance is tested in three areas: (a) lending, to evaluate the institution’s record of making loans in its assessment areas; (b) investment, 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) service, 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. As a special purpose savings bank, The PrivateWealth Trust Company (in organization) will be exempt from CRA requirements.

The PrivateBank – Chicago, The PrivateBank – St. Louis, The PrivateBank – Michigan and The PrivateBank – Georgia have all been assigned a “satisfactory” rating at their most recent CRA examinations. The PrivateBank – Wisconsin and The PrivateBank – Kansas City (in organization) have not yet been examined for CRA.

*Anti-Money Laundering and Bank Secrecy Act.* Under the Bank Secrecy Act (“BSA”), a financial institution is required to have systems in place to detect certain transactions, based on the size and nature of the transaction. Financial institutions are generally required to report to the United States Treasury any cash transactions involving more than \$10,000. In addition, financial institutions are required to file suspicious activity reports for transactions that involve more than \$5,000 and which the financial institution knows, suspects or has reason to suspect involves illegal funds, is designed to evade the requirements of the BSA or has no lawful purpose. The USA PATRIOT Act of 2001 (the “PATRIOT Act”), which amended the BSA, contains anti-money laundering and financial transparency laws, as well as enhanced information collection tools and enforcement mechanisms for the U.S. government. The



PATRIOT Act provisions include the following: standards for verifying customer identification when opening accounts; rules to promote cooperation among financial institutions, regulators and law enforcement; and due diligence requirements for financial institutions that administer, maintain or manage certain bank accounts. Each of our banks is subject to BSA and PATRIOT Act requirements.

*Compliance with Consumer Protection Laws.* Our banks are subject to many state and federal statutes and regulations designed to protect consumers, such as, CRA, the Truth in Lending Act, the Truth in Savings Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Real Estate Settlement Procedures Act and the Home Mortgage Disclosure Act.

*Real Estate Lending Concentrations.* The FDIC, OCC and Federal Reserve have issued guidance on concentrations in commercial real estate lending. The guidance reinforces and enhances existing regulations and guidelines for safe and sound real estate lending. The guidance provides supervisory criteria, including numerical indicators to assist in identifying institutions with potentially significant commercial real estate loan concentrations that may warrant greater supervisory scrutiny. The guidance focuses on institutions properly identifying whether they have a commercial real estate concentration and, if so, instituting the appropriate risk management procedures and increasing capital so that it is commensurate with the risk of having such a concentration.

The OTS issued guidance separate from the other federal banking regulators, which applies to The PrivateBank – St. Louis and will apply to The PrivateBank – Kansas City (in organization). Similar to the guidance issued by the other federal banking regulators, the OTS guidance highlights existing regulations and guidelines for real estate lending. However, the OTS guidance is somewhat less restrictive than the guidance issued by the other banking regulators. Rather than using numerical indicators to identify institutions with commercial real estate concentrations, the OTS guidance provides that all institutions that actively engage in commercial real estate lending should assess their own concentration risk. Accordingly, those institutions should implement sound risk management procedures commensurate with the size and risks of their portfolios and also establish internal concentration thresholds for internal reporting and monitoring.

*Qualified Thrift Lender Requirements.* The PrivateBank – St. Louis is required, and The PrivateBank – Kansas City (in organization) and The PrivateWealth Trust Company (in organization) will be required, to meet qualified thrift lender (“QTL”) requirements. The Home Owners’ Loan Act requires savings institutions to meet a QTL test, under which the institution is required to either qualify as a “domestic building and loan association” under the Internal Revenue Code or maintain at least 65% of its “portfolio assets” (total assets less (1) specified liquid assets up to 20% of total assets; (2) intangibles, including goodwill; and (3) the value of property used to conduct business) in certain “qualified thrift investments” (primarily residential mortgages and related investments, including certain mortgage-backed securities) in at least nine months out of each twelve-month period. A savings institution that fails the QTL test is subject to certain operating restrictions, such as restrictions on new investments, activities and branching.

*Allowance for Loan and Lease Losses.* In December 2006, the federal bank regulatory agencies issued an Interagency Policy Statement revising their previous policy on the Allowance for Loan and Lease Losses (“ALLL”), which was issued in 1993. The policy statement was updated to ensure consistency with generally accepted accounting principles (“GAAP”) and post-1993 supervisory guidance. According to the revised policy statement, the ALLL represents one of the most significant estimates in an institution’s financial statements and regulatory reports. Because of its significance, each institution has a responsibility for developing, maintaining and documenting a comprehensive, systematic, and consistently applied process appropriate to its size and the nature, scope, and risk of its lending activities for determining the amounts of the ALLL and the provision for loan and lease losses.

The policy statement provides that to fulfill this responsibility, each institution should ensure controls are in place to consistently determine the ALLL is in accordance with GAAP, the institution’s stated policies and procedures, management’s best judgment and relevant supervisory guidance. Consistent

with long-standing supervisory guidance, the policy states that institutions must maintain an ALLL at a level that is appropriate to cover estimated credit losses on individually evaluated loans determined to be impaired as well as estimated credit losses inherent in the remainder of the loan and lease portfolio. Estimates of credit losses should reflect consideration of all significant factors that affect the collectability of loans in the portfolio as of the evaluation date. Arriving at an appropriate allowance involves a high degree of management judgment and results in a range of estimated losses.

#### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This report contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. We intend 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 we are including this statement for purposes of these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, can generally be identified by use of the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” or similar expressions. The Company’s ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations and future prospects of the Company include, but are not limited to, fluctuations in market rates of interest and loan and deposit pricing in the Company’s market areas, the effect of continued margin pressure on the Company’s earnings, further deterioration in asset quality, insufficient liquidity/funding sources or the inability to obtain on terms acceptable to the Company the funding necessary to fund its loan growth, legislative or regulatory changes, adverse developments in the Company’s loan or investment portfolios, slower than anticipated growth of the Company’s business or unanticipated business declines, failure to get regulatory approval for a de novo federal savings bank in Kansas City or a limited purpose trust-only federal savings bank, competition, unforeseen difficulties in integrating new hires, failure to improve operating efficiencies through expense controls, and the possible dilutive effect of potential acquisitions, expansion or future capital raises. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. The Company assumes no obligation to update publicly any of these statements in light of future events unless required under the federal securities laws.

## EXECUTIVE OFFICERS

The following persons serve as executive officers of PrivateBancorp:

**Ralph B. Mandell** (67) is Chairman and a co-founder of PrivateBancorp. Mr. Mandell has been a director since 1989 and is a director of all of the Company's subsidiary banks. Mr. Mandell was Chairman, President and Chief Executive Officer of PrivateBancorp and The PrivateBank – Chicago until the recent succession of the Chief Executive Officer and President roles to Mr. Richman. Mr. Mandell continues in his role as chairman of the board of PrivateBancorp. Prior to establishing PrivateBancorp and The PrivateBank – Chicago, Mr. Mandell was the chief operating officer of First United Financial Services, Inc. from 1985 to 1989, and served as its president from 1988 to his departure in 1989. He also served as president of Oak Park Trust and Savings Bank, a subsidiary of First United, from 1985 until 1988, and prior thereto, from 1979 to 1985, was an executive vice president of Oak Park Trust and Savings Bank. First United, a company whose stock was traded on NASDAQ, was sold to First Chicago Corporation in 1987.

**Larry D. Richman** (55) joined PrivateBancorp on November 5, 2007 as President and Chief Executive Officer, and as Chairman, President and Chief Executive Officer of The PrivateBank – Chicago. Mr. Richman was previously President and Chief Executive Officer of LaSalle Bank, N.A. and President of LaSalle Bank Midwest N.A., which was sold to Bank of America Corporation on October 1, 2007. Mr. Richman began his career with American National Bank and joined Exchange National Bank in 1981, which merged with LaSalle Bank in 1990. As a member of LaSalle's executive leadership team, Mr. Richman played a key role its growth from approximately \$7 billion in total assets in 1990 to \$120 billion in 2007.

**C. Brant Ahrens** (37) joined The PrivateBank – Chicago as Managing Director and Strategic Development Officer in October 2007. Prior to joining The PrivateBank, Mr. Ahrens was employed by LaSalle Bank, N.A. and was, at the time of his departure from LaSalle, Group Senior Vice President and head of the Financial Institutions Group.

**Karen B. Case** (49) joined The PrivateBank – Chicago on October 26, 2007 as President of Commercial Real Estate Banking. Ms. Case was previously executive vice president of the Commercial Real Estate Department at LaSalle Bank N.A., which she is credited with launching on behalf of LaSalle. Prior to joining LaSalle in 1992, Ms. Case established and managed the Midwest real estate lending operations for New York-based Marine Midland Bank.

**Gary S. Collins** (49) was recently promoted to President of The PrivateClients Group of The PrivateBank – Chicago offices, has been a Managing Director of The PrivateBank – Chicago since 1991, and was previously co-vice chairman of The PrivateBank – Chicago since 2001 to 2007. He is a director of The PrivateBank – Michigan. Prior to joining The PrivateBank, Mr. Collins served as senior vice president at First Colonial Bancshares of Avenue Bank of Oak Park and, prior thereto, as senior vice president of First Chicago Bank of Oak Park, formerly known as Oak Park Trust and Savings Bank.

**Bruce R. Hague** (53) joined The PrivateBank – Chicago on October 29, 2007 as the President of National Commercial Banking. Prior to joining The PrivateBank, Mr. Hague dedicated more than 15 years of service to LaSalle Bank, N.A., where he ultimately became executive vice president of National Commercial Banking, responsible for 23 regional banking offices, including all commercial regional offices located throughout the United States, and International Corporate Banking.

**Wallace L. Head** (57) joined The PrivateBank – Chicago in December 2004 and is President and Chief Executive Officer of The PrivateWealth Group. He also is a director of The PrivateBank – Chicago and serves as chairman of its Trust Committee. Mr. Head served as the president and chief operating officer of Family Office Exchange LLC from 2002 until joining PrivateBancorp. Prior thereto, Mr. Head held senior positions with investment management and professional service firms, including Arthur Andersen & Co. where he was a tax partner and national director of individual tax and advisory services.



**Dennis L. Klaeser** (50) has been Chief Financial Officer of PrivateBancorp and The PrivateBank – Chicago since April 2003, and a director of The PrivateBank – Wisconsin since 2005. Prior to his employment with PrivateBancorp, Mr. Klaeser was a research analyst with Robert W. Baird & Co. since 2002. From 2000 until 2002, he was managing director and head of the U.S. Financial Institutions Group at Andersen Corporate Finance, a division of Arthur Andersen, LLP. Prior thereto, Mr. Klaeser was an investment banker with First Union Securities, Inc. and its predecessor companies.

**Bruce S. Lubin** (54) joined The PrivateBank – Chicago on October 24, 2007 as President of Illinois Commercial Banking. He was previously executive vice president of the Illinois Commercial Banking Group at LaSalle Bank N.A. Mr. Lubin was employed by LaSalle since 1990, when LaSalle acquired The Exchange National Bank of Chicago, and he was an employee of Exchange beginning in 1984.

**Joan A. Schellhorn** (59) is Chief Human Resources Officer of PrivateBancorp and The PrivateBank – Chicago as of October 1, 2007. She was previously senior vice president and human resources business partner supporting the commercial banking and global securities and trust services business units at LaSalle Bank N.A.

**John B. (“Jay”) Williams** (56) has been a director since April 2004 and serves as Chief Operating Officer for PrivateBancorp as well as Chief Executive Officer of The PrivateBank – Wisconsin. Prior to joining The PrivateBank, Mr. Williams was employed by U.S. Bank where he was president of U.S. Bank Wisconsin from 2000 through 2003.

**Kevin J. Van Solkema** (47) was hired as Chief Risk Officer for PrivateBancorp in January 2008. He was previously employed by LaSalle Bank, N.A., as Deputy Chief Credit Officer. March through the middle of June 2007, Mr. Van Solkema was employed by CitiMortgage before rejoining LaSalle Bank. In April 2004, Mr. Van Solkema was appointed head of consumer risk management for ABN AMRO North America/LaSalle Bank, which included responsibility for all credit and operational risk management activities for ABN AMRO Mortgage Group, as well as LaSalle Bank’s consumer lending and portfolio mortgage units. Mr. Van Solkema was head of risk management at Michigan National Bank prior to it being acquired by LaSalle in 2001.

**Christopher J. Zinski** (45) has been General Counsel and Corporate Secretary of PrivateBancorp and The PrivateBank – Chicago since September 2006. Prior to his employment with PrivateBancorp, he was a partner in the law firm of Schiff Hardin LLP where he was the head of the firm’s Financial Institutions practice and a member of the Corporate and Securities Group. Mr. Zinski also is a Certified Public Accountant.

## **ITEM 1A. RISK FACTORS**

Our business, financial condition and results of operations are subject to various risks, including those discussed below, which may affect the value of our securities. The risks discussed below are those that we believe are the most significant risks, although additional risks not presently known to us or that we currently deem less significant may also adversely affect our business, financial condition and results of operations, perhaps materially. In determining our most significant risks, we consider the probability of the event occurring that is the subject matter of the risk and the material effect that event, if it were to occur, would likely have on our business, financial condition and future prospects. We make this determination using our best judgment. Before making an investment decision to purchase, sell or hold our securities, 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. See “Cautionary Statement Regarding Forward-Looking Information” on page 20.

### ***We may not be able to implement aspects of our Strategic Growth Plan.***

In the fourth quarter of 2007, we announced the implementation of our new Strategic Growth Plan, which included the hiring of our new President and CEO, Larry D. Richman in November, as well as the

hiring of a significant number of senior commercial bankers and other employees, which significantly expanded the size and scope of the Company, particularly in our Chicago offices. Our growth strategy contemplates substantial organic growth, including the further expansion of our business and operations, the hiring of additional personnel, the addition of new and enhanced product lines and services, the establishment of additional banking offices, and the possible acquisition of other banks or banking offices in our existing or in new metropolitan markets in the United States. Implementing our growth strategy depends in part on our ability to successfully identify and capture new business, clients, market share and potential acquisition opportunities in both our existing and new markets. To successfully grow our business, we must also be able to correctly identify and capture profitable client relationships and generate enough additional revenue to offset the compensation and other operating costs associated with the expansion in the size and scope of the Company. Moreover, as we open new offices we must be able to attract the necessary relationships to make these new offices cost-effective. It is likely that the costs associated with future organic expansion or future acquisitions, including compensation-related expenses, will have an adverse effect on our earnings per share. To the extent we hire new banking officers, undertake de novo banking office or business development office formations, our level of reported net income, return on average equity and return on average assets will be affected by overhead expenses associated with such hiring and operation, or start-up costs, the profitability of which will also depend on the time lag of establishing new banking relationships, originating loans, and building core deposits as well as the increase in our allowance for loan losses that occurs as we grow our loan portfolio. We are likely to experience the effects of higher expenses relative to operating income from any new operation and the expansion of our employee base. These expenses may be higher than we expected, and it may take longer than expected for new hires and new offices to reach profitability. In addition, we cannot be sure that we will be able to identify suitable opportunities for further growth and expansion, or that if we do, that we will be able to successfully integrate these new operations into our business. If we are unable to effectively implement our growth strategies, our business may be adversely affected.

***Our growth and expansion may strain our ability to manage our operations and our financial resources.***

Our financial performance and profitability depend on our ability to execute our Strategic Growth Plan. This continued growth, however, may present operating and other challenges that could adversely affect our business, financial condition, results of operations and cash flows.

Our growth will also place a strain on our infrastructure, including administrative, operation and financial resources and increased demands on our systems and controls. Accordingly, our growth will require continued enhancements to and expansion of our operating and financial systems and controls and may strain or significantly challenge them. The process of integrating our new personnel, as well as consolidating the businesses and implementing the strategic integration of any acquired or newly-established banking offices and businesses with our existing business, may take a significant amount of time. It may also place additional strain on our existing personnel and resources and require us to incur substantial expenses. We cannot assure you that we will be able to manage our organic growth or effectively integrate any businesses we acquire or establish successfully or in a timely manner, or that we will be able to effectively enhance our infrastructure in order to be able to support our continued growth. In order to continue to grow, we will also need to hire additional qualified personnel. We cannot assure you that we will be successful in attracting, integrating and retaining such personnel.

***We may not be able to access sufficient and cost-effective sources of liquidity necessary to fund our continued and anticipated balance sheet growth.***

We depend on access to a variety of funding sources, including deposits, to provide sufficient capital resources and liquidity to meet our commitments and business needs and to accommodate the transaction and cash management needs of our clients, including funding our loan growth. Currently, our

primary sources of liquidity are our clients' deposits, as well as brokered deposits, federal funds borrowings, Federal Home Loan Bank advances, proceeds from the sale of investment securities, proceeds from the sale of additional equity or trust preferred securities and subordinated debt, and amounts available under our existing credit facility. Our Strategic Growth Plan anticipates continued robust loan growth, especially in commercial loans. To the extent our deposit growth is not commensurate with or lags significantly behind our loan growth, we may not be able to fund this growth, or may need to access alternative, more expensive funding sources, including increasing our reliance on brokered deposits. Alternatively, if additional cost-effective funding is not available on terms satisfactory to us or at all, we may need to curtail our loan growth, which could adversely affect our result of operations and earnings.

***We will need to raise additional capital in order to fund our growth and remain well-capitalized.***

Our ability to raise additional capital to support our growth and meet minimum regulatory capital requirements at the holding company and at each of our bank subsidiaries is dependent on us being able to efficiently and cost-effectively access the capital markets. Accordingly, we must be able to issue additional equity securities, trust preferred securities and/or debt when and in the amounts we deem necessary, and there must be ready purchasers of our securities willing to invest in the Company. Furthermore, events or circumstances in the capital markets generally that are beyond the Company's control may adversely affect our capital costs and our ability to raise capital at any given time. Our inability to raise additional capital on terms satisfactory to us or at all may affect our ability to grow the Company and would adversely affect our financial condition and results of operations.

***Our allowance for loan losses may be insufficient to absorb losses in our loan portfolio.***

Lending money is a substantial part of our business. Every loan we make carries a certain risk of non-payment. This risk is affected by, among other things:

- the credit risks posed by the particular borrower;
- changes in economic and industry conditions;
- the duration of the loan; and
- in the case of a collateralized loan, the changes and uncertainties as to the future value of the collateral.

We maintain an allowance for loan losses sufficient to absorb credit losses inherent in our loan portfolio. The allowance for loan losses represents our estimate of probable losses in the portfolio at each balance sheet date and is supported by all available and relevant information. The allowance contains provisions for probable losses that have been identified relating to specific borrowing relationships, as well as probable losses inherent in the loan portfolio and credit undertakings that are not specifically identified. Loan quality is continually monitored by management and reviewed by committees of the Boards of Directors of the Company and the banks on a quarterly basis. The amount of additions to the allowance for loan losses, which is charged to earnings through the provision for loan losses, is determined based on a variety of factors, including:

- assessment of the credit risk of the portfolio,
- evaluation of loans classified as special mention, sub-standard and doubtful,
- delinquent loans,
- evaluation of current economic conditions in the market area,
- actual charge-offs during the year,
- historical loss experience, and

- industry loss averages

As a percentage of total loans, the allowance was 1.17% at December 31, 2007, compared to 1.09% at December 31, 2006. Over the past year, we increased our allowance as a percentage of total loans based on management's analysis of our credit quality, including a significant increase in non-performing loans, and other factors. Our regulators review the adequacy of our allowance and, through the examination process, have authority to compel us to increase our allowance even if we believe it is adequate. We cannot predict whether our regulators would ever compel us to increase our allowance. Although we believe our loan loss allowance is adequate to absorb probable and reasonably estimable losses in our loan portfolio, the allowance may not be adequate. If our actual loan losses exceed the amount that is anticipated, our earnings could suffer.

***We may be adversely affected by interest rate changes.***

Our operating results are largely dependent on our net interest income. Fluctuations in interest rates may significantly affect our net interest income, which is the difference between the interest income earned on earning assets, usually loans and investment securities, and the interest expense paid on deposits and borrowings. The interest rate environment over the last year has continued to compress our net interest margin. Over the long term, we expect our net interest margin to benefit during a rising rate environment and alternatively, if market rates decrease, we expect our net interest margin to continue to decrease. We are unable to predict fluctuations in interest rates, which are affected by factors including: monetary policy of the Federal Reserve Board, inflation or deflation; recession; unemployment rates; money supply; domestic and foreign events; and instability in domestic and foreign financial markets.

As a continuing part of our financial strategy, we attempt to manage the effect of fluctuations in market interest rates on our net interest income. This effort entails providing a reasonable balance between interest rate risk, credit risk, liquidity risk and maintenance of yield. Our asset/liability management policy is established by the investment committee of our Board of Directors and is monitored by management. Our asset/liability management policy sets standards within which we are expected to operate. These standards include guidelines for exposure to interest rate fluctuations, liquidity, loan limits as a percentage of funding sources, exposure to correspondent banks and brokers, and reliance on non-core deposits. Our asset/liability policy may not be able to prevent changes in interest rates from having a material adverse effect on our results of operations and financial condition.

***Our owner-occupied commercial real estate, construction, and commercial real estate loans generally involve higher principal amounts than our other loans, and repayment of these loans may be dependent on factors outside our control or the control of our borrowers.***

At December 31, 2007, our owner-occupied commercial real estate, construction and commercial real estate loans totaled \$483.9 million, \$613.5 million, and \$1.6 billion, respectively, or 12%, 15% and 38%, respectively, of our total loan portfolio. The repayment of these loans generally is dependent, in large part, on the cost and time frame of constructing or improving a property, successful sale or leasing of the property, availability of permanent financing, or the successful operation of a business occupying the property. These loans may be more adversely affected by general conditions in the real estate markets or in the local economy where the borrower's business is located. For example, if the cash flow from a borrower's project is reduced due to leases not being obtained or renewed, that borrower's ability to repay the loan may be impaired. Many construction and commercial real estate loan principal payments are not fully amortized over the loan period, but have balloon payments due at maturity. A borrower's ability to make a balloon payment typically will depend on its ability to either refinance the loan or complete a timely sale of the underlying property, which may be more difficult in an environment of declining property values and/or increasing interest rates.

***We must be able to successfully integrate our new hires and maintain a cohesive culture in order for our management team to be effective.***

Since September 30, 2007, we have hired a substantial number of senior commercial banking officers and other professionals as we have implemented our Strategic Growth Plan. We must be able to integrate these new hires with our existing management and into The PrivateBank culture in order to successfully build a cohesive management team to fully realize the goals of our Strategic Growth Plan. The inability to manage the social and cultural issues involved in this integration could adversely affect our ability to successfully re-align and grow our business as anticipated, and could cause us to incur additional cost and expense as a result of management's time and focus being diverted toward resolving any such issues.

***We rely on the services of third parties to provide services that are integral to our operations.***

We rely on third-party service providers to support our operations. In particular, in our wealth management business, we have not, in the past, provided investment management services directly through our own personnel. Rather, we have relied, and continue to rely, upon selected outside investment managers to provide investment advice and asset management services to our clients. We cannot be sure that we will be able to maintain these arrangements on favorable terms. Also, many of the investment managers with whom we work are affiliated with our competitors in the financial services field. We cannot be sure that our investment managers will continue to work with us in these arrangements or that our clients will continue to utilize the services of these investment managers through us, rather than directly from the investment management firms themselves. The loss of any of these outside investment managers may affect our ability to provide our clients with quality service or certain types of portfolio management without incurring the cost of replacing them. We also are dependent on third-party service providers for data processing and other information processing systems that support our day-to-day banking, investment, and trust activities and on third-party providers of products and services on a private label basis that are integral to our banking relationship with our clients. Any disruption in the services provided by these third parties could have an adverse effect on our operations and our ability to meet our clients' needs.

***The loss of key managing directors may adversely affect our operations.***

We are a relationship-driven organization. Our growth and development to date have resulted in large part from the efforts of our managing directors who have primary contact with our clients and are extremely important in maintaining personalized relationships with our client base, which is a key aspect of our business strategy and in increasing our market presence. The loss of one or more of these key employees could have a material adverse effect central to our operations if remaining managing directors are not successful in retaining client relationships of a departing managing director.

We have entered into employment contracts with Ralph B. Mandell, our Chairman, Larry D. Richman, our President and Chief Executive Officer, and numerous other executive officers and managing directors. Despite these agreements, there can be no assurance that any of these individuals will decide to remain employed by us or that our business will be protected by various covenants not to compete or covenants not to solicit our clients that are contained in these agreements.

***Our future success is dependent on our ability to compete effectively in the highly competitive banking industry.***

We face substantial competition in all phases of our operations from a variety of different competitors. Our future growth and success will depend on our ability to compete effectively in this highly competitive environment. To date, we have grown our business successfully by focusing on our target markets and clientele and emphasizing consistent delivery of the high level of service and responsiveness desired by our clients. We compete for loans, deposits, wealth management and other

financial services in our geographic markets with other commercial banks, thrifts, credit unions and brokerage firms operating in the markets we serve. Many of our competitors offer products and services which we do not, and many have substantially greater resources, name recognition and market presence that benefit them in attracting business. In addition, larger competitors may be able to price loans and deposits more aggressively than we do. Also, technological advances and the continued growth of internet-based banking and financial services have made it possible for non-depository institutions to offer a variety of products and services competitive with certain areas of our business. As we have grown, we have become increasingly dependent on outside funding sources, including brokered deposits, where we face nationwide competition. Some of the financial institutions and financial services organizations with which we compete are not subject to the same degree of regulation as is imposed on bank holding companies, federally insured, state-chartered banks, federal savings banks, and national banks. As a result, these nonbank competitors have certain advantages over us in accessing funding and in providing various products and services.

Our success in this competitive environment requires consistent investment of capital and human resources. This investment is directed at generating new products and services, and adapting existing products and services to the evolving standards and demands of our clients. Among other things, this helps us maintain a mix of products and services that keeps pace with our competitors and achieves acceptable margins, an important strategic goal. This investment also focuses on enhancing the delivery of our products and services in order to compete successfully for new clients or additional business from existing clients, and includes investment in technology. Falling behind our competition in any of these areas could adversely affect our business opportunities and growth, which, in turn, could have a material adverse effect on our financial condition and results of operations.

***PrivateBancorp relies on dividends from its subsidiaries for most of its revenues.***

PrivateBancorp 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 the holding company. In the event the banks are unable to pay dividends to PrivateBancorp, it may not be able to service its 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 "Supervision and Regulation."

***Our ability to maintain a competitive advantage as a premier middle-market commercial bank is highly dependent on our reputation.***

Our clients trust The PrivateBank to deliver superior, highly-personalized financial service with the highest standards of ethics, performance, professionalism and compliance. Damage to our reputation could undermine the confidence of our current and potential clients in our ability to service them, as well as the confidence of counterparties, business partners and our stockholders in the Company, and ultimately affect our ability to manage our balance sheet or effect transactions. The maintenance of our reputation depends not only on our success in controlling and mitigating the various risks described above, but also on our success in identifying and appropriately addressing issues that may arise in areas such as potential conflicts of interest, anti-money laundering, client personal information and privacy issues, record-keeping, regulatory investigations and any litigation that may arise from the failure or perceived failure of the Company to comply with legal and regulatory requirements.



***Our accounting policies and methods are critical to how we report our financial condition and results of operations. They require management to make estimates about matters that are uncertain.***

Accounting policies and methods are fundamental to how we record and report the financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with generally accepted accounting principles.

Management has identified certain accounting policies as being critical because they require management's judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, or reducing a liability. We have established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding our judgments and the estimates pertaining to these matters, we cannot guarantee that we will not be required to adjust accounting policies or restate prior period financial statements. See the "Critical Accounting Policies" section in the MD&A and Note 1, "Basis of Presentation and Summary of Significant Accounting Principles," to the Consolidated Financial Statements in this report for more information.

***Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition.***

From time to time, the Financial Accounting Standards Board ("FASB") and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2. PROPERTIES**

The Company's executive offices are located in the central business and financial district of Chicago. Our managing directors are strategically located in 20 banking locations in addition to the offices of Lodestar and The PrivateBank Mortgage Company, both located in downtown Chicago. Business development offices located in Cleveland, Ohio and Minneapolis, Minnesota were opened during the first quarter 2008. All of the spaces are leased with the exception of the St. Charles location, which is owned by PrivateBancorp. We have a variety of renewal options for each of our properties and certain rights to secure additional space. Following is an overview of each of our geographic markets and our office locations within these markets:

- Chicago—We have eight offices in the Chicago metropolitan area. These offices are located in downtown Chicago and Chicago's Gold Coast neighborhood; in the affluent North Shore communities of Wilmette, Skokie and Lake Forest; in Oak Brook, centrally located in the west suburban DuPage County; and in St. Charles and Geneva, in the far western Fox Valley area.
- St. Louis—We have two offices in the St. Louis metropolitan area. These offices are located in the near west suburban area of St. Louis, which is the leading business center of the metropolitan area, in the western suburb of Chesterfield, which is a newer business, shopping, and residential area, and in Kansas City, Missouri.
- Wisconsin—We have one office in downtown Milwaukee.

- Michigan—We have three offices in the Detroit metropolitan area. These offices are located in the north suburban Detroit communities of Bloomfield Hills, Grosse Pointe and Rochester, Michigan.
- Georgia—We have three offices in the Atlanta metropolitan area. These offices are located in the Buckhead area of Atlanta, which is a high growth business, shopping, and residential district of Atlanta, and the north suburban communities of Norcross and Alpharetta, Georgia. We acquired the Buckhead and Norcross offices on December 13, 2006 when we completed our acquisition of Piedmont Bancshares, Inc. and its subsidiary bank, Piedmont Bank of Georgia. Subsequent to the acquisition, The PrivateBank – Georgia established its third office in Alpharetta.

### ITEM 3. LEGAL PROCEEDINGS

From time to time, we may be party to various legal proceedings arising in the normal course of our business. Since we act as a depository of funds, we may be named from time to time as a defendant in various lawsuits (such as garnishment proceedings) involving claims to the ownership of funds in particular accounts. Neither PrivateBancorp nor any of our subsidiaries is currently a defendant in any such proceedings that we believe will have a material adverse effect on our business, results of operations, financial condition or cash flows.

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

None.

## PART II

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

Our common stock is listed on the NASDAQ Global Select Market under the symbol "PVTB." As of February 27, 2008, we had approximately 478 holders of record of our common stock. The table below sets forth the intra-day high and low sale prices of our common stock as reported by NASDAQ for the periods indicated.

|                | <u>High</u> | <u>Low</u> |
|----------------|-------------|------------|
| <b>2007</b>    |             |            |
| First Quarter  | \$42.51     | \$34.22    |
| Second Quarter | 36.88       | 26.64      |
| Third Quarter  | 37.49       | 25.41      |
| Fourth Quarter | 34.79       | 25.86      |
| <b>2006</b>    |             |            |
| First Quarter  | \$41.53     | \$34.82    |
| Second Quarter | 45.78       | 39.70      |
| Third Quarter  | 47.51       | 39.76      |
| Fourth Quarter | 46.12       | 39.44      |

Holders of our common stock are entitled to receive dividends that the Board of Directors may declare from time to time. We may only pay dividends out of funds that are legally available for that purpose. Because consolidated net income consists largely of the net income of our subsidiaries, dividend payments to stockholders are dependent upon our receipt of dividends from our subsidiaries. See "Supervision and Regulation" above for a discussion of regulatory restrictions on dividend declarations. Our dividend declaration is discretionary and will depend on our earnings and financial condition, regulatory limitations, tax considerations and other factors.



We have paid quarterly dividends on our common stock since the third quarter of 1995. While the Board of Directors expects to continue to declare dividends quarterly, there can be no assurance that we will continue to pay dividends at these levels or at all. The following table shows the history of per share cash dividends declared and paid on our common stock for the last two years.

|                | <b>Cash Dividends<br/>Per Share</b> |
|----------------|-------------------------------------|
| <b>2007</b>    |                                     |
| First Quarter  | \$ 0.075                            |
| Second Quarter | 0.075                               |
| Third Quarter  | 0.075                               |
| Fourth Quarter | 0.075                               |
| <b>2006</b>    |                                     |
| First Quarter  | \$ 0.060                            |
| Second Quarter | 0.060                               |
| Third Quarter  | 0.060                               |
| Fourth Quarter | 0.060                               |

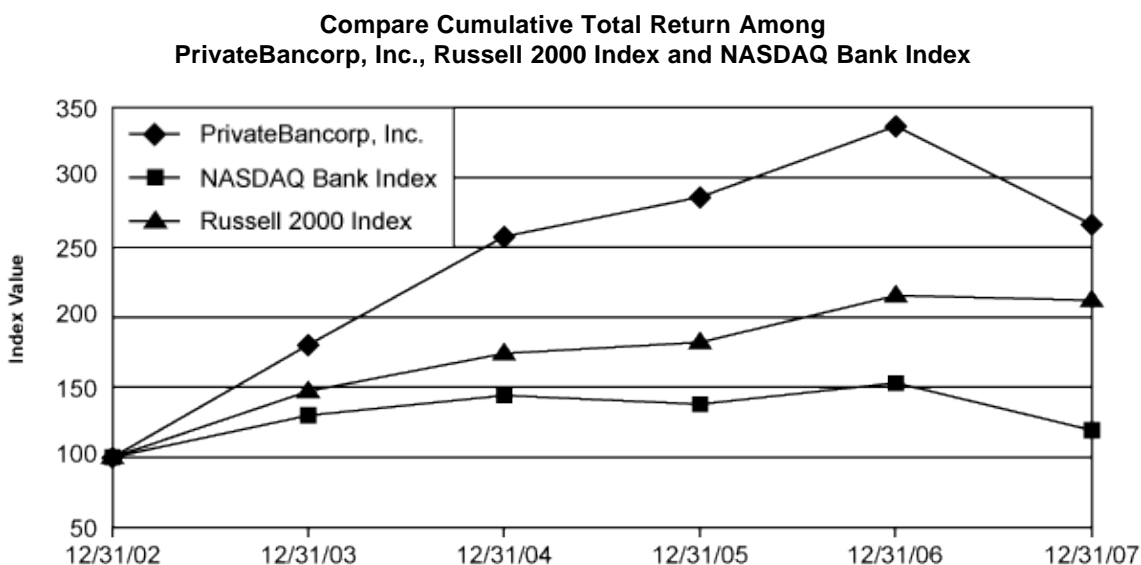
The following table provides information about purchases by the Company during the quarter ended December 31, 2007 of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act.

| <b>Period</b>     | <b>(a)<br/>Total Number of<br/>Shares Purchased</b> | <b>(b)<br/>Average Price<br/>paid per Share</b> | <b>(c)<br/>Total Number of Shares<br/>Purchased as part of<br/>publicly announced<br/>Plans or Programs</b> | <b>(d)<br/>Maximum Number of<br/>Shares that may be<br/>purchased under the<br/>Plans/Program(2)(3)</b> |
|-------------------|---|---|---|---|
| 10/01/07-10/31/07 | —   | —   | —   | 286,800   |
| 11/01/07-11/30/07 | —   | —   | —   | 286,800   |
| 12/01/07-12/31/07 | 2,702(1)  | \$ 31.19  | 2,702(1)  | 286,800   |
| Total             | 2,702(1)  | \$ 31.19  | 2,702(1)  | 286,800   |

- (1) Represents shares acquired by the Company in payment of the exercise price and/or withholding taxes in connection with the exercise of certain employee/director stock options.
- (2) On July 25, 2001, the Company's Board of Directors approved the repurchase by the Company of up to an aggregate of 231,192 shares of its common stock. Subsequently on March 7, 2007, the Board of Directors approved the repurchase of a total aggregate of 500,000 shares by the Company. Unless terminated or amended earlier by the Board of Directors, this authorization will expire when the Company has repurchased all 500,000 shares authorized for issuance.
- (3) Does not include shares reacquired by the Company in payment of the exercise price and/or withholding taxes in connection with the exercise of certain employee/director stock options.

## Stock Performance Graph

The graph below compares the cumulative total stockholder returns on the common stock of the Company for the period beginning December 31, 2002 and ending December 31, 2007, with the cumulative total return on the Russell 2000 Index and a peer group index, the CRSP Index for NASDAQ Bank Stocks, over the same period, assuming the investment of \$100.00 in the Company's common stock, the Russell 2000 Index and the CRSP Index for NASDAQ Bank Stocks on December 31, 2002, and the reinvestment of all dividends.



**Assumes \$100 Invested on December 31, 2002  
Assumes Dividends Reinvested through Fiscal Year Ended December 31, 2007**

| Index                | Period Ending |          |          |          |          |          |
|----------------------|---------------|----------|----------|----------|----------|----------|
|                      | 12/31/02      | 12/31/03 | 12/31/04 | 12/31/05 | 12/31/06 | 12/31/07 |
| PrivateBancorp, Inc. | \$100.00      | \$180.38 | \$257.79 | \$286.02 | \$336.68 | \$266.45 |
| NASDAQ Bank Index    | 100.00        | 129.93   | 144.21   | 137.97   | 153.15   | 119.35   |
| Russell 2000 Index   | 100.00        | 147.25   | 174.24   | 182.18   | 215.64   | 212.26   |

## ITEM 6. SELECTED FINANCIAL DATA

Set forth below is our summary consolidated financial information and other financial data (in thousands, except common share data). This information should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 8. Financial Statements and Supplementary Data”.

|  | Year Ended December 31,                       |           |           |           |           |
|--|---|-----------|-----------|-----------|-----------|
|  | 2007  | 2006(1)   | 2005(1)   | 2004(2)   | 2003      |
|  | (dollars in thousands, except per share data) |           |           |           |           |
| <b>Selected Statement of Income Data:</b>  |   |           |           |           |           |
| <b>Interest income:</b>  |   |           |           |           |           |
| Loans, including fees  | \$282,979                                     | \$228,816 | \$139,613 | \$ 79,499 | \$ 62,793 |
| Securities   | 23,934  | 27,773    | 36,431    | 33,571    | 24,633    |
| Federal funds sold and interest-bearing deposits   | 1,011   | 722       | 500       | 40        | 68        |
| Total interest income  | 307,924                                       | 257,311   | 176,544   | 113,110   | 87,494    |
| <b>Interest expense:</b>   |   |           |           |           |           |
| Interest-bearing demand deposits   | 1,959   | 1,744     | 864       | 548       | 553       |
| Savings and money market deposit accounts  | 68,446  | 55,193    | 30,562    | 12,462    | 6,425     |
| Brokered deposits and other time deposits  | 83,640  | 65,474    | 31,223    | 17,960    | 16,934    |
| Funds borrowed   | 19,393  | 11,093    | 13,367    | 6,659     | 4,502     |
| Junior Subordinated deferrable interest Debentures held by trusts that issued guaranteed capital debt securities | 6,364   | 6,333     | 4,128     | 1,939     | 1,940     |
| Total interest expense   | 179,802                                       | 139,837   | 80,144    | 39,568    | 30,354    |
| Net interest income  | 128,122                                       | 117,474   | 96,400    | 73,542    | 57,140    |
| Provision for loan losses  | 16,934  | 6,836     | 6,538     | 4,399     | 4,373     |
| Net interest income after provision for loan losses  | 111,188                                       | 110,638   | 89,862    | 69,143    | 52,767    |
| <b>Non-interest income:</b>  |   |           |           |           |           |
| The PrivateWealth Group fee revenue  | 16,188  | 13,855    | 9,945     | 8,316     | 6,630     |
| Mortgage banking income  | 4,528   | 3,339     | 3,886     | 2,856     | 3,474     |
| Other income   | 5,210   | 6,278     | 4,276     | 3,029     | 2,323     |
| Securities gains (losses)  | 348   | (374)     | 499       | 968       | 1,759     |
| Gains (losses) on interest rate swap   | —   | 64        | 404       | (870)     | (238)     |
| Total non-interest income  | 26,274  | 23,162    | 19,010    | 14,299    | 13,948    |
| <b>Non-interest expense:</b>   |   |           |           |           |           |
| Salaries and employee benefits   | 71,219  | 43,930    | 36,311    | 28,545    | 22,859    |
| Occupancy expense, net   | 13,204  | 9,755     | 7,517     | 5,671     | 5,564     |
| Data processing  | 4,206   | 3,316     | 2,832     | 2,009     | 1,528     |
| Marketing  | 6,099   | 4,291     | 3,549     | 2,521     | 2,527     |
| Professional fees  | 11,876  | 6,813     | 4,551     | 4,323     | 4,085     |
| Wealth management fees   | 3,432   | 2,665     | 1,079     | 731       | 587       |
| Amortization of intangibles  | 966   | 628       | 411       | 168       | 168       |
| Insurance  | 1,937   | 1,319     | 1,095     | 919       | 700       |
| Other operating expenses   | 9,470   | 6,349     | 5,341     | 3,305     | 4,129     |
| Total non-interest expense   | 122,409                                       | 79,066    | 62,686    | 48,192    | 42,147    |
| Minority interest expense  | 363   | 330       | 307       | 270       | 193       |
| Income before income taxes   | 14,690  | 54,404    | 45,879    | 34,980    | 24,375    |
| Income tax provision   | 2,883   | 16,558    | 14,965    | 9,647     | 6,628     |
| Net income   | \$ 11,807                                     | \$ 37,846 | \$ 30,914 | \$ 25,333 | \$ 17,747 |
| Preferred stock dividend   | 107   | —         | —         | —         | —         |
| Net Income available to common stockholders  | \$ 11,700                                     | \$ 37,846 | \$ 30,914 | \$ 25,333 | \$ 17,747 |
| <b>Per Share Data(2):</b>  |   |           |           |           |           |
| Basic earnings   | \$ 0.54                                       | \$ 1.83   | \$ 1.53   | \$ 1.29   | \$ 1.05   |
| Diluted earnings   | 0.53  | 1.76      | 1.46      | 1.22      | 0.99      |
| Dividends  | 0.30  | 0.24      | 0.18      | 0.12      | 0.08      |
| Book value (at end of period)  | 16.89   | 13.83     | 11.64     | 9.85      | 8.74      |

|  | Year Ended December 31, |            |            |            |            |
|--|-------------------------|------------|------------|------------|------------|
|  | 2007                    | 2006(1)    | 2005(1)    | 2004(2)    | 2003       |
| (dollars in thousands, except per share data)  |                         |            |            |            |            |
| <b>Selected Financial Condition Data (at end of period):</b>   |                         |            |            |            |            |
| Total securities(3)  | \$ 538,730              | \$ 496,782 | \$ 695,151 | \$ 763,985 | \$ 669,262 |
| Total loans  | 4,177,795               | 3,499,988  | 2,608,067  | 1,653,363  | 1,224,657  |
| Total assets   | 4,990,205               | 4,264,424  | 3,500,341  | 2,538,665  | 1,986,915  |
| Total deposits   | 3,761,138               | 3,551,013  | 2,823,382  | 1,872,635  | 1,547,359  |
| Funds borrowed   | 560,809                 | 281,733    | 296,980    | 414,519    | 219,563    |
| Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities | 101,033                 | 101,033    | 101,033    | 20,000     | 20,000     |
| Total stockholders' equity   | 500,793                 | 297,124    | 238,629    | 196,921    | 168,947    |
| Wealth management assets under management  | 3,361,171               | 2,902,205  | 2,436,766  | 1,727,479  | 1,494,881  |
| <b>Selected Statements of Income Data:</b>   |                         |            |            |            |            |
| Net interest income  | \$ 128,122              | \$ 117,474 | \$ 96,400  | \$ 73,542  | \$ 57,140  |
| Net revenue(4)(11)   | 158,670                 | 145,207    | 119,917    | 92,222     | 74,222     |
| Income before taxes  | 14,690                  | 54,404     | 45,879     | 34,980     | 24,375     |
| Net income   | 11,807                  | 37,846     | 30,914     | 25,333     | 17,747     |
| <b>Selected Financial Ratios and Other Data:</b>   |                         |            |            |            |            |
| <i>Performance Ratios:</i>   |                         |            |            |            |            |
| Net interest margin(5)(11)   | 3.17%                   | 3.46%      | 3.57%      | 3.67%      | 3.66%      |
| Net interest spread(6)   | 2.72                    | 3.01       | 3.21       | 3.40       | 3.46       |
| Non-interest income to average assets  | 0.59                    | 0.63       | 0.65       | 0.64       | 0.80       |
| Non-interest expense to average assets   | 2.75                    | 2.14       | 2.11       | 2.17       | 2.43       |
| Net overhead ratio(7)  | 2.16                    | 1.51       | 1.47       | 1.53       | 1.63       |
| Efficiency ratio(8)(11)  | 77.15                   | 54.45      | 52.37      | 52.26      | 56.78      |
| Return on average assets(9)  | 0.27                    | 1.02       | 1.04       | 1.14       | 1.02       |
| Return on average equity(10)   | 3.73                    | 15.45      | 14.33      | 13.86      | 14.17      |
| Fee income to total revenue(12)  | 16.83                   | 16.65      | 15.81      | 16.18      | 17.86      |
| Dividend payout ratio  | 59.84                   | 13.49      | 12.06      | 9.57       | 7.94       |
| <i>Asset Quality Ratios:</i>   |                         |            |            |            |            |
| Non-performing loans to total loans  | 0.93%                   | 0.25%      | 0.04%      | 0.15%      | 0.09%      |
| Non-accrual loans to total loans   | 0.93                    | 0.11       | 0.03       | 0.07       | 0.00       |
| Allowance for loan losses to:  |                         |            |            |            |            |
| Total loans  | 1.17                    | 1.09       | 1.13       | 1.15       | 1.23       |
| Non-performing loans   | 125                     | 380        | 2,201      | 751        | 1,343      |
| Net charge-offs (recoveries) to average total loans  | 0.17                    | 0.03       | (0.01)     | 0.04       | 0.08       |
| Non-performing assets to total assets  | 0.97                    | 0.23       | 0.04       | 0.10       | 0.06       |
| <i>Balance Sheet Ratios:</i>   |                         |            |            |            |            |
| Loans to deposits  | 111.1%                  | 98.6%      | 92.4%      | 88.3%      | 79.1%      |
| Average interest-earning assets to average interest-bearing liabilities  | 110.3                   | 111.5      | 112.6      | 114.1      | 110.5      |
| <i>Capital Ratios:</i>   |                         |            |            |            |            |
| Average equity to average assets   | 7.12%                   | 6.63%      | 7.22%      | 8.23%      | 7.22%      |
| Total risk-based capital ratio   | 14.20                   | 10.36      | 10.65      | 11.46      | 12.86      |
| Tier 1 risk-based capital ratio  | 11.39                   | 8.06       | 8.61       | 10.40      | 11.73      |
| Leverage ratio   | 10.93                   | 7.51       | 7.18       | 7.83       | 8.36       |

(1) Financial results of The PrivateBank – Georgia in 2006 are from the date of acquisition, December 13, 2006, and the financial results of The PrivateBank – Michigan in 2005 are from the date of acquisition, June 20, 2005.

(2) All previously reported share and per share data has been restated to reflect the 2-for-1 stock split which occurred on May 31, 2004.

(3) For all periods, our debt securities portfolio was classified "Available-for-sale." FHLB stock is an equity investment also included in the securities line.

(4) The sum of net interest income, on a tax equivalent basis, plus non-interest income.

(5) Net interest income, on a tax equivalent basis, divided by average interest-earning assets.

(6) Tax equivalent yield on average interest-earning assets less rate on average interest-bearing liabilities.

(7) Non-interest expense less non-interest income divided by average total assets.

(8) Non-interest expense divided by the sum of net interest income, on a tax equivalent basis, plus non-interest income.

(9) Net income divided by average total assets.

(10) Net income divided by average common equity.

(footnotes continued on next page)

- (11) We adjust GAAP reported net interest income by the tax equivalent adjustment amount (assuming a 35% tax rate) to account for the tax attributes on federally tax exempt municipal securities. For GAAP purposes, tax benefits associated with federally tax-exempt municipal securities are recorded as a benefit in income tax expense. The following table reconciles reported net interest income to net interest income on a tax equivalent basis for the periods presented:

| Reconciliation of net interest income to net interest income on a tax equivalent basis |                |           |           |          |          |
|--|----------------|-----------|-----------|----------|----------|
| For The Year Ended December 31,  |                |           |           |          |          |
|  | 2007           | 2006      | 2005      | 2004     | 2003     |
|  | (in thousands) |           |           |          |          |
| Net interest income  | \$128,122      | \$117,474 | \$ 96,400 | \$73,542 | \$57,140 |
| Tax equivalent adjustment to net interest income                                       | 4,274          | 4,571     | 4,507     | 4,381    | 3,134    |
| Net interest income, tax equivalent basis  | \$132,396      | \$122,045 | \$100,907 | \$77,923 | \$60,274 |

- (12) Wealth management, mortgage banking and other income as a percentage of the sum of net interest income and wealth management, mortgage banking and other income.

Note: All previously reported data has been restated to reflect the adoption of SFAS No. 123(R), "Share Based Payment" using the Modified-Retrospective-Transition method.

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

### Overview

We implemented our Strategic Growth Plan in the fourth quarter 2007, which resulted in substantial charges in the quarter and a substantial increase in our ongoing operating expenses. Accordingly, when comparing our results of operations for 2007 to 2006, the costs incurred in connection with the Plan, which affected almost every category of non-interest expense, need to be considered. Going forward, we expect our consolidated balance sheet and statement of income to change dramatically as we execute our Strategic Growth Plan. Some of this evolution is already apparent.

- Our loan portfolio increased \$440.3 million during the fourth quarter of 2007, and we expect to continue to experience strong loan growth for the foreseeable future.
- We expect to diversify our loan portfolio over time by increasing the volume of commercial loans we make and thereby creating more balance between our commercial real estate portfolio and our commercial loan portfolio.
- We expect to experience a shift in our deposit mix as we develop new client relationships. We expect to substantially increase transaction accounts and other short-term deposit balances from our growing middle-market client base. We also expect to develop relationships with certain institutions who may direct substantial deposits to us.
- We are focused on funding our loan growth with core deposits; however as deposit growth lags loan growth, we intend to fund current growth using brokered deposits and other sources of wholesale funding.
- We are enhancing our infrastructure to support the growth we expect in our organization and this entails adding additional key personnel, investing in technology and modifying systems as necessary.

We are executing our Strategic Growth Plan in a difficult operating environment for banks, and PrivateBancorp was not immune to the challenging credit market during 2007. Non-performing asset levels and loan charge-offs were higher in 2007 than in prior periods, resulting in an increase in our allowance for loan losses. Compared to peer-levels, however, our net charge offs to average total loans remained low at 0.17% for the year ended December 31, 2007 compared to 0.03% for the prior year period. We anticipate further adding to our allowance given anticipated strong loan growth in 2008 pursuant to our Plan. Despite the challenging environment, we have continued to grow our Company.

Since year-end 2002 to December 31, 2007, we have grown our asset base at a compounded annual rate of 26% to \$5.0 billion. During the same period, loans have grown at a compounded annual rate of 34% to \$4.2 billion, deposits at a compounded annual rate of 26% to \$3.8 billion and core deposits at a compounded annual rate of 28% to \$3.2 billion. Wealth Management assets under management grew at a compounded annual rate of 22% to \$3.4 billion since year-end 2002. Revenue, defined as net interest income on a tax equivalent basis and non-interest income, grew at a compounded annual rate of 26% since year-end 2002.

For financial information regarding our business segments, which include Banking, The PrivateWealth Group and Holding Company Activities, see “Operating Segments Results” beginning on page 47 and “Note 2 – Operating Segments” to our consolidated financial statements as of and for the year ended December 31, 2007, included on page F-15.

The profitability of our operations depends on our net interest income, provision for loan losses, non-interest income, and non-interest expense. Net interest income is dependent on the amount of and yields earned on, interest-earning assets as compared to the amount of and rates paid on, interest-bearing liabilities. Net interest income is sensitive to changes in market rates of interest as well as to the execution of our asset/liability management strategy. The provision for loan losses is affected by changes in the loan portfolio, management's assessment of the collectability of the loan portfolio, loss experience, as well as economic and market factors. Non-interest income consists primarily of wealth management fee revenue, mortgage banking income, bank owned life insurance and fees for ancillary banking services. Net securities gains/losses and net gains/losses on an interest rate swap, if any, are also included in non-interest income.

### **Critical Accounting Policies**

Generally accepted accounting principles are complex and require management to apply significant judgment to various accounting, reporting and disclosure matters. Management must use assumptions and estimates to apply these principles where actual measurements are not possible or practical. Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements included herein. Reference should also be made to our significant accounting policies set out in the notes to consolidated financial statements, beginning on page F-8. Below is a discussion of our critical accounting policies. These policies are critical because they are highly dependent upon subjective or complex judgments, assumptions and estimates. Changes in such estimates may have a significant impact on the financial statements. Actual results could differ from those estimates. Management has reviewed the application of these policies with the Audit Committee of the Company's Board of Directors.

The accounting policies that we view as critical to us are those relating to estimates and judgments regarding the determination of the adequacy of the allowance for loan losses, the estimation of the valuation of goodwill and the useful lives applied to intangible assets, and income taxes.

#### *Allowance for Loan Losses*

We maintain an allowance for loan losses at a level management believes is sufficient to absorb credit losses inherent in our loan portfolio. The allowance for loan losses represents our estimate of probable losses in the portfolio at each balance sheet date and is based on a review of available and relevant information. The allowance contains provisions for probable losses that have been identified relating to specific borrowing relationships as well as probable losses inherent in our loan portfolio and credit undertakings that are not specifically identified. Our allowance for loan losses is assessed monthly to determine the appropriate level of the allowance. The amount of the allowance for loan losses is determined based on a variety of factors, including assessment of the credit risk of the loans in the portfolio, delinquent loans, impaired loans, evaluation of current economic conditions in the market area, actual charge-offs and recoveries during the period, industry loss averages and historical loss

experience. The unallocated portion of the reserve involves the exercise of judgment by management and reflects various considerations, including management's view that the reserve should have a margin that recognizes the imprecision inherent in the process of estimating credit losses.

Management adjusts the allowance for loan losses by recording a provision for loan losses in an amount sufficient to maintain the allowance at the level determined appropriate. Loans are charged-off when deemed to be uncollectable by management. We believe that the allowance for loan losses is adequate to provide for estimated probable credit losses inherent in our loan portfolio. The allowance for loan losses as a percentage of total loans was 1.17% as of December 31, 2007, compared to 1.09% at December 31, 2006.

#### *Goodwill and Intangible Assets*

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be separately 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. We perform an annual goodwill impairment test in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, which requires that goodwill and intangible assets that have indefinite lives no longer be amortized but be reviewed for impairment annually, or more frequently if certain indicators arise. Prior to the adoption of SFAS No. 142, goodwill was being amortized using the straight-line method over a period of 15 years. Impairment losses on recorded goodwill, if any, will be recorded as operating expenses.

Goodwill is "pushed down" to business segments at acquisition. Fair values of reporting units are determined using either discounted cash flow analyses based on internal financial forecasts or, if available, market-based valuation multiples for comparable businesses. No impairment was identified as a result of the testing performed during 2007 or 2006. Note 2—Operating Segments contains additional information regarding goodwill carrying values.

Customer intangibles acquired in connection with the acquisition of Lodestar are amortized over an estimated useful life of 15 years. Customer intangibles acquired in connection with the acquisition of The PrivateBank – Michigan are amortized over 10 years using an accelerated method of amortization. Customer intangibles acquired in connection with the acquisition of The PrivateBank – Georgia are amortized over 8 years using an accelerated method of amortization.

#### *Income Taxes*

The Company is subject to the federal income tax laws of the United States, and the tax laws of the states and other jurisdictions where it conducts business. Due to the complexity of these laws, taxpayers and the taxing authorities may subject these laws to different interpretations. Management must make conclusions and estimates about the application of these innately intricate laws, related regulations, and case law. When preparing the Company's tax returns, management attempts to make reasonable interpretations of the tax laws. Taxing authorities have the ability to challenge management's analysis of the tax law or any reinterpretation management makes in its ongoing assessment of facts and the developing case law. Management assesses the reasonableness of its effective tax rate quarterly based on its current estimate of net income and the applicable taxes expected for the full year. On a quarterly basis, management also reviews circumstances and developments in tax law affecting the reasonableness of deferred tax assets and liabilities and reserves for contingent tax liabilities.



## CONSOLIDATED RESULTS OF OPERATIONS

### Net Income

Our net income for the year ended December 31, 2007 was \$11.8 million, or \$0.53 per diluted share, compared to \$37.8 million, or \$1.76 per diluted share, for the year ended December 31, 2006, and \$30.9 million, or \$1.46 per diluted share, for the year ended December 31, 2005. The decrease in net income in 2007 compared to 2006 was substantially due to costs associated with the implementation of our Strategic Growth Plan, as discussed in the section captioned "Business". We incurred approximately \$18.1 million in costs in connection with the recruitment of a significant number of experienced middle-market commercial bankers. Additionally, we considerably increased our provision for loan losses primarily as a result of credit quality deterioration in the existing loan portfolio.

The increase in net income for 2006 compared to 2005 was primarily attributable to increases in interest earning assets and growth in fee income, mainly from increases in wealth management revenue. Additionally, the acquisition of The PrivateBank – Michigan was accretive in 2006 and 2005, including the consideration of all transaction costs. Our income growth was offset by a significant increase in interest expense and non-interest expense, evidenced by our efficiency ratio increasing to 54.45% at December 31, 2006 from 52.37% at December 31, 2005.

### Net Interest Income

Net interest income is the difference between interest income and amortization of net fees on earning assets and interest expense and amortization of fees on deposits and borrowings. Interest income includes amortization of loan origination fees and costs recorded from loans. Interest expense includes amortization of prepaid fees on brokered deposits and issuance costs of trust preferred securities. Net interest margin represents the net interest income on a tax equivalent basis as a percentage of average earning assets during the period. Net interest margin reflects the spread between average yields earned on interest earning assets and the average rates paid on interest bearing deposits and borrowings. The volume of non-interest bearing funds, largely comprised of demand deposits and capital, also affects the net interest margin.

Net interest income was \$128.1 million for the year ended December 31, 2007, compared to \$117.5 million for 2006, an increase of 9%. Both the volume of assets and liabilities and the corresponding rates earned and paid, affect net interest income. The increase in net interest income for 2007 is primarily attributable to growth in earning assets. Average earning assets for 2007 were \$4.2 billion compared to \$3.5 billion for 2006, an increase of 19%. During 2007, increased volumes of interest earning assets at lower rates were offset by increased volumes of interest bearing liabilities at higher rates. Our net interest margin (on a tax equivalent basis) was 3.17% for the year ended December 31, 2007 compared to 3.46% for the prior year primarily due to a 32 basis point increase in the cost of funds year over year compared to a three basis point increase in yields on earning assets over the same period. Non-interest bearing funds impact net interest margin since they represent non-interest bearing sources of funds that are deployed in interest bearing assets. Non-interest bearing funds positively impacted net interest margin by 0.45% at December 31, 2007 and December 31, 2006.

A large portion of our funding is sensitive to movements in the short end of the yield curve, just as a large majority of our loan portfolio is effectively pegged off the prime rate. Our net interest margin remained under pressure during 2007 due to the relatively flat yield curve. During 2007, we also continued to experience pressure on our margin due to decreases in the prime rate of interest and loans repricing more quickly than deposits. The cost of available funding sources used to support our anticipated loan growth will also impact our margin in 2008; as our reliance on relatively more expensive brokered deposits as a funding source increases, our net interest margin may continue to be compressed.



Additionally, our net interest margin was negatively impacted by the growth of non-performing assets during the year, which grew to \$48.3 million at December 31, 2007 from \$10.0 million at December 31, 2006. During the year, the Company reversed approximately \$1.6 million in accrued interest income due to loans which became non-performing. The interest reversal during the year accounted for three basis points of margin compression.

Net interest income was \$117.5 million for the year ended December 31, 2006, compared to \$96.4 million for 2005, an increase of 22%. The increase in net interest income for 2006 was primarily attributable to growth in earning assets. Average earning assets for 2006 were \$3.5 billion compared to \$2.8 billion for 2005, an increase of 25%. Our net interest margin (on a tax equivalent basis) was 3.46% for the year ended December 31, 2006 compared to 3.57% for the year ended December 31, 2005. The yield curve became negatively sloped during the early part of the third quarter in 2006 and began to become more severely negatively sloped late in the third quarter and during the fourth quarter, which resulted in a decline in our net interest margin in comparison to the prior year.

The following table presents a summary of our net interest income and related net interest margin, calculated on a tax equivalent basis (dollars in thousands):

|  | Year Ended (dollars in thousands) |                  |              |                     |                  |              |                     |                  |              |
|--|-----------------------------------|------------------|--------------|---------------------|------------------|--------------|---------------------|------------------|--------------|
|  | 2007                              |                  |              | 2006                |                  |              | 2005                |                  |              |
|  | Average Balance(1)                | Interest         | Rate         | Average Balance(1)  | Interest         | Rate         | Average Balance(1)  | Interest         | Rate         |
| Fed funds sold and other short-term investments  | \$ 13,774                         | 1,011            | 6.30%        | \$ 10,696           | \$ 722           | 6.75%        | \$ 14,730           | \$ 500           | 3.39%        |
| Tax-exempt municipal securities  | 197,725                           | 13,624           | 6.89%        | 211,182             | 14,568           | 6.90%        | 206,820             | 14,356           | 6.94%        |
| US Government Agencies, MBS, CMOs and Corporate CMOs   | 274,363                           | 13,801           | 5.03%        | 283,257             | 14,594           | 5.15%        | 350,093             | 16,845           | 4.81%        |
| Taxable municipal securities   | 3,809                             | 287              | 7.53%        | 3,824               | 287              | 7.51%        | 3,839               | 288              | 7.51%        |
| FHLB stock   | 5,831                             | 287              | 4.92%        | 49,832              | 2,656            | 5.33%        | 167,012             | 9,191            | 5.50%        |
| Other securities   | 5,859                             | 209              | 2.78%        | 2,442               | 239              | 9.79%        | 3,438               | 258              | 7.49%        |
| Investment securities (taxable)  | <u>\$ 289,862</u>                 | <u>\$ 14,584</u> | <u>5.02%</u> | <u>\$ 339,355</u>   | <u>\$ 17,776</u> | <u>5.24%</u> | <u>\$ 524,382</u>   | <u>\$ 26,582</u> | <u>5.07%</u> |
| Commercial and Industrial, Construction and Commercial Real Estate Loans   | \$ 3,085,040                      | 241,257          | 7.82%        | \$ 2,432,706        | \$191,891        | 7.89%        | \$ 1,677,839        | \$115,179        | 6.86%        |
| Residential Real Estate Loans  | 259,733                           | 15,933           | 5.99%        | 244,904             | 14,648           | 5.98%        | 159,745             | 8,777            | 5.49%        |
| Personal Loans   | 333,047                           | 25,789           | 7.75%        | 284,599             | 22,277           | 7.83%        | 242,906             | 15,657           | 6.45%        |
| Total Loans(2)   | <u>3,677,820</u>                  | <u>282,979</u>   | <u>7.68%</u> | <u>2,962,209</u>    | <u>228,816</u>   | <u>7.72%</u> | <u>2,080,490</u>    | <u>139,613</u>   | <u>6.71%</u> |
| Total earning assets   | <u>\$ 4,179,181</u>               | <u>\$312,198</u> | <u>7.46%</u> | <u>\$ 3,523,442</u> | <u>\$261,882</u> | <u>7.43%</u> | <u>\$ 2,826,422</u> | <u>\$181,051</u> | <u>6.41%</u> |
| Allowance for Loan Losses  | \$ (40,453)                       |                  |              | \$ (33,281)         |                  |              | \$ (23,725)         |                  |              |
| Cash and Due from Banks  | 73,581                            |                  |              | 28,848              |                  |              | 33,043              |                  |              |
| Other Assets   | 235,046                           |                  |              | 176,497             |                  |              | 141,380             |                  |              |
| Total Average Assets   | <u>\$ 4,447,355</u>               |                  |              | <u>\$ 3,695,506</u> |                  |              | <u>\$ 2,977,120</u> |                  |              |
| Interest Bearing Demand accounts   | \$ 141,141                        | 1,959            | 1.25%        | \$ 123,554          | \$ 1,744         | 1.41%        | \$ 114,743          | \$ 1,589         | 1.38%        |
| Regular Savings Accounts   | 12,708                            | 241              | 2.11%        | 14,240              | 110              | 0.77%        | 15,920              | 101              | 0.63%        |
| Money Market Accounts  | 1,528,973                         | 68,205           | 4.46%        | 1,305,042           | 55,083           | 4.22%        | 1,051,843           | 29,736           | 2.83%        |
| Time Deposits  | 1,058,620                         | 54,565           | 5.15%        | 708,655             | 33,756           | 4.76%        | 441,518             | 14,374           | 3.26%        |
| Brokered Deposits  | 561,412                           | 29,075           | 5.18%        | 678,817             | 31,718           | 4.67%        | 446,197             | 16,849           | 3.78%        |
| Total Deposits   | <u>\$ 3,302,854</u>               | <u>\$154,045</u> | <u>4.66%</u> | <u>\$ 2,830,308</u> | <u>\$122,411</u> | <u>4.32%</u> | <u>\$ 2,070,221</u> | <u>\$ 62,649</u> | <u>3.03%</u> |
| FHLB advances  | 96,087                            | 5,064            | 4.68%        | 119,923             | 5,140            | 4.29%        | 269,570             | 10,473           | 3.89%        |
| Other borrowings   | 287,428                           | 14,329           | 5.09%        | 110,537             | 5,953            | 5.39%        | 116,613             | 2,894            | 2.48%        |
| Junior Subordinated deferrable interest Debentures held by trusts that issued guaranteed capital debt securities | 101,033                           | 6,364            | 6.25%        | 101,033             | 6,333            | 6.27%        | 56,150              | 4,128            | 7.35%        |
| Total interest-bearing liabilities   | <u>\$ 3,787,402</u>               | <u>\$179,802</u> | <u>4.74%</u> | <u>\$ 3,161,801</u> | <u>\$139,837</u> | <u>4.42%</u> | <u>\$ 2,512,554</u> | <u>\$ 80,144</u> | <u>3.19%</u> |
| Non-Interest Bearing Deposits  | \$ 312,217                        |                  |              | \$ 252,338          |                  |              | \$ 214,827          |                  |              |
| Other Liabilities  | 30,958                            |                  |              | 36,410              |                  |              | 34,833              |                  |              |
| Stockholders' Equity   | 316,778                           |                  |              | 244,957             |                  |              | 214,906             |                  |              |
| Total Average Liabilities & Stockholders' Equity   | <u>\$ 4,447,355</u>               |                  |              | <u>\$ 3,695,506</u> |                  |              | <u>\$ 2,977,120</u> |                  |              |
| Tax equivalent net interest income(3)  |                                   | <u>\$132,396</u> |              |                     | <u>\$122,045</u> |              |                     | <u>\$100,907</u> |              |
| Net interest spread(4)   |                                   | \$128,122        | 2.72%        |                     | \$117,474        | 3.01%        |                     | \$ 96,400        | 3.22%        |
| Effect of non interest bearing funds   |                                   |                  | 0.45%        |                     |                  | 0.45%        |                     |                  | 0.35%        |
| Net interest margin(3)(5)  |                                   |                  | 3.17%        |                     |                  | 3.46%        |                     |                  | 3.57%        |

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

(2) Non-accrual loans are included in the average balances and the interest foregone on these loans was approximately \$1.4 million for the year ended December 31, 2007.

(footnotes continued on next page)

- (3) We adjust GAAP reported net interest income by the tax equivalent adjustment amount to account for the tax attributes on federally tax exempt municipal securities. The total tax equivalent adjustment reflected in the above table is \$4.3 million, \$4.6 million and \$4.5 million for the years ended December 31, 2007, 2006, and 2005, respectively. For GAAP purposes, tax benefits associated with federally tax-exempt municipal securities are reflected in income tax expense. See reconciliation in the footnotes on page 34.
- (4) Yield on average interest-earning assets less rate on average interest-bearing liabilities.
- (5) Net interest income, on a tax-equivalent basis, divided by average interest-earning assets.

The following table shows the dollar amount of changes in interest income and interest expense by major categories of interest-earning assets and interest-bearing liabilities attributable to changes in volume or rate or a mix of both, for the periods indicated, calculated on a tax equivalent basis. Volume variances are computed using the change in volume multiplied by the previous year's rate. Rate variances are computed using the changes in rate multiplied by the previous year's volume.

|  | 2007 Compared to 2006  |                      |                   |                 | 2006 Compared to 2005  |                      |                   |                 |
|--|------------------------|----------------------|-------------------|-----------------|------------------------|----------------------|-------------------|-----------------|
|  | Change due to rate     | Change due to volume | Change due to mix | Total change    | Change due to rate     | Change due to volume | Change due to mix | Total change    |
|  | (dollars in thousands) |                      |                   |                 | (dollars in thousands) |                      |                   |                 |
| Interest income/expense from:  |                        |                      |                   |                 |                        |                      |                   |                 |
| Federal funds sold and other short-term investments  | \$ (55)                | \$ 208               | \$ 136            | \$ 289          | \$ 494                 | \$ (137)             | \$ (135)          | \$ 222          |
| Investment securities: taxable   | (759)                  | (2,592)              | 159               | (3,192)         | 997                    | (9,340)              | (463)             | (8,806)         |
| Investment securities: non-taxable(1)  | (16)                   | (928)                | —                 | (944)           | (90)                   | 303                  | (1)               | 212             |
| Loans, net of unearned discount  | (2,465)                | 55,277               | 1,351             | 54,163          | 21,094                 | 59,169               | 8,940             | 89,203          |
| Total tax-equivalent interest income(1)  | (3,295)                | 51,965               | 1,646             | 50,316          | 22,495                 | 49,995               | 8,341             | 80,831          |
| Interest bearing deposits  | 9,471                  | 20,438               | 1,725             | 31,634          | 26,888                 | 23,002               | 9,872             | 59,762          |
| Funds borrowed   | 284                    | 7,367                | 649               | 8,300           | 5,220                  | (5,390)              | (2,104)           | (2,274)         |
| Junior Subordinated deferrable interest Debentures held by trusts that issued guaranteed capital debt securities | (102)                  | 0                    | 133               | 31              | (607)                  | 3,299                | (487)             | 2,205           |
| Total interest expense   | 9,653                  | 27,805               | 2,507             | 39,965          | 31,501                 | 20,911               | 7,281             | 59,693          |
| Net tax-equivalent interest income(1)  | <u>\$(12,948)</u>      | <u>\$24,160</u>      | <u>\$ (861)</u>   | <u>\$10,351</u> | <u>\$ (9,006)</u>      | <u>\$29,084</u>      | <u>\$ 1,060</u>   | <u>\$21,138</u> |

- (1) Interest income on tax-advantaged investment securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total tax equivalent adjustment reflected in the above table is approximately \$4.3 million, \$4.6 million, and \$4.5 million, for the years ended 2007, 2006, and 2005, respectively.

## Provision for Loan Losses

We provide for an adequate allowance for loan losses that are probable and reasonably estimable in the portfolio. The provision for loan losses reflects management's latest assessment of the inherent losses in the loan portfolio. Our allowance for probable loan losses is reassessed monthly to determine the appropriate level of the reserve. Our analysis is influenced by the following factors: assessment of the credit risk of the loans in the portfolio, delinquent loans, impaired loans, evaluation of current economic conditions in the market area, actual charge-offs and recoveries during the period, industry loss averages and historical loss experience. A discussion of the allowance for loan losses and the factors on which provisions are based begins on page 50.

Credit quality deterioration during the year, among other factors, resulted in a provision for loan losses of \$16.9 million for the year ended December 31, 2007, up from \$6.8 million for 2006 and \$6.5 million for 2005. Net charge-offs for the year ended December 31, 2007 were \$6.1 million compared to charge-offs of \$873,000 for the year ended December 31, 2006 and net recoveries of \$250,000 for the year ended December 31, 2005.

## Non-interest Income

|   | For The Year Ended<br>December 31, |                 |          | For The Year Ended<br>December 31, |                 |          |
|---|------------------------------------|-----------------|----------|------------------------------------|-----------------|----------|
|   | 2007                               | 2006            | Variance | 2006                               | 2005            | Variance |
|   | (in thousands)                     |                 |          | (in thousands)                     |                 |          |
| The PrivateWealth Group fee revenue                     | \$16,188                           | \$13,855        | 17%      | \$13,855                           | \$ 9,945        | 39%      |
| Mortgage banking income                                 | 4,528                              | 3,339           | 36%      | 3,339                              | 3,886           | (14)%    |
| Banking and other services                              | 3,554                              | 4,665           | (24)%    | 4,665                              | 2,847           | 64%      |
| Bank owned life insurance                               | 1,656                              | 1,613           | 3%       | 1,613                              | 1,429           | 13%      |
| Net securities and interest rate swap gains<br>(losses) | 348                                | (310)           | 212%     | (310)                              | 903             | (134)%   |
| Total non-interest income                               | <u>\$26,274</u>                    | <u>\$23,162</u> | 13%      | <u>\$23,162</u>                    | <u>\$19,010</u> | 22%      |

Non-interest income increased by \$3.1 million, or 13%, to \$26.3 million for the year ended December 31, 2007 compared to \$23.2 million for the year ended December 31, 2006 and \$19.0 million for the year ended December 31, 2005. The increase in non-interest income during 2007 was primarily due to an increase in The PrivateWealth Group fee revenue and also due to an increase in mortgage banking income.

The PrivateWealth Group fee revenue was \$16.2 million for the year ended December 31, 2007, an increase from \$13.9 million for the year ended December 31, 2006 and \$9.9 million for the year ended December 31, 2005. The year over year increase in The PrivateWealth Group fee revenue was primarily due to the growth in net new business, and increase in the value of accounts due to an increase in market value and the change of fee structures for certain client relationships. The PrivateWealth Group assets under management increased 16% to \$3.4 billion at December 31, 2007 compared to \$2.9 billion at December 31, 2006 and \$2.4 billion at December 31, 2005.

Mortgage banking income for the year ended December 31, 2007 increased to \$4.5 million compared to \$3.3 million for the year ended December 31, 2006 and \$3.9 million for the year ended December 31, 2005. Mortgage banking income increased over these periods due to a higher volume of loans sold.

Banking and other services income decreased 24% to \$3.6 million for the year ended December 31, 2007 compared to \$4.7 million for the year ended December 31, 2006. The decrease from the prior year period is primarily due to the inclusion of a \$1.4 million gain associated with the sale of FHLB (Chicago) advances during the second quarter 2006 as a result of The PrivateBank – Chicago's withdrawal of our membership at that time. Banking and other services income for 2007 includes \$646,000 of insurance proceeds the Company received during the second quarter 2007 covering a portion of losses the company incurred in the fourth quarter 2006 as a result of a previously disclosed employee fraud. Banking and other services income increased for the year ended December 31, 2006 by \$1.8 million over 2005, due to growth in the Company during 2006.

Non-interest income in 2007 includes net investment securities gains of \$348,000 compared to net losses of \$310,000 in the prior year period, and net gains of \$903,000 for the year ended December 31, 2005. The Company retired its interest rate swap in the third quarter 2006.

During 2007, 2006, and 2005 we recognized income of \$1.7 million \$1.6 million, and \$1.4 million, respectively, related to the increased cash surrender value of bank owned life insurance (BOLI) policies. Income recognized on this product increased in 2006 as compared to 2005 primarily due to increases in the underlying policy yields. These policies cover certain higher-level employees who are deemed to be significant contributors to the Company. All employees included in this policy are aware and have consented to the coverage. The cash surrender value of BOLI at December 31, 2007 was \$44.2 million,

compared to \$42.5 million at December 31, 2006 and \$40.9 million at December 31, 2005, and is included in other assets on the balance sheet.

## Non-interest Expense

|                                 | For The Year Ended<br>December 31, |                 |          | For The Year Ended<br>December 31, |                 |          |
|---------------------------------|------------------------------------|-----------------|----------|------------------------------------|-----------------|----------|
|                                 | 2007                               | 2006            | Variance | 2006                               | 2005            | Variance |
|                                 | (in thousands)                     |                 |          | (in thousands)                     |                 |          |
| Salaries and employee benefits  | \$ 71,219                          | \$43,930        | 62%      | \$43,930                           | \$36,311        | 21%      |
| Occupancy                       | 13,204                             | 9,755           | 35%      | 9,755                              | 7,517           | 30%      |
| Professional fees               | 11,876                             | 6,813           | 74%      | 6,813                              | 4,551           | 50%      |
| Investment management fees      | 3,432                              | 2,665           | 29%      | 2,665                              | 1,079           | 147%     |
| Marketing                       | 6,099                              | 4,291           | 42%      | 4,291                              | 3,549           | 21%      |
| Data processing                 | 4,206                              | 3,316           | 27%      | 3,316                              | 2,832           | 17%      |
| Postage, telephone and delivery | 1,706                              | 1,359           | 26%      | 1,359                              | 1,113           | 22%      |
| Office supplies and printing    | 1,084                              | 932             | 16%      | 932                                | 715             | 30%      |
| Insurance                       | 1,937                              | 1,319           | 47%      | 1,319                              | 1,095           | 20%      |
| Amortization of intangibles     | 966                                | 628             | 54%      | 628                                | 411             | 53%      |
| Other expense                   | 6,680                              | 4,058           | 65%      | 4,058                              | 3,513           | 16%      |
| Total non-interest expense      | <u>\$122,409</u>                   | <u>\$79,066</u> | 55%      | <u>\$79,066</u>                    | <u>\$62,686</u> | 26%      |

Non-interest expense increased \$43.3 million, or 55%, to \$122.4 million for the year ended December 31, 2007 compared to \$79.1 million for the prior year period primarily due to increased compensation-related expenses, professional fees and occupancy costs incurred during the year, and specifically in the fourth quarter 2007, due to the implementation of our Strategic Growth Plan and overall growth of the Company during 2007. The increase in non-interest expense from prior year also reflects a full year of expenses from The PrivateBank – Georgia, compared to the prior year period. Costs incurred associated with the Plan include \$13.7 million in sign-on bonus payments to new hires and \$2.5 million of professional and legal fees associated with the recruitment and hiring of new employees. Additionally, we made transformation equity awards to new employees and certain foundation employees. The transformation equity awards had a total GAAP value of approximately \$48.0 million at December 31, 2007. The cost of these Transformation Equity Awards will be expensed over the five-year period ending December 31, 2012. Amortization costs associated with these awards totaled \$2.0 million for the fourth quarter 2007. Also included in non-interest expenses for the year were approximately \$2.0 million in regular salary expenses related to new hires pursuant to the Plan. Professional fees increased 74% year over year due to legal and consulting fees incurred related to the general growth of the Company and costs associated with implementing our Strategic Growth Plan, including the recruitment of new hires. Occupancy costs also increased 35% year over year as the Company acquired additional office space at existing locations and expanded into new geographic markets. While growth rates of salary and occupancy expenses will remain at higher levels during the first half of 2008, we expect the growth rate of non-interest expenses to normalize during the second half of 2008.

Non-interest expense increased \$16.3 million, or 26%, to \$79.1 million for the year ended December 31, 2006 compared to \$62.7 million for 2005. The growth in non-interest expense during 2006 was a result of increases in personnel-related expense, occupancy expense, professional fees, and wealth management fees. The increase in non-interest expense from the prior year reflects a full year of expenses from The PrivateBank – Michigan and The PrivateBank – Wisconsin, compared to the prior year period. The PrivateBank – Michigan incurred non-interest expense of \$9.0 million and The PrivateBank – Wisconsin incurred non-interest expense of \$2.5 million during 2006. Some additional expenses incurred during 2006 include approximately \$615,000 of expenses recognized in conjunction with the move of our corporate headquarters into larger offices during the third quarter 2006, and \$1.2 million in expenses attributable to the fraud loss discovered during the fourth quarter 2006.

The periods presented include stock option expense of \$4.9 million in 2007, \$2.0 million in 2006, and \$2.8 million in 2005. Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R), "Accounting for Stock-Based Compensation." The Company elected the modified-retrospective-transition method, which results in the restatement of prior periods by recognizing compensation cost in the amounts previously reported in the pro forma financial statement footnote disclosures. Compensation cost recognized includes the cost of all share-based payments granted, but not yet fully vested in all periods presented.

Prior to January 1, 2006, the Company accounted for its stock-based employee compensation plans under the recognition and measurement provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations, as permitted by SFAS No. 123(R), "Accounting for Stock-Based Compensation." No stock-based employee compensation was recognized in the Consolidated Statements of Income in periods prior to the restatements under SFAS No. 123(R), as all options granted under the Company's compensation plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

Prior to the adoption of SFAS No. 123(R), the Company presented all tax benefits of deductions resulting from the exercise of stock options and vesting of restricted shares as operating cash flows in the Statement of Cash Flows. SFAS No. 123(R) requires the cash flows resulting from the tax benefits of these tax deductions in excess of the compensation cost recognized for those share-based payments (the excess tax benefits) be classified as financing cash flows. The excess tax benefit in financing cash flows was \$1.4 million in 2006 and \$1.2 million in 2005.

Salary and employee benefits expense increased 62% to \$71.2 million in 2007, compared to \$43.9 million in 2006. The increase is a result of the implementation of our Strategic Growth Plan during the fourth quarter 2007 and the associated hiring of a new Chief Executive Officer, several executive-level managing directors and many line-of-business managing directors. Full-time equivalent (FTE) employees increased 27% to 597 FTEs at December 31, 2007, compared to 471 FTEs at December 31, 2006. This includes the addition and/or promotion of 76 managing directors and associate managing directors during 2007 to 224 at the end of 2007, compared to 148 at the end of 2006. A substantial part of the 2007 growth occurred during the fourth quarter when the Company hired a net total of 56 new managing directors. The increase in salary and employee benefits expense in 2007 also includes a full year of expenses for The PrivateBank – Georgia.

Salary and employee benefit expense increased 21% to \$43.9 million for the year ended December 31, 2006 from \$36.3 million for the year ended December 31, 2005. During 2006, we added 85 FTEs, an increase of 22%, to approximately 471 FTEs from 386 FTEs at December 31, 2005. The increase in salary and benefit expense in 2006 also includes a full year of expenses for The PrivateBank – Michigan.

The 35% increase in occupancy expense during 2007 to \$13.2 million, compared to \$9.8 million in 2006 is due to the relocation and improvement of offices, including the addition of new offices in Georgia and Kansas City, and additional office space in St. Louis and Chicago at several locations. Occupancy expense for the year ended December 31, 2006 increased 30% to \$9.8 million compared to \$7.5 million for the year ended December 31, 2005 due to the relocation of the Company's headquarters to larger space and the opening of the Chesterfield office in St. Louis.

Professional fees, which include fees paid for legal, accounting, consulting, and information systems consulting services, increased 74% to \$11.9 million for the year ended December 31, 2007, from \$6.8 million for 2006 and from \$4.6 million for 2005. The increase is primarily due to higher legal and consulting fees to support various strategic initiatives as a result of the continued growth and expansion of the Company, including \$2.5 million in legal fees related to the implementation of the Strategic Growth Plan, and increased fees paid for external and internal audit services.

Investment management fees, which are fees paid to third party investment managers, increased 29% to \$3.4 million for the year ended December 31, 2007, from \$2.7 million in 2006 and \$1.1 million in

2005. This increase is due to the increase in assets managed by The PrivateWealth Group during 2007 and 2006 and from the restructuring of certain fee relationships. The PrivateWealth Group's assets under management increased by 16%, or \$459.0 million, to \$3.4 billion at December 31, 2007 as compared to \$2.9 billion at December 31, 2006.

Marketing expense increased 42% to \$6.1 million for the year ended December 31, 2007, compared to \$4.3 million for the year ended December 31, 2006 and \$3.5 million for the year ended December 31, 2005. The increase in marketing expense reflects an increase in marketing initiatives for client development, website upgrading, and charitable contributions. The increase in 2007 is also related to additional marketing expenses related to the addition of new offices in Georgia and Kansas City as well as receptions at a number of offices that were relocated.

Data processing costs, which include fees paid for information technology services and support, increased 27% to \$4.2 million in 2007, compared to \$3.3 million for the year ended December 31, 2006, and \$2.8 million for the year ended December 31, 2005. The growth in 2007 is due to investments in technology across the Company, processor conversion, expansion expenses in association with the new employees hired during the fourth quarter and the addition of The PrivateBank – Georgia. During 2006, the main focus of information technology expenditures was in two areas. The information technology infrastructure was upgraded in association with the multiple office relocations that occurred during the year and The PrivateBank – Chicago implemented a Storage Area Network solution to improve storage capacity and document retrieval. In 2005, we upgraded the existing wire transfer system in Chicago, implemented an enhanced data replication and recovery solution, and further strengthened our data management strategy.

In 2007, we amortized \$966,000 in intangible assets, \$170,000 of which is related to our acquisition of a controlling interest in Lodestar in 2002, \$423,000 of which is related to our acquisition of The PrivateBank – Michigan in June 2005, and \$373,000 of which is related to the acquisition of The PrivateBank – Georgia in December 2006. During 2006, we amortized \$628,000 in intangible assets, \$170,000 of which is related to our acquisition of Lodestar, \$440,000 of which is related to our acquisition of The PrivateBank – Michigan, and \$18,000 of which is related to the acquisition of The PrivateBank – Georgia. In 2005, we amortized \$411,000 in intangible assets, \$168,000 of which is related to our acquisition of Lodestar and \$243,000 of which is related to our acquisition of The PrivateBank – Michigan in June 2005.

The other expense category of non-interest expense includes \$2.2 million in expenses paid during 2007 relating to the resolution of OREO, including legal expenses and writedowns on OREO properties. The other expense category also includes loan and collection expenses, which include legal fees relating to the workout of non-performing loans, and totaled \$466,000 at December 31, 2007. In 2006, other expenses included the asset write-off related to the employee fraud loss that occurred during the fourth quarter of 2006. The total expense incurred from the fraud loss was \$1.2 million, of which \$918,000 related to the asset write-off in other expense and \$300,000 related to professional fees for investigating the loss.

The following table shows our operating efficiency over the last three years:

|  | December 31, |       |       |
|--|--------------|-------|-------|
|  | 2007         | 2006  | 2005  |
| Non-interest expense to average assets | 2.75%        | 2.14% | 2.11% |
| Net overhead ratio(1)                  | 2.16         | 1.51  | 1.47  |
| Efficiency ratio(2)                    | 77.15        | 54.45 | 52.37 |

(1) Non-interest expense less non-interest income divided by average total assets.

(2) Non-interest expense divided by the sum of net interest income, on a tax equivalent basis, plus non-interest income. Please refer to the footnotes on page 34 for a reconciliation of net interest income to net interest income on a tax-equivalent basis.



Our efficiency ratio (on a tax-equivalent basis), which measures the percentage of net revenue that is expended as non-interest expense, for the year ended December 31, 2007 increased to 77.2%, as compared to 54.5% for the year ended December 31, 2006, and 52.4% for the year ended December 31, 2005. Our efficiency ratio during 2007 reflects the impact of the higher level of non-interest expenses associated with the implementation of our Strategic Growth Plan during the third and fourth quarters of 2007. On a tax-equivalent basis, this ratio indicates that during 2007 we spent 77 cents to generate each dollar of revenue, compared to 54 cents in 2006 and 52 cents in 2005. The Company incurred over \$18.1 million of non-interest expenses related to the Strategic Growth Plan and booked \$16.9 million in provision for loan losses expense during the year, in part associated with credit quality deterioration in the existing portfolio. Largely as a result of the Plan, professional fees and occupancy expenses increased 74% and 35% year over year, respectively. During 2008, we expect salary expenses and occupancy costs to continue to increase. Accordingly, our efficiency ratio will remain at higher than historical levels. With continued strong growth in the balance sheet and fee income over the course of 2008 and 2009, and as we more fully lever the investments made pursuant to the Plan, we expect our efficiency ratio to incrementally decrease to historical levels.

### **Minority Interest Expense**

On December 30, 2002, The PrivateBank – Chicago acquired an 80% controlling interest in Lodestar Investment Counsel, LLC. We record our 20% noncontrolling interest in Lodestar related to Lodestar's results of operations in minority interest expense on our consolidated statement of income. For the years ended December 31, 2007 and 2006, we recorded \$363,000 and \$330,000 of minority interest expense, respectively.

### **Off-Balance Sheet Arrangements and other Contractual Obligations and Commitments**

We do not have material off-balance sheet arrangements. We have various financial obligations, including contractual obligations and commitments that may require future cash payments on debt and lease arrangements, contractual commitments for capital expenditures, and service contracts. The following table presents, as of December 31, 2007, significant fixed and determinable contractual obligations to third parties which are expected to become due and payable during the period specified.

| Contractual Obligations(1)  | Financial<br>Statement<br>Note<br>Reference(3) | Year Ended December 31, 2007 |             |                |           |           |
|---|--|------------------------------|-------------|----------------|-----------|-----------|
|   |  | Payments due in:             |             |                |           |           |
|   |  | Total                        | < 1 year    | 1-3 years      | 3-5 years | > 5 years |
|   |  |                              |             | (In thousands) |           |           |
| Deposits with no stated maturity  |  | \$2,050,976                  | \$2,050,976 | \$ —           | \$ —      | \$ —      |
| Time deposits   | 9  | 1,167,692                    | 1,040,561   | 112,112        | 15,019    | —         |
| Brokered deposits(2)  | 9  | 542,470                      | 391,393     | 62,398         | 39,477    | 49,202    |
| FHLB advances   | 10   | 133,515                      | 38,015      | 73,000         | 13,000    | 9,500     |
| Long term debt  | 10   | 190,250                      | —           | —              | —         | 190,250   |
| Junior Subordinated deferrable<br>interest Debentures held by<br>trusts that issued guaranteed<br>capital debt securities | 10   | 101,033                      | —           | —              | —         | 101,033   |
| Fed funds purchased & demand<br>repurchase agreements   |  | 237,044                      | 237,044     | —              | —         | —         |
| Operating leases  | 7  | 47,362                       | 4,278       | 11,657         | 11,448    | 19,979    |
| Purchase obligations  |  | 35,518                       | 23,777      | 8,645          | 3,096     | —         |
| Total   |  | \$4,505,860                  | \$3,786,044 | \$267,812      | \$ 82,040 | \$369,964 |

(1) Excludes obligations to pay interest on deposits and borrowings

(2) Includes \$1.6 million of unamortized broker commissions

(3) See consolidated financial statements commencing on page F-4.

Our operating lease obligations represent short- and long-term lease and rental payments for facilities, equipment, and certain software or data processing. During 2007, we entered into new lease agreements for our Kansas City office, opened an additional office in Alpharetta, Georgia, and additional space for our Chesterfield, Missouri location. In Chicago, we leased additional space for our Lake Forest location and leased additional floor space at our headquarters to accommodate many of the new hires made during the fourth quarter 2007. During 2008, we expect to lease additional office space in Chicago and other markets to accommodate anticipated additional hires.

Our purchase obligations include obligations to pay vendors through contractual arrangements and also service contract obligations for compensation owed to employees. Commitments to extend credit, including loan commitments, standby letters of credit, and commercial letters of credit do not necessarily represent future cash requirements, because these commitments may expire without being drawn upon. Information on commitments and letters of credit can be found on page F-40.

Our commitments to fund civic and community investments, which represent future cash outlays for the construction and development of properties for low-income housing, small business real estate, and historic tax credit projects that qualify for CRA purposes, are not included in the contractual obligations table above. The timing and amounts of these commitments are projected based upon the financing arrangements provided in each project's partnership or operating agreement, and could change due to variances in the construction schedule, project revisions, or the cancellation of the project. We continue to reach out to every market we serve through our community development efforts.

**Income Taxes**

The following table shows our income before income taxes, applicable income taxes and effective tax rate for the years ended December 31, 2007, 2006, and 2005, respectively.

|                      | Year Ended December 31, |          |          |
|----------------------|-------------------------|----------|----------|
|                      | 2007                    | 2006     | 2005     |
|                      | (dollars in thousands)  |          |          |
| Income before taxes  | \$14,690                | \$54,404 | \$45,879 |
| Income tax provision | 2,883                   | 16,558   | 14,965   |
| Effective tax rate   | 19.6%                   | 30.4%    | 32.6%    |

The effective income tax rate varies from statutory rates principally due to certain interest income that is tax-exempt for federal or state purposes, and certain expenses that are disallowed for tax purposes. The decrease in the effective tax rate for 2007 compared to 2006 is a result of an increase in the proportion of tax-exempt income compared to income before taxes. The decrease in the effective tax rate for 2006 compared to 2005 is primarily the result of the release of certain reserves mostly due to the expiration of the statute of limitations.

**Operating Segments Results**

During the fourth quarter 2007, we aggregated our geographical banking segments into one Banking segment in accordance with paragraph 17 of FASB Statement No. 131, Disclosures about Segments of an Enterprise and Related Information ("Statement 131"). As explained in the section captioned "Business," changes in management made during the quarter modified the way management views its business segments. All geographical banking locations outside of Chicago, whose operations are very similar, whose economic performance we measure consistently and whose products and services and client base are similar, report through one Executive Committee member to the Chief Executive Officer. As such, and as described in Note 2 to the consolidated financial statements, our operations consist of three primary business segments: Banking; The PrivateWealth Group; and the Holding Company. The PrivateBank Mortgage Company results are included with the Banking segment.

***Banking***

The profitability of each of our bank subsidiaries is primarily dependent on net interest income, provision for loan losses, non-interest income and non-interest expense. Net income for the banking segment for the year ended December 31, 2007 decreased 33% to \$32.3 million from \$48.5 million for the year ended December 31, 2006. The decrease in net income for the banking segment resulted primarily from expenses associated with the implementation of our Strategic Growth Plan, including significant compensation-related expense. Net income for the banking segment for the year ended December 31, 2006 increased 23% to \$48.5 million from \$39.4 million for the year ended December 31, 2005. Net interest income for the banking segment for the year ended December 31, 2007 increased to \$140.3 million from \$124.1 million in 2006 and from \$98.9 million in 2005. Total loans for the banking segment increased by 19% to \$4.2 billion during 2007 as compared to \$3.5 billion in 2006. The majority of the loan growth for 2007 occurred in the commercial, commercial real estate, and owner-occupied commercial real estate loan categories. Total deposits increased by 11% to \$4.0 billion at December 31, 2007 from \$3.6 billion at December 31, 2006. Growth in other time deposits and interest bearing demand deposits accounted for the majority of the deposit growth.

***The PrivateWealth Group***

The PrivateWealth Group includes investment management, personal trust and estate services, custodial services, retirement accounts and brokerage and investment services. The PrivateWealth Group's assets under management increased by 16%, or \$459.0 million, to \$3.4 billion at December 31, 2007 as compared to \$2.9 billion at December 31, 2006. This growth was due to the addition of new

assets under management as well as portfolio performance. The PrivateWealth Group's fee revenue increased to \$16.2 million, or 17%, for the year ended December 31, 2007 compared to \$13.9 million for the year ended December 31, 2006 and \$9.9 million for the year ended December 31, 2005. Net income for The PrivateWealth Group decreased 6% to \$1.6 million for the year ended December 31, 2007 from \$1.7 million for the same period in 2006, and up from \$967,000 for the same period in 2005. This decrease was mainly due to an increase in personnel and occupancy expenses attributable to The PrivateWealth Group's operations initiated in Kansas City and new brokerage operations initiated in Chicago.

The following tables indicate the breakdown of The PrivateWealth Group's assets under management at December 31, 2007 and December 31, 2006, by account classification and related gross revenue for the year ended December 31, 2007 and December 31, 2006:

| Fiduciary Services(1)  | For The Year Ended<br>December 31, 2007 |           | For The Year Ended<br>December 31, 2006 |           |
|--|---|-----------|---|-----------|
|  | Market Value<br>(In thousands)          | Revenue   | Market Value<br>(In thousands)          | Revenue   |
| <b>Discretionary accounts</b>                                      |   |           |   |           |
| Trusts, estates and guardianships                                  | \$ 1,037,380                            | \$ 5,105  | \$ 833,591                              | \$ 4,466  |
| Investment agency  | 759,355                                 | 4,827     | 583,733                                 | 3,848     |
| Retirement plans and accounts                                      | 161,675                                 | 665       | 125,007                                 | 366       |
| Total discretionary accounts                                       | 1,958,410                               | 10,597    | 1,542,331                               | 8,680     |
| <b>Non-Discretionary accounts</b>                                  |   |           |   |           |
| Investment agency  | 4,554                                   | 27        | 1,519                                   | 9         |
| Custody (includes retirement plans and accounts)                   | 680,725                                 | 1,173     | 653,130                                 | 1,044     |
| Total non-discretionary accounts                                   | 685,279                                 | 1,200     | 654,649                                 | 1,053     |
| Lodestar investment management accounts                            | 742,895                                 | 4,730     | 749,903                                 | 4,397     |
| Less assets managed and revenue earned by Lodestar(2)              | (87,661)                                | (535)     | (96,380)                                | (467)     |
| Brokerage services   | 62,248                                  | 196       | 51,702                                  | 192       |
| Net fiduciary services and Lodestar investment management accounts | \$ 3,361,171                            | \$ 16,188 | \$ 2,902,205                            | \$ 13,855 |

(1) Fiduciary Services includes accounts administered at The PrivateBank – Chicago and The PrivateBank – Michigan. The PrivateBank – Chicago also provides fiduciary services delivered in The PrivateBank – Wisconsin, The PrivateBank – St. Louis, and The PrivateBank – Kansas City.

(2) These assets are held in Fiduciary Services accounts at The PrivateBank – Chicago and The PrivateBank – Michigan.

For a number of our wealth management relationships, we utilize third-party investment managers, including Lodestar. Fees paid to third party investment managers increased to \$3.4 million for the year ended December 31, 2007, compared to \$2.7 million for same period in 2006, and \$1.1 million for the same period in 2005. Fees paid to Lodestar totaled approximately \$535,000 in 2007. Of our third-party investment managers, none individually managed more than 5% of total wealth management assets under management as of December 31, 2007.

### **Holding Company**

Holding Company activities consist of parent company only matters. The Holding Company's most significant assets are its net investments in its five banking subsidiaries, The PrivateBank – Chicago, The PrivateBank – St. Louis (which includes The PrivateBank – Kansas City), The PrivateBank – Michigan, The PrivateBank – Wisconsin, The PrivateBank – Georgia, and our mortgage banking subsidiary, The PrivateBank Mortgage Company. Holding Company activities are reflected primarily by

interest expense on borrowings and operating expenses of the parent company. Recurring holding company operating expenses consist primarily of compensation (amortization of restricted stock and stock awards and stock option expense) and professional fees. The Holding Company segment reported a net loss of \$21.3 million for the year ended December 31, 2007, compared to a net loss of \$11.8 million for the same period in 2006. For the year ended December 31, 2005 the Holding Company activities segment reported a net loss of \$7.0 million. The increase in net loss year over year is primarily due to an increase in interest expense related to the issuance of \$115.0 million contingent convertible senior notes during the first quarter 2007 and increased legal and external audit fees at the holding company level due to the continued growth of the Company.

## FINANCIAL CONDITION

### Total Assets

Total assets were \$5.0 billion at December 31, 2007, an increase of \$725.8 million, or 17%, from \$4.3 billion at December 31, 2006. The balance sheet growth was accomplished mainly through 19% loan growth throughout the Company year over year. The growth in assets experienced during 2007 was funded through the issuance of \$200.0 million of equity capital, growth of core deposits, and borrowings under the Company's credit facility.

### Loans

Total gross loans increased to \$4.2 billion at December 31, 2007, an increase of \$677.8 million or 19%, from \$3.5 billion at December 31, 2006. The two largest loan categories, commercial and commercial real estate, grew by 58% and 8%, respectively. For 2006 and 2007, the commercial loan category includes both commercial and industrial loans and owner-occupied commercial real estate loans. For periods prior to 2006, owner-occupied commercial real estate was included in the commercial real estate category. At year-end 2007, total owner-occupied commercial real estate loans were \$483.9 million or 12% of total loans, and \$265.4 million or 8% of total loans at year-end 2006. From December 31, 2006 to December 31, 2007, construction loans grew by 4% and private banking loans, which include residential real estate, personal, and home equity loans, grew by 9%.

The following table sets forth the loan portfolio by category as of December 31 for the previous five fiscal years:

|                         | December 31,           |                                    |                    |                                    |                    |                                    |                    |                                    |                    |                                    |
|-------------------------|------------------------|------------------------------------|--------------------|------------------------------------|--------------------|------------------------------------|--------------------|------------------------------------|--------------------|------------------------------------|
|                         | 2007                   |                                    | 2006               |                                    | 2005               |                                    | 2004               |                                    | 2003               |                                    |
|                         | Amount                 | % of<br>Loans to<br>Total<br>Loans | Amount             | % of<br>Loans to<br>Total<br>Loans | Amount             | % of<br>Loans to<br>Total<br>Loans | Amount             | % of<br>Loans to<br>Total<br>Loans | Amount             | % of<br>Loans to<br>Total<br>Loans |
|                         | (dollars in thousands) |                                    |                    |                                    |                    |                                    |                    |                                    |                    |                                    |
| Commercial              | \$1,311,757            | 32%                                | \$ 828,594         | 24%                                | \$ 436,416         | 17%                                | \$ 285,336         | 17%                                | \$ 181,062         | 15%                                |
| Commercial real estate  | 1,604,159              | 38%                                | 1,486,462          | 42%                                | 1,268,851          | 48%                                | 855,396            | 52%                                | 639,296            | 52%                                |
| Construction            | 613,468                | 15%                                | 591,704            | 17%                                | 392,597            | 15%                                | 219,180            | 13%                                | 162,878            | 13%                                |
| Personal(1)             | 247,462                | 6%                                 | 192,397            | 6%                                 | 148,670            | 6%                                 | 83,746             | 5%                                 | 77,025             | 6%                                 |
| Residential real estate | 265,466                | 6%                                 | 262,107            | 7%                                 | 221,786            | 9%                                 | 90,590             | 6%                                 | 69,541             | 6%                                 |
| Home equity             | 135,483                | 3%                                 | 138,724            | 4%                                 | 139,747            | 5%                                 | 119,115            | 7%                                 | 94,855             | 8%                                 |
| <b>Total</b>            | <b>\$4,177,795</b>     | <b>100%</b>                        | <b>\$3,499,988</b> | <b>100%</b>                        | <b>\$2,608,067</b> | <b>100%</b>                        | <b>\$1,653,363</b> | <b>100%</b>                        | <b>\$1,224,657</b> | <b>100%</b>                        |

(1) Includes overdraft lines.

The following table classifies the loan portfolio, by category, at December 31, 2007, by date at which the loans mature:

|                         | One year<br>or less | From one to<br>five years | After five<br>years | Total              | More than one year |                    |
|-------------------------|---------------------|---------------------------|---------------------|--------------------|--------------------|--------------------|
|                         |                     |                           |                     |                    | Fixed              | Variable(1)        |
|                         | (in thousands)      |                           |                     |                    |                    |                    |
| Commercial              | \$ 962,369          | \$ 287,695                | \$ 61,693           | \$1,311,757        | \$ 135,610         | \$ 213,778         |
| Commercial real estate  | 268,351             | 1,155,025                 | 180,783             | 1,604,159          | 884,922            | 450,886            |
| Construction            | 494,989             | 108,764                   | 9,715               | 613,468            | 41,088             | 77,391             |
| Personal(2)             | 197,542             | 48,738                    | 1,182               | 247,462            | 38,894             | 11,026             |
| Residential real estate | 23,812              | 15,338                    | 226,316             | 265,466            | 24,190             | 217,464            |
| Home equity             | 16,160              | 95,609                    | 23,714              | 135,483            | —                  | 119,323            |
| Total loans             | <u>\$1,963,223</u>  | <u>\$ 1,711,169</u>       | <u>\$503,403</u>    | <u>\$4,177,795</u> | <u>\$1,124,704</u> | <u>\$1,089,868</u> |

(1) Includes adjustable rate mortgage products.

(2) Total includes \$11,000 of overdrafts.

The following table sets forth the composition of our construction and commercial real estate loan portfolio, net of unearned discount, by property type and collateral location at December 31, 2007. Construction loans totaled \$613.5 million and commercial real estate loans totaled \$1.6 billion at December 31, 2007.

| Loan Type                                     | Collateral Location |             |              |             |             |             | Loan Type<br>as a % of total |
|---|---------------------|-------------|--------------|-------------|-------------|-------------|------------------------------|
|   | IL                  | MO          | MI           | WI          | GA          | Other       |                              |
| Construction:                                 |                     |             |              |             |             |             |                              |
| Residential 1-4 Family                        | 7.0%                | 1.9%        | 0.5%         | 0.2%        | 3.0%        | 0.4%        | 13.0%                        |
| Multi-Family                                  | 1.6%                | 0.2%        | 0.2%         | 0.1%        | 0.0%        | 0.1%        | 2.2%                         |
| Other   | 6.6%                | 0.9%        | 0.4%         | 1.1%        | 0.0%        | 1.5%        | 10.5%                        |
| Total Construction                            | 15.2%               | 3.0%        | 1.1%         | 1.4%        | 3.0%        | 2.0%        | 25.7%                        |
| Commercial Real Estate:                       |                     |             |              |             |             |             |                              |
| Vacant Land                                   | 14.0%               | 2.1%        | 2.9%         | 0.5%        | 1.7%        | 1.6%        | 22.8%                        |
| Residential 1-4 Family                        | 4.4%                | 0.9%        | 0.0%         | 0.4%        | 0.0%        | 1.4%        | 7.1%                         |
| Multi-Family                                  | 7.6%                | 0.7%        | 0.6%         | 0.4%        | 0.2%        | 0.1%        | 9.6%                         |
| Mixed Use                                     | 2.6%                | 1.1%        | 1.1%         | 0.1%        | 1.1%        | 0.2%        | 6.2%                         |
| Office  | 4.5%                | 1.1%        | 1.9%         | 0.4%        | 0.9%        | 1.0%        | 9.8%                         |
| Warehouse                                     | 5.4%                | 0.1%        | 0.7%         | 0.2%        | 0.5%        | 0.7%        | 7.6%                         |
| Retail  | 3.1%                | 0.2%        | 2.2%         | 0.4%        | 0.6%        | 0.6%        | 7.1%                         |
| Other   | 2.2%                | 0.1%        | 0.5%         | 0.0%        | 0.4%        | 0.9%        | 4.1%                         |
| Total Commercial Real Estate                  | 43.8%               | 6.3%        | 9.9%         | 2.4%        | 5.4%        | 6.5%        | 74.3%                        |
| Total Construction and Commercial Real Estate | <u>59.0%</u>        | <u>9.3%</u> | <u>11.0%</u> | <u>3.8%</u> | <u>8.4%</u> | <u>8.5%</u> | <u>100.0%</u>                |

### Allowance for Loan Losses

Loan quality is monitored by management and reviewed by the committees of the Board of Directors at our regular board meetings. The amount of additions to the allowance for loan losses, which is charged to earnings through the provision for loan losses, is determined based on a variety of factors, including assessment of the credit risk of the loans in the portfolio, delinquent loans, impaired loans, evaluation of current economic conditions in the market area, actual charge-offs and recoveries during the period, industry loss averages and historical loss experience. The unallocated portion of the reserve involves the exercise of judgment by management and reflects various considerations, including management's view that the reserve should have a margin that recognizes the imprecision inherent in the process of estimating credit losses.

We maintain an allowance for loan losses sufficient to absorb credit losses inherent in our loan portfolio. The allowance for loan losses represents our estimate of probable losses in the portfolio at each balance sheet date and is supported by available and relevant information. The allowance contains provisions for probable losses that have been identified relating to specific borrowing relationships, as well as probable losses inherent in the loan portfolio and credit undertakings that are not specifically identified. Management's application of the methodology for determining the allowance for loan losses resulted in an allowance for loan losses of \$48.9 million at December 31, 2007 compared with \$38.1 million at December 31, 2006. The increase in the allowance for loan losses from December 31, 2006 reflects management's judgment about the comprehensive risk of lending in our various markets, the addition of new lending personnel as well as strong loan growth from all offices in 2007. We believe that the allowance for loan losses is adequate to provide for probable and reasonably estimable credit losses inherent in our loan portfolio.

The allowance for loan losses as a percentage of total loans was 1.17% at December 31, 2007, up from 1.09% at December 31, 2006. Net charge-offs totaled \$6.1 million for the year ended December 31, 2007 compared to \$873,000 for the year ended December 31, 2006. The provision for loan losses was \$16.9 million for the twelve months ended December 31, 2007, versus \$6.8 million in the prior year period. The key factors in determining the level of provision is our historical and anticipated charge-off rates and an analysis of credit ratings on the loans in our portfolio.

The following table shows changes in the allowance for loan losses resulting from additions to the allowance, loan charge-offs and recoveries for each of the periods shown.

|  | December 31,           |             |             |             |             |
|--|------------------------|-------------|-------------|-------------|-------------|
|  | 2007                   | 2006        | 2005        | 2004        | 2003        |
|  | (dollars in thousands) |             |             |             |             |
| Balance at beginning of period                           | \$ 38,069              | \$ 29,388   | \$ 18,986   | \$ 15,100   | \$ 11,585   |
| <i>Loan charge-offs:</i>                                 |                        |             |             |             |             |
| Commercial   | (2,668)                | (976)       | (305)       | (363)       | (963)       |
| CRE  | (1,918)                | —           | —           | —           | —           |
| Construction   | (1,347)                | —           | —           | —           | —           |
| Personal   | (383)                  | (49)        | (233)       | (803)       | (255)       |
| Residential Real Estate                                  | —                      | —           | —           | —           | —           |
| Home Equity  | —                      | —           | —           | —           | —           |
| Total loan charge-offs                                   | (6,316)                | (1,025)     | (538)       | (1,166)     | (1,218)     |
| <i>Loan recoveries:</i>                                  |                        |             |             |             |             |
| Commercial   | 168                    | 97          | 207         | 647         | 230         |
| CRE  | 1                      | —           | —           | —           | —           |
| Construction   | —                      | —           | —           | —           | —           |
| Personal   | 35                     | 55          | 581         | 6           | 130         |
| Residential Real Estate                                  | —                      | —           | —           | —           | —           |
| Home Equity  | —                      | —           | —           | —           | —           |
| Total loan recoveries                                    | 204                    | 152         | 788         | 653         | 360         |
| Net loan (charge-offs) recoveries                        | (6,112)                | (873)       | 250         | (513)       | (858)       |
| Provision for loan losses                                | 16,934                 | 6,836       | 6,538       | 4,399       | 4,373       |
| Addition of The PrivateBank – Michigan loan loss reserve | —                      | —           | 3,614       | —           | —           |
| Addition of The PrivateBank – Georgia loan loss reserve  | —                      | 2,718       | —           | —           | —           |
| Balance at end of period                                 | \$ 48,891              | \$ 38,069   | \$ 29,388   | \$ 18,986   | \$ 15,100   |
| Average total loans                                      | \$3,676,558            | \$2,959,124 | \$2,077,000 | \$1,399,849 | \$1,075,344 |
| Net charge-offs (recoveries) to average total loans      | 0.17%                  | 0.03%       | (0.01)%     | 0.04%       | 0.08%       |



The following table shows our allocation of the allowance for loan losses by specific category at the dates shown:

| Allocation of the Allowance for Loan Losses | December 31, |                                   |          |                                   |          |                                   |          |                                   |          |                                   |
|---|--------------|-----------------------------------|----------|-----------------------------------|----------|-----------------------------------|----------|-----------------------------------|----------|-----------------------------------|
|   | 2007         |                                   | 2006     |                                   | 2005     |                                   | 2004     |                                   | 2003     |                                   |
|   | Amount       | % of allowance to total allowance | Amount   | % of allowance to total allowance | Amount   | % of allowance to total allowance | Amount   | % of allowance to total allowance | Amount   | % of allowance to total allowance |
| (dollars in thousands)                      |              |                                   |          |                                   |          |                                   |          |                                   |          |                                   |
| Allocated Inherent Reserve:                 |              |                                   |          |                                   |          |                                   |          |                                   |          |                                   |
| Commercial                                  | \$ 8,375     | 17%                               | \$ 5,984 | 16%                               | \$ 6,453 | 22%                               | \$ 3,277 | 17%                               | \$ 2,295 | 15%                               |
| Commercial real estate                      | 22,909       | 47%                               | 19,570   | 50%                               | 12,975   | 44%                               | 8,446    | 44%                               | 7,004    | 47%                               |
| Construction                                | 9,966        | 20%                               | 7,509    | 20%                               | 4,686    | 16%                               | 2,659    | 14%                               | 2,227    | 15%                               |
| Personal                                    | 2,229        | 5%                                | 1,877    | 5%                                | 1,714    | 6%                                | 736      | 4%                                | 741      | 5%                                |
| Residential real estate                     | 360          | 1%                                | 479      | 1%                                | 419      | 1%                                | 222      | 1%                                | 191      | 1%                                |
| Home equity                                 | 202          | 0%                                | 218      | 1%                                | 277      | 1%                                | 298      | 2%                                | 262      | 2%                                |
| Allocated Inherent Reserve                  | 44,041       | 90%                               | 35,637   | 93%                               | 26,524   | 90%                               | 15,638   | 82%                               | 12,720   | 85%                               |
| Specific Reserve                            | 2,964        | 6%                                | 291      | 1%                                | —        | —                                 | 1,669    | 9%                                | 2,006    | 13%                               |
| Unallocated Inherent Reserve                | 1,886        | 4%                                | 2,141    | 6%                                | 2,864    | 10%                               | 1,679    | 9%                                | 374      | 2%                                |
| Total Reserve for Credit Losses             | \$48,891     | 100%                              | \$38,069 | 100%                              | \$29,388 | 100%                              | \$18,986 | 100%                              | \$15,100 | 100%                              |

We considered various qualitative and quantitative factors about the loan portfolio in determining the level of the allowance for loan losses. Under our methodology, the allowance for loan losses is comprised of the following components:

#### ***Allocated Inherent Component of the Reserve***

The allocated portion of the allowance for loan losses is based on loan type and allocated by loan risk within each loan type. The Company assigns each of its loans a risk rating at the time of loan origination and either confirms or changes the risk rating at the time of subsequent reviews, loan renewals or upon default. The loss allocations are based on a combination of a historical analysis of the Company's losses and adjustment factors deemed relevant by management. The adjustment factors take into account banking industry-wide loss statistics, current facts and circumstances, and long-term economic trends.

The allocated inherent component of the reserve increased by \$8.4 million during 2007, from \$35.6 million at December 31, 2006 to \$44.0 million at December 31, 2007. The increase in the allocated portion of the reserve reflects higher loan volumes in every category, particularly commercial loans.

#### ***Specific Component of the Reserve***

For loans where management deems either the amount or the timing of the repayment to be significantly impaired, there are specific reserve allocations established. The specific reserve is based on a loan's current value compared to the present value of its projected future cash flows, collateral value or market value, as is relevant for the particular loan pursuant to SFAS 114, "Accounting by Creditors for Impairment of a Loan." At December 31, 2007, after taking into account \$6.1 million in net charge offs during the year, the specific component of the reserve increased by \$8.8 million to \$3.0 million from \$291,000 at December 31, 2006.

### **Unallocated Inherent Components of the Reserve**

The unallocated inherent component of the reserve is based on management's review of other factors affecting the determination of probable losses inherent in the portfolio, which are not necessarily captured by the application of loss and loss adjustment factors. This portion of the reserve analysis involves the exercise of judgment and reflects consideration such as management's view that the reserve should have a margin that recognizes the imprecision inherent in the process of estimating credit losses.

The unallocated inherent component of the reserve decreased by \$255,000 for 2007, from \$2.1 million at December 31, 2006 to \$1.9 million at December 31, 2007. In early 2007, we decreased the unallocated component of our reserve due to our judgment that all problem loans had been identified and were specifically reserved for. As credit quality deteriorated throughout the second, third and fourth quarters, we increased our unallocated reserves to \$1.9 million at December 31, 2007.

### **Non-performing Loans**

The following table classifies our non-performing loans as of the dates shown:

|   | December 31,           |          |         |         |         |
|---|------------------------|----------|---------|---------|---------|
|   | 2007                   | 2006     | 2005    | 2004    | 2003    |
|   | (dollars in thousands) |          |         |         |         |
| Non-accrual loans                           | \$38,983               | \$ 3,770 | \$ 663  | \$1,090 | \$ 36   |
| Loans past due 90 days or more and accruing | 53                     | 5,137    | 280     | 1,438   | 1,088   |
| Total non-performing loans                  | 39,036                 | 8,907    | 943     | 2,528   | 1,124   |
| OREO  | 9,265                  | 1,101    | 393     | —       | —       |
| Total non-performing assets                 | \$48,301               | \$10,008 | \$1,336 | \$2,528 | \$1,124 |
| Non-accrual loans to total loans            | 0.93%                  | 0.11%    | 0.03%   | 0.07%   | 0.00%   |
| Total non-performing loans to total loans   | 0.93%                  | 0.25%    | 0.04%   | 0.15%   | 0.09%   |
| Total non-performing assets to total assets | 0.97%                  | 0.23%    | 0.04%   | 0.10%   | 0.06%   |

It is our policy to discontinue the accrual of interest income on any loan for which there exists reasonable doubt as to the payment of interest or principal. Non-accrual loans are returned to an accrual status when the financial position of the borrower indicates there is no longer any reasonable doubt as to the payment of principal or interest.

Other than those loans reflected in the table above, we had no significant loans for which the terms had been renegotiated or restructured, or for which there were serious doubts as to the ability of the borrower to comply with repayment terms.

**Potential Problem Loans.** In addition to those loans reflected in the table above, we may identify some loans through our problem loan identification process which exhibit a higher than normal credit risk. Loans in this category include loans with characteristics such as past maturity more than 90 days, those that have recent adverse operating cash flow or balance sheet trends, or loans that have general risk characteristics that management believes might jeopardize the future timely collection of principal and interest payments. The balance in this category at any reporting period can fluctuate based on the timing of cash collections, renegotiations and renewals. At December 31, 2007, there were no potential problem loans that are not included above as non-accrual or past due.

Non-performing loans include non-accrual loans and accruing loans which are 90 days or more delinquent. Loans in this category include those with characteristics such as past maturity more than 90 days, those that have interest payments past due more than 90 days, those that have recent adverse operating cash flow or balance sheet trends, or loans that have general risk characteristics that management believes might jeopardize the future timely collection of principal and interest payments.

As a result of the general weakening of the housing market and the deterioration of many residential real estate development loans, non-accrual loans were \$39.0 million at December 31, 2007 as compared to \$3.8 million at December 31, 2006 and \$663,000 at December 31, 2005. Non-accrual loans at December 31, 2007 were comprised of \$11.0 million of loans at The PrivateBank – Chicago, \$12.4 million at The PrivateBank – St. Louis, \$10.3 million at The PrivateBank – Georgia and \$5.3 million at The PrivateBank – Michigan. At December 31, 2007, there were 66 loans classified as non-accrual with an average balance of \$591,000. The average annualized balance of total non-accrual loans was \$18.7 million at December 31, 2007 compared to \$1.8 million at December 31, 2006. Annualized interest income foregone on non-accrual loans was approximately \$1.4 million for the twelve months ended December 31, 2007 compared to \$136,000 for the prior year period.

Accruing loans delinquent over 90 days were \$53,000 at December 31, 2007 compared to \$5.1 million at December 31, 2006. Of the \$39.0 million in non-performing loans, 34% are commercial real estate loans, 35% are construction loans, 23% are commercial and industrial loans, 6% are personal loans and the remaining 2% are residential real estate loans.

Non-performing assets to total assets were 0.97% at December 31, 2007, compared to 0.23% at December 31, 2006 and 0.04% at December 31, 2005. Of \$48.3 million in total non-performing assets at the end of 2007, 27% are located in the Chicago market, 36% are located in the St. Louis market, 14% are in Michigan and 23% are located in Georgia. Of total non-performing assets, 34% are commercial real estate, 36% are construction, 20% are commercial and industrial, and the remaining 10% are classified as residential real estate and personal.

At December 31, 2007, the Company owned \$9.3 million in OREO property compared to \$1.1 million at December 31, 2006. The \$9.3 million of OREO property at December 31, 2007 is comprised of \$4.5 million of property at The PrivateBank – St. Louis, \$2.1 million at The PrivateBank – Chicago, \$1.5 million at The PrivateBank – Michigan, and \$1.1 million at The PrivateBank – Georgia. At December 31, 2007, OREO was comprised of 38% 1-4 residential properties, 26% commercial properties, 22% vacant land zoned for residential development, 7% vacant land zoned for commercial development, and the remaining 7% multi-family and mixed use properties. At December 31, 2007, the Company owned 27 properties which had an average value of \$343,000. OREO is included in other assets on the balance sheet and we carry OREO at the fair value less estimated costs to sell the property. For the year ended December 31, 2007, we expensed \$2.2 million associated with the disposition of OREO property.

*Loan Concentrations.* Loan concentrations are considered to exist when amounts are loaned to a multiple number of borrowers engaged in similar activities, which would cause them to be similarly impacted by economic or other conditions. At December 31, 2007, commercial real estate loans and multi-family commercial real estate loans comprised 38% of our total loan portfolio of \$4.2 billion. Within this segment, loans secured by vacant land were 12% of the total loan portfolio. The majority of these loans have a take out commitment, a financially strong guarantor, or both. Commercial real estate typically involves higher loan principal amounts, and the repayment of these loans generally is dependant, in large part, on the successful operation of the property securing the loan or the business conducted on the property securing the loan. These loans may be more adversely affected by general conditions in the real estate markets or in the economy.

Commercial loans, including owner occupied commercial real estate, of \$1.3 billion comprise 32% of our total loan portfolio. These loans are to a diverse group of businesses and are mostly secured and/or guaranteed. While we consider ourselves cash flow lenders, we structure the majority of our loans with multiple sources of repayment. With respect to the remaining portion of the loan portfolio, there were no concentrations of loans by collateral type that exceeded 10% of the total loan portfolio.

Construction loans totaled \$613.5 million, or 15%, of our total loan portfolio. Approximately 49% of these loans were for the construction of 1-4 unit residential dwellings. We have developed long-standing relationships with known builders and limit the amount of lending for speculative home building projects

by developer as well as a percentage of the overall portfolio. With few exceptions our construction lending is with recourse to the owner/developer. These loans are secured by the underlying project and the progress of the project and collateral values are closely monitored. These loans may be more adversely affected by general conditions in the real estate markets or in the economy.

Due to our size and regional locations, our loans are geographically concentrated to borrowers residing in and secured by collateral located within the greater metropolitan areas of Chicago, Detroit, St. Louis, Atlanta and Milwaukee. Our geographic concentration in the Chicago metropolitan area lessened from the previous year with the continued growth of The PrivateBank in our other markets. As we seek to expand our footprint in new markets, we believe the geographic concentration in Chicago will continue to lessen.

## **Investment Securities**

Investments are comprised of debt securities, federal funds sold and equity investments. Our debt securities portfolio is primarily comprised of U.S. government agency obligations, municipal bonds, mortgage-backed pools and collateralized mortgage obligations. Federal funds sold are overnight investments in which, except for cash reserves, all remaining funds are invested. Our equity investments consist primarily of equity investments in FHLB (Des Moines), FHLB (Indianapolis), FHLB (Atlanta), and FHLB (Chicago).

All debt securities are classified as available-for-sale and may be sold as part of our asset/liability management strategy in response to changes in interest rates, liquidity needs or significant prepayment risk. Securities available-for-sale are carried at fair value, with related unrealized net gains or losses, net of deferred income taxes, recorded as an adjustment to equity capital. At December 31, 2007, reported stockholders' equity reflected unrealized securities gains net of tax of \$7.9 million. This represented an increase of \$2.0 million from unrealized securities gains net of tax of \$5.9 million at December 31, 2006.

Securities increased to \$538.7 million at December 31, 2007 an increase of 8% compared to \$496.8 million at December 31, 2006. We held \$4.0 million in U.S. government agency obligations at December 31, 2007, down from \$30.0 million held at December 31, 2006. U.S. government agency mortgage backed securities and collateralized mortgage obligations increased to \$302.1 million at December 31, 2007, compared to \$243.2 million at December 31, 2006. We held \$9.4 million corporate collateralized mortgage obligations at December 31, 2007, compared to none at December 31, 2006. Tax-exempt municipal securities were \$207.0 million at December 31, 2007 as compared to the year-end 2006 amount of \$211.0 million. At December 31, 2007, the Company's consolidated investment in Federal Home Loan Bank (FHLB) stock was \$7.7 million, compared to \$5.1 million at December 31, 2006. The FHLB stock held at December 31, 2007 was comprised of \$3.4 million of FHLB (Des Moines) stock, \$2.4 million of FHLB (Indianapolis) stock, \$1.7 million in FHLB (Atlanta) stock, and \$253,000 of FHLB (Chicago) stock. At December 31, 2007 we owned \$4.8 million in other securities, which consist of equity investments to fund civic and community projects, which qualify for CRA purposes.

The following table presents the components of our investment securities portfolio for the years presented:

|   | December 31,     |                  |
|---|------------------|------------------|
|   | 2007             | 2006             |
|   | (in thousands)   |                  |
| U.S. government agency obligations  | \$ 4,011         | \$ 30,022        |
| U.S. government agency mortgage backed securities and collateralized mortgage obligations | 302,110          | 243,240          |
| Corporate collateralized mortgage obligations   | 9,356            | —                |
| Tax exempt municipal securities   | 206,992          | 211,023          |
| Taxable municipal securities  | 3,802            | 3,809            |
| Federal Home Loan Bank stock  | 7,700            | 5,141            |
| Other   | 4,759            | 3,547            |
| Total   | <u>\$538,730</u> | <u>\$496,782</u> |

The following tables show, respectively, the effective maturities of investment securities (based upon the amortized cost), by category, as of December 31, 2007, and the weighted average yield (computed on a tax equivalent basis) for each range of maturities of securities, by category, as of December 31, 2007. For the mortgage backed securities and collateralized mortgage obligations categories, the effective maturity and weighted average yield are based upon mortgage prepayment estimates. Actual mortgage prepayments may vary due to changes in interest rates, economic conditions and other factors.

|  | Within<br>one year | From one<br>to five<br>years | From five<br>to ten<br>years | After ten<br>years | Securities<br>with no<br>stated<br>maturity | Total            |
|--|--------------------|------------------------------|------------------------------|--------------------|---|------------------|
|  | (in thousands)     |                              |                              |                    |   |                  |
| U.S. government agency obligations   | \$ 3,492           | \$ —                         | \$ —                         | \$ 499             | \$ —  | \$ 3,991         |
| U.S. government agency mortgage backed securities and collateralized mortgage obligation | 108,261            | 152,827                      | 33,683                       | 5,697              | —   | 300,468          |
| Corporate collateralized mortgage obligations  | —                  | —                            | —                            | 9,296              | —   | 9,296            |
| Tax exempt municipal securities(1)   | 382                | 67,093                       | 93,388                       | 35,336             | —   | 196,198          |
| Taxable municipal securities(2)  | —                  | 3,615                        | 175                          | —                  | —   | 3,790            |
| Federal Home Loan Bank stock(3)  | —                  | —                            | —                            | —                  | 7,700                                       | 7,700            |
| Other  | 1,762              | 2,994                        | —                            | —                  | —   | 4,757            |
| Total  | <u>\$113,897</u>   | <u>\$226,529</u>             | <u>\$127,246</u>             | <u>\$ 50,828</u>   | <u>\$ 7,700</u>                             | <u>\$526,200</u> |

|   | Within<br>one year | From one<br>to five<br>years | From five<br>to ten<br>years | After ten<br>years | Securities<br>with no<br>stated<br>maturity | Total        |
|---|--------------------|------------------------------|------------------------------|--------------------|---|--------------|
| U.S. government agency obligations  | 4.52%              | —                            | —                            | 4.45%              | —   | 4.51%        |
| U.S. government agency mortgage backed<br>securities and collateralized mortgage<br>obligations | 5.56%              | 5.23%                        | 4.81%                        | 5.53%              | —   | 5.31%        |
| Corporate collateralized mortgage obligations   | —                  | —                            | —                            | 5.18%              | —   | 5.18%        |
| Tax exempt municipal securities(1)  | 6.16%              | 7.27%                        | 6.87%                        | 7.38%              | —   | 7.10%        |
| Taxable municipal securities(2)   | —                  | 7.66%                        | 5.00%                        | —                  | —   | 7.54%        |
| Federal Home Loan Bank stock(3)   | —                  | —                            | —                            | —                  | 4.69%                                       | 4.69%        |
| Other   | 4.50%              | —                            | —                            | —                  | —   | 1.67%        |
| Total   | <u>5.52%</u>       | <u>5.82%</u>                 | <u>6.34%</u>                 | <u>6.76%</u>       | <u>4.69%</u>                                | <u>5.96%</u> |

(1) The weighted average yield reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35% and the yields are derived from the amortized cost basis of investment securities.

(2) The weighted average yield reflects a tax credit of 6.91%.

(3) We are required to maintain a ratio of 20:1 of FHLB borrowings to FHLB stock.

Insurance companies regularly provide credit enhancement to improve the credit rating and liquidity of a municipal bond issuance. Management considers the credit enhanced and underlying municipality credit rating when evaluating a purchase or sale decision. Considering the credit enhancement, greater than 90% of our municipal bonds are “AAA” rated by S&P or “Aaa” by Moody’s. The following table details the underlying credit rating of the municipal bonds as of December 31, 2007. 88% of these securities are general obligation bonds.

| Insurer                                     | 12/31/2007 Market Value by Underlying Rating |               |               |               |                | Total          |
|---|--|---------------|---------------|---------------|----------------|----------------|
|   | AAA  | AA            | A             | BBB or lower  | Non Rated      |                |
| Financial Security Assurance (FSA)          | \$ —   | \$16,596      | \$ 8,415      | \$ 3,687      | \$ 35,300      | \$ 63,998      |
| MBIA Inc, (MBIA)                            | —  | 10,536        | 13,983        | 1,787         | 27,601         | 53,907         |
| Financial Guarantee Insurance Co.<br>(FGIC) | —  | 2,899         | 14,118        | 5,181         | 17,794         | 39,992         |
| Ambac Financial Group (AMBAC)               | —  | 3,695         | 8,886         | 1,155         | 15,841         | 29,577         |
| Not Insured                                 | 3,819  | 10,447        | 821           | —             | 3,830          | 18,917         |
| Other                                       | —  | 306           | 736           | 361           | 3,000          | 4,403          |
|   | <u>3,819</u>                                 | <u>44,479</u> | <u>46,959</u> | <u>12,171</u> | <u>103,366</u> | <u>210,794</u> |

## Deposits and Funds Borrowed

Total deposits of \$3.8 billion as of December 31, 2007 represented an increase of 6% from \$3.6 billion as of December 31, 2006. Core deposits, which represent total deposits less brokered deposits, increased 9% to \$3.2 billion compared to \$3.0 billion at December 31, 2006. The slight increase in total deposits is due to an increase in other time deposit accounts, which increased 25% to \$1.2 million at December 31, 2007, compared to \$934,000 at the end of the prior year.

Brokered deposits were \$542.5 million at December 31, 2007, down \$46.9 million from \$589.3 million at December 31, 2006. Brokered deposits were 14% of total deposits at December 31, 2007 and 17% of total deposits at December 31, 2006. We have issued certain brokered deposits with call option

provisions, which provide us with the opportunity to redeem the certificates of deposits on a specified date prior to the contractual maturity date.

The following table presents the balances of deposits by category and each category as a percentage of total deposits at December 31, 2007 and 2006.

|                             | December 31,           |                  |             |                  |          |
|-----------------------------|------------------------|------------------|-------------|------------------|----------|
|                             | 2007                   |                  | 2006        |                  |          |
|                             | Balance                | Percent of Total | Balance     | Percent of Total | Variance |
|                             | (dollars in thousands) |                  |             |                  |          |
| Non-interest bearing demand | \$ 299,043             | 8%               | \$ 300,689  | 8%               | (1)%     |
| Savings                     | 12,309                 | 1                | 13,977      | 1                | (12)     |
| Interest-bearing demand     | 157,761                | 4                | 152,323     | 4                | 4        |
| Money market                | 1,581,863              | 42               | 1,561,103   | 44               | 1        |
| Brokered deposits           | 542,470                | 14               | 589,321     | 17               | (8)      |
| Other time deposits         | 1,167,692              | 31               | 933,600     | 26               | 25       |
| Total deposits              | \$3,761,138            | 100%             | \$3,551,013 | 100%             | 6%       |

The aggregate amounts of time deposits, in denominations of \$100,000 or more (including brokered deposits), by maturity, are shown below as of the dates indicated:

|                                | December 31,       |                    |
|--------------------------------|--------------------|--------------------|
|                                | 2007               | 2006               |
|                                | (in thousands)     |                    |
| Three months or less           | \$ 710,197         | \$ 562,643         |
| Over three through six months  | 256,337            | 317,859            |
| Over six through twelve months | 353,526            | 243,501            |
| Over twelve months             | 231,805            | 258,622            |
| Total                          | <u>\$1,551,865</u> | <u>\$1,382,625</u> |

Over the past several years, our clients have chosen to keep the maturities of their deposits short. We expect these short-term certificates of deposit to be renewed on terms and with maturities similar to those currently in place. In the event that certain of these certificates of deposits are not renewed and the funds are withdrawn from the banks, those deposits will be replaced with traditional deposits, brokered deposits, borrowed money or capital, or we will liquidate assets to reduce our funding needs.

The scheduled maturities of time deposits (including brokered deposits) as of December 31, 2007, for the years 2008 through 2012 and thereafter, are as follows:

| For year ending December 31, | (in thousands)      |
|------------------------------|---------------------|
| 1 <sup>st</sup> quarter 2008 | \$ 746,747          |
| 2 <sup>nd</sup> quarter 2008 | 283,458             |
| 3 <sup>rd</sup> quarter 2008 | 179,077             |
| 4 <sup>th</sup> quarter 2008 | 222,672             |
| 2009                         | 98,343              |
| 2010                         | 46,071              |
| 2011                         | 30,096              |
| 2012 and thereafter          | 103,698             |
| Total                        | <u>\$ 1,710,162</u> |

We continued to utilize brokered deposits as a source of funding for growth in our loan portfolio in 2007 and in 2008, we expect to continue to rely on brokered deposits as a method of funding growth. As of December 31, 2007, we held 14 outstanding brokered deposits containing unexercised call provisions.



We have brokered deposits with approximately 12 different brokers and we receive periodic information from other brokers regarding potential deposits.

The scheduled maturities of brokered deposits, net of unamortized prepaid broker commissions, as of December 31, 2007, for each quarter in 2008, and for the years 2009 through 2012 and thereafter, are as follows:

**Scheduled Maturities of Brokered Deposits  
net of unamortized prepaid brokered commissions  
at December 31, 2007**

| <u>Maturity Date</u>  | <u>Rate(1)</u> | <u>12/31/2007</u><br><u>(in thousands)</u> |
|---|----------------|--|
| 1 <sup>st</sup> quarter 2008(2)   | 4.97%          | \$ 166,580                                 |
| 2 <sup>nd</sup> quarter 2008  | 5.04%          | 74,768                                     |
| 3 <sup>rd</sup> quarter 2008  | 5.07%          | 48,291                                     |
| 4 <sup>th</sup> quarter 2008  | 4.87%          | 103,369                                    |
| 2009(3)   | 4.76%          | 51,813                                     |
| 2010-2011(4)  | 4.48%          | 10,585                                     |
| 2012 and thereafter(5)(6)   | 5.17%          | 88,679                                     |
| Unamortized prepaid broker commissions  |                | (1,615)                                    |
| <b>Total brokered deposits, net of unamortized prepaid broker commissions</b> |                | <b>\$ 542,470</b>                          |

(1) Represents the all-in rate of each brokered deposit.

(2) This tranche includes one callable deposit: a \$14.8 million brokered deposit with a maturity date of 3/26/2008, which is callable monthly.

(3) This tranche includes two callable deposits: a \$4.9 million brokered deposit with a maturity of 6/12/2009, which is callable monthly and a \$5.0 million brokered deposit with a maturity date of 8/11/2009 callable monthly.

(4) This tranche includes one callable deposit: a \$1.6 million brokered deposit with a maturity date of 5/19/2010, which is callable quarterly.

(5) This tranche includes several callable deposits: a \$3.4 million brokered deposit with a maturity date of 11/19/2012 callable semi-annually; a \$9.6 million brokered deposit with a maturity date of 2/11/2013 callable monthly; a \$9.8 million brokered deposit with a maturity date of 1/21/2014 callable monthly; a \$9.8 million brokered deposit with a maturity date of 12/17/2014 callable monthly; a \$6.8 million brokered deposit with a maturity of 1/28/2015 callable semi-annually; a \$11.2 million brokered deposit with a maturity date of 2/27/2019 callable monthly; \$8.9 million brokered deposit with a maturity date of 3/12/2024 callable semi-annually; a \$7.2 million brokered deposit with a maturity date of 4/23/2024 callable monthly; and a \$6.2 million brokered deposit with a maturity date of 6/30/2025, callable semi-annually.

(6) This segment includes a zero coupon brokered deposit with a maturity date of 3/18/2024, an effective yield of 5.30% and callable semi-annually.

Membership in the FHLB system gives us the ability to borrow funds from the FHLB (Des Moines), the FHLB (Indianapolis), the FHLB (Atlanta), and the FHLB (Chicago) (the "FHLBs") under a variety of programs. We have periodically used the services of the FHLB for funding needs and other correspondent services. The PrivateBank – Wisconsin became a member of the FHLB (Chicago) in the fourth quarter 2007 and is allowed to borrow funds and participate in other programs of the FHLB, despite The PrivateBank – Chicago's withdrawal as a member of the FHLB (Chicago) during the second quarter 2006. In 2006, the Company sold and paid off its outstanding FHLB (Chicago) advances prior to its withdrawal and The PrivateBank – Chicago will not have access until 2011 to advances from the

FHLB (Chicago). We anticipate that we will continue to be members of, and to take advantage of the programs offered by, the FHLBs through our other subsidiary banks.

During 2007 we increased our reliance on FHLB borrowings to \$133.5 at December 31, 2007, compared to \$83.5 million at December 31, 2006. At December 31, 2007, our FHLB borrowings consisted of \$67.0 million from the FHLB (Indianapolis), \$27.5 million from the FHLB (Atlanta), and \$39.0 million from the FHLB (Des Moines). There were no FHLB borrowings from the FHLB (Chicago) at December 31, 2007. The FHLB requires us to pledge collateral in connection with obtaining FHLB advances. Our pledged collateral consists of residential real estate loans and certain qualifying multi-family loans and investment securities.

The following table presents detail on our short-term borrowings for the years shown. For a detailed listing of all funds borrowed, see Note 9 to the financial statements:

**Additional information for short-term borrowings  
(dollars in thousands):**

|   | 2007      | 2006      | 2005      |
|---|-----------|-----------|-----------|
| Average balance outstanding                                 | \$152,012 | \$127,535 | \$221,469 |
| Maximum amount outstanding at any month-end during the year | 321,090   | 387,271   | 259,643   |
| Balance outstanding at end of year                          | 275,044   | 180,978   | 174,950   |
| Weighted average interest rate during year                  | 3.81%     | 3.85%     | 3.08%     |
| Weighted average interest rate at end of year               | 4.13%     | 3.81%     | 3.50%     |

The following table shows the maximum availability for and usage of FHLB advances and letters of credit for The PrivateBank – St. Louis, The PrivateBank – Michigan, and The PrivateBank – Georgia.

| Date                        | Maximum<br>Availability | Usage    |
|-----------------------------|-------------------------|----------|
|                             | (in thousands)          |          |
| As of December 31, 2007:    |                         |          |
| The PrivateBank – Georgia   | \$ 50,450               | \$27,500 |
| The PrivateBank – St. Louis | 42,263                  | 39,000   |
| The PrivateBank – Michigan  | 226,006                 | 67,000   |
| As of December 31, 2006:    |                         |          |
| The PrivateBank – Georgia   | \$ 35,550               | \$22,500 |
| The PrivateBank – St. Louis | 29,352                  | 16,000   |
| The PrivateBank – Michigan  | 205,592                 | 45,000   |

We 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, 2007 and 2006, we had approximately \$397.3 million and \$359.5 million, respectively, of securities collateralizing such public deposits. Deposits requiring pledged assets are not considered to be core deposits for regulatory purposes and the assets that are pledged as collateral for these deposits are not deemed to be liquid assets.

### Market and Interest Rate Risk

Market risk is the potential for loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, currency exchange rates, or equity prices. Interest rate risk is our primary market risk and results from timing differences in the repricing of assets and liabilities and changes in relationships between rate indices. The Asset/Liability Committee (ALCO) is responsible for reviewing the interest rate sensitivity position and establishing policies to monitor and limit exposure to interest rate risk. The guidelines established by ALCO are reviewed by the Investment Committee of the Company's Board of Directors. The Company did not have any material equity price risk or foreign currency exchange rate risk at December 31, 2007.

We are exposed to market risk from changes in interest rates that could affect our results of operations and financial condition. We manage our exposure to these market risks through our regular operating and financing activities. We have used derivatives in past years as a risk management tool and may use such instruments in the future; however we currently do not have any such instruments in our balance sheet.

Changes in market rates give us the opportunity to make changes to our investment security portfolio as part of the implementation of our asset liability management strategies. In 2006 and 2007 we modestly repositioned our portfolio to moderate and balance our exposure to prepayment risks in our mortgage securities portfolio. Our net interest margin decreased to 3.17% during 2007, as compared to 3.46% at December 31, 2006. During 2006 and 2007, our costs on wholesale funds, short-term borrowings and deposits outpaced the increase in earning asset yields due to the shape of the yield curve. Approximately 66% of the loan portfolio is indexed to the prime rate of interest or otherwise adjusts with other short-term interest rates.

We have not changed our interest rate risk management strategy from the prior year and do not foresee or expect any significant changes in our exposure to interest rate fluctuations, but we will continue to consider the use of interest rate swaps on our debt obligations in the future depending on changes in market rates of interest.

### **Capital Resources**

Stockholders' equity increased to \$500.8 million at December 31, 2007, an increase of \$203.7 million from \$297.1 million of stockholders' equity at December 31, 2006 due primarily to the sale of 5,581,680 shares of common stock, and 1,428,074 shares of a newly created class of nonvoting convertible preferred stock in a private placement offering completed on December 11, 2007. The convertible preferred shares have the same economic terms as the common shares in all material respects, except that the preferred shares have no voting rights. The Company used the proceeds from the sale of the shares for working capital and general corporate purposes, including the support of the Strategic Growth Plan. The aggregate number of common and preferred shares issued represents 23.5% of the Company's common stock outstanding after the offering (assuming conversion of the preferred stock) and an increase in stockholders' equity of \$154.6 million.

The Company and its banking subsidiaries are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors, and the regulators can lower classifications in certain areas. Failure to meet various capital requirements can initiate regulatory action that could have a direct material effect on the financial statements.

The prompt corrective action regulations provide five classifications: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If a banking subsidiary is not "well capitalized," regulatory approval is required to issue brokered deposits. If undercapitalized, capital distributions are limited as is asset growth and expansion and plans for capital restoration are required.

The following table sets forth our consolidated regulatory capital amounts and ratios as of December 31, 2007 and 2006:

|                                     | December 31, |                             |                |           |                             |                |
|-------------------------------------|--------------|-----------------------------|----------------|-----------|-----------------------------|----------------|
|                                     | 2007         |                             |                | 2006      |                             |                |
|                                     | Capital      | "Well-capitalized" Standard | Excess Capital | Capital   | "Well-capitalized" Standard | Excess Capital |
| <b>Dollar basis (in thousands):</b> |              |                             |                |           |                             |                |
| Leverage capital                    | \$494,095    | \$ 225,953                  | \$268,142      | \$287,889 | \$ 191,691                  | \$96,198       |
| Tier 1 risk-based capital           | 494,095      | 260,310                     | 233,785        | 287,889   | 214,324                     | 73,565         |
| Total risk-based capital            | 615,881      | 433,850                     | 182,031        | 366,870   | 357,207                     | 9,663          |
| <b>Percentage basis:</b>            |              |                             |                |           |                             |                |
| Leverage ratio                      | 10.93%       | 5.00%                       |                | 7.51%     | 5.00%                       |                |
| Tier 1 risk-based capital ratio     | 11.39        | 6.00                        |                | 8.06      | 6.00                        |                |
| Total risk-based capital ratio      | 14.20        | 10.00                       |                | 10.36     | 10.00                       |                |
| Total equity to total assets        | 10.04        | —                           |                | 6.97      | —                           |                |

To be considered "well capitalized," an entity must maintain a leverage ratio of at least 5.0%, a Tier 1 risk-based capital ratio of at least 6.0%, and a total risk-based capital ratio of at least 10.0%. To be "adequately capitalized," an entity must maintain a leverage ratio of at least 4.0%, a Tier 1 risk-based capital ratio of at least 4.0%, and a total risk-based capital ratio of at least 8.0%. At December 31, 2007, the Company, The PrivateBank – Chicago, The PrivateBank – St. Louis, The PrivateBank – Michigan, The PrivateBank – Wisconsin and The PrivateBank – Georgia exceeded the minimum levels of all regulatory capital requirements, and were considered "well capitalized" under regulatory standards.

From time to time the Company may choose to repurchase the Company's common stock. Under the Company's buy-back program, the maximum number of shares that the Company may repurchase is 286,800. This number does not include shares reacquired by the Company in payment of the exercise price and/or withholding taxes in connection with the exercise of certain employee/director stock options. During 2007 we repurchased 235,397 shares with a value of \$35.28 per share.

As of December 31, 2007, all of the Company's \$101.0 million of outstanding Junior Subordinated deferrable interest Debentures held by trusts that issued guaranteed capital debt securities ("Debentures") are included in Tier 1 capital. The Tier 1 qualifying amount is limited to 25% of Tier 1 capital under Federal Reserve regulations. Please refer to Note 10 to the financial statements for a full description of our Debentures and contingent convertible senior notes.

## Liquidity Risk Management

The objectives of liquidity risk management are to ensure that the Company can meet its cash flow requirements and capitalize on business opportunities in a timely and cost effective manner. Liquidity management involves forecasting funding requirements and maintaining sufficient capacity to meet our clients' needs and accommodate fluctuations in asset and liability levels due to changes in our business operations or unanticipated events. Liquidity is secured by managing the mix of items on the balance sheet and expanding potential sources of liquidity.

We manage liquidity at two levels: at the holding company level and at the bank subsidiary level. The management of liquidity at both levels is essential because the holding company and banking subsidiaries each have different funding needs and sources. Liquidity management is guided by policies formulated and monitored by our senior management and the banks' asset/liability committees, which take into account the marketability of assets, the sources and stability of funding, the level of unfunded commitments and potential future loan growth.

We also develop and maintain contingency funding plans, which evaluate our liquidity position under various operating circumstances and allow us to ensure that we would be able to operate through a period of stress when access to normal sources of funding is constrained. The plans project funding requirements during a potential period of stress, specify and quantify sources of liquidity, outline actions and procedures for effectively managing through the problem period, and define roles and responsibilities. The plans are reviewed and approved annually by the Asset Liability Committee.

Our bank subsidiaries' principal sources of funds are client deposits, wholesale market-based borrowings and capital contributions by the Company. The bank subsidiaries' also anticipate the availability of large institutional deposits as a key funding source in 2008. Our bank subsidiaries' principal uses of funds include funding growth in the core asset portfolios, including loans, and to a lesser extent, our investment portfolio, which is used primarily to manage interest rate and liquidity risk. The primary sources of funding for the holding company include dividends received from its bank subsidiaries, and proceeds from the issuance of senior, subordinated and convertible debt, as well as equity. Primary uses of funds for the parent company include repayment of maturing debt, share repurchases, dividends paid to stockholders, interest paid to our debt holders and subsidiary funding through capital and/or debt.

Our core deposits, the most stable source of liquidity due to the nature of long-term relationships generally established with our clients, are available to provide long-term liquidity for our bank subsidiaries. At December 31, 2007, 61.5% of our total assets were funded by core deposits, compared to 62.8% at December 31, 2006. Core deposits for purposes of this ratio are defined to include all deposits, including time deposits, but excluding brokered deposits and public funds. Time deposits are included as core deposits since these deposits have historically not been volatile deposits for us.

While we first look toward internally generated deposits as a funding source, we continue to utilize wholesale funding sources, including brokered deposits, in order to enhance liquidity and to fund our loan growth. In 2008, we expect to continue to rely on brokered deposits as an alternative method of funding growth. Our asset/liability management policy currently limits our use of brokered deposits to levels no more than 40% of total deposits. We do not expect our 40% threshold limitation to encumber our ability to implement our growth plan. Over the past three years, we have reduced our reliance on brokered deposits given strong growth rates in core deposits. Due to our expected accelerated loan growth, and the usual lag between funding that loan growth and capturing core deposits, we expect our 2008 brokered deposit to total deposit levels to increase beyond the levels reflected in the last several years. Brokered deposits declined to 14% of total deposits at December 31, 2007, compared to 17% of total deposits at December 31, 2006.

Liquid assets refer to cash on hand, federal funds sold, as well as available-for-sale securities. Net liquid assets represent the sum of the liquid asset categories less the amount of assets pledged to secure public funds and certain deposits that require collateral. At December 31, 2007, net liquid assets at the bank subsidiaries were \$219.3 million, compared to \$229.5 million at December 31, 2006, and \$331.6 million at December 31, 2005.

Net cash inflows provided by operations were \$44.6 million for the year ended December 31, 2007 compared to \$29.3 million for the year ended December 31, 2006. Net cash outflows from investing activities were \$731.0 million for the year ended December 31, 2007, compared to \$486.3 million for prior year. Cash inflows from financing activities for the year ended December 31, 2007 were \$671.6 million compared to a net inflow of \$474.5 million in 2006.

In the event of short-term liquidity needs, each of the banks may purchase federal funds from correspondent banks. At December 31, 2007, our total availability of overnight fed funds borrowings was \$490.0 million, of which we had \$226.0 million outstanding. Our total availability of overnight fed funds borrowings is not a committed line of credit, and is dependent upon lender availability. In addition, we currently have available borrowing capacity of \$24.75 million under our \$25.0 million credit facility with LaSalle Bank. We utilize this credit facility from time to time for general business purposes.

## **Impact of Inflation**

Our consolidated financial statements and the related notes thereto included in this report have been prepared in accordance with generally accepted accounting principles and practices within the banking industry. Under these principles and practices, we are required to measure our financial position in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Unlike many industrial companies, virtually all of our assets and liabilities are monetary in nature. As a result, interest rates have a more significant impact on our performance than the general level of inflation. Over short periods of time, interest rates may not necessarily move in the same direction or in the same magnitude as inflation.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As a continuing part of our financial strategy, we attempt to manage the impact of fluctuations in market interest rates on our 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 policy is established by our investment committee of our Board of Directors and is monitored by management. Our asset/liability management policy sets standards within which we are expected to operate. These standards include guidelines for exposure to interest rate fluctuations, liquidity, loan limits as a percentage of funding sources, exposure to correspondent banks and brokers, and reliance on non-core deposits. The policy also states our reporting requirements to our Board of Directors. The investment policy complements the asset/liability management policy by establishing criteria by which we may purchase securities. These criteria include approved types of securities, brokerage sources, terms of investment, quality standards, and diversification.

One way to estimate the potential impact of interest rate changes on our income statement is a gap analysis. The gap represents the net position of assets and liabilities subject to repricing in specified time periods. During any given time period, if the amount of rate sensitive liabilities exceeds the amount of rate sensitive assets, a company would generally be considered negatively gapped and would benefit from falling rates over that period of time. Conversely, a positively gapped company would generally benefit from rising rates.

We have structured our assets and liabilities to mitigate the risk of either a rising or falling interest rate environment. We manage our gap position at the one-year horizon. Depending upon our assessment of economic factors such as the magnitude and direction of projected interest rates over the short- and long-term, we generally operate within guidelines set by our asset/liability management policy and attempt to maximize our returns within an acceptable degree of risk.

Interest rate changes do not affect all categories of assets and liabilities equally or simultaneously. There are other factors that are difficult to measure and predict that would influence the effect of interest rate fluctuations on our income statement.

The following tables illustrate the estimated interest rate sensitivity and periodic and cumulative gap positions calculated as of December 31, 2007 and 2006.

|                                     | December 31, 2007             |                   |                    |                   |                    |
|-------------------------------------|-------------------------------|-------------------|--------------------|-------------------|--------------------|
|                                     | Time to Maturity or Repricing |                   |                    |                   | Total              |
|                                     | 0-90<br>days                  | 91-365<br>days    | 1-5<br>years       | Over 5<br>years   |                    |
|                                     | (dollars in thousands)        |                   |                    |                   |                    |
| <b>Interest-Earning Assets</b>      |                               |                   |                    |                   |                    |
| Net loans                           | \$2,557,201                   | \$ 438,585        | \$1,058,869        | \$ 74,249         | \$4,128,904        |
| Investments                         | 27,255                        | 77,634            | 219,894            | 205,101           | 529,884            |
| FHLB stock                          | 7,700                         | —                 | —                  | —                 | 7,700              |
| Fed funds sold                      | 5,745                         | —                 | —                  | —                 | 5,745              |
| Total interest-earning assets       | <u>\$2,597,901</u>            | <u>\$ 516,219</u> | <u>\$1,278,763</u> | <u>\$ 279,350</u> | <u>\$4,672,233</u> |
| <b>Interest-Bearing Liabilities</b> |                               |                   |                    |                   |                    |
| Interest-bearing demand deposits    | \$ 7                          | \$ —              | \$ —               | \$ 157,754        | \$ 157,761         |
| Savings deposits                    | 12,309                        | —                 | —                  | —                 | 12,309             |
| Money market deposits               | 1,581,863                     | —                 | —                  | —                 | 1,581,863          |
| Time deposits                       | 581,687                       | 458,874           | 126,937            | 193               | 1,167,691          |
| Brokered deposits                   | 165,059                       | 226,334           | 68,078             | 82,999            | 542,470            |
| Funds borrowed                      | 249,307                       | 35,000            | 285,785            | 91,750            | 661,842            |
| Total interest-bearing liabilities  | <u>\$2,590,232</u>            | <u>\$ 720,208</u> | <u>\$ 480,800</u>  | <u>\$ 332,696</u> | <u>\$4,123,936</u> |
| <b>Cumulative</b>                   |                               |                   |                    |                   |                    |
| Rate sensitive assets (RSA)         | \$2,597,901                   | \$3,114,120       | \$4,392,883        | \$4,672,233       |                    |
| Rate sensitive liabilities (RSL)    | 2,590,232                     | 3,310,440         | 3,791,240          | 4,123,936         |                    |
| GAP (GAP=RSA-RSL)                   | 7,669                         | (196,320)         | 601,643            | 548,297           |                    |
| RSA/RSL                             | 100.30%                       | 94.07%            | 115.87%            | 113.30%           |                    |
| RSA/Total assets                    | 52.06%                        | 62.40%            | 88.03%             | 93.63%            |                    |
| RSL/Total assets                    | 51.91%                        | 66.34%            | 75.97%             | 82.64%            |                    |
| GAP/Total assets                    | 0.15%                         | -3.93%            | 12.06%             | 10.99%            |                    |
| GAP/Total RSA                       | 0.16%                         | -4.20%            | 12.88%             | 11.74%            |                    |



|                                    | December 31, 2006             |                   |                    |                   |                    |
|------------------------------------|-------------------------------|-------------------|--------------------|-------------------|--------------------|
|                                    | Time to Maturity or Repricing |                   |                    |                   |                    |
|                                    | 0-90<br>days                  | 91-365<br>days    | 1-5<br>years       | Over 5<br>years   | Total              |
|                                    | (dollars in thousands)        |                   |                    |                   |                    |
| Interest-Earning Assets            |                               |                   |                    |                   |                    |
| Net loans                          | \$2,115,048                   | \$ 357,609        | \$ 927,626         | \$ 61,635         | \$3,461,918        |
| Investments                        | 14,779                        | 61,353            | 206,369            | 208,289           | 490,790            |
| FHLB stock                         | 5,141                         | —                 | —                  | —                 | 5,141              |
| Fed funds sold                     | 32,546                        | —                 | —                  | —                 | 32,546             |
| Total interest-earning assets      | <u>\$2,167,514</u>            | <u>\$ 418,962</u> | <u>\$1,133,995</u> | <u>\$ 269,924</u> | <u>\$3,990,395</u> |
| Interest-Bearing Liabilities       |                               |                   |                    |                   |                    |
| Interest-bearing demand deposits   | \$ —                          | \$ —              | \$ —               | \$ 152,323        | \$ 152,323         |
| Savings deposits                   | 13,977                        | —                 | —                  | —                 | 13,977             |
| Money market deposits              | 1,561,103                     | —                 | —                  | —                 | 1,561,103          |
| Time deposits                      | 388,757                       | 431,567           | 113,080            | 195               | 933,599            |
| Brokered deposits                  | 199,198                       | 208,358           | 89,761             | 92,004            | 589,321            |
| Funds borrowed                     | 118,983                       | 65,250            | 148,000            | 47,500            | 379,733            |
| Total interest-bearing liabilities | <u>\$2,282,018</u>            | <u>\$ 705,175</u> | <u>\$ 350,841</u>  | <u>\$ 292,022</u> | <u>\$3,630,056</u> |
| Cumulative                         |                               |                   |                    |                   |                    |
| Rate sensitive assets (RSA)        | \$2,167,514                   | \$2,586,476       | \$3,720,471        | \$3,990,395       |                    |
| Rate sensitive liabilities (RSL)   | 2,282,018                     | 2,987,193         | 3,338,034          | 3,630,056         |                    |
| GAP (GAP=RSA-RSL)                  | (114,504)                     | (400,717)         | 382,437            | 360,339           |                    |
| RSA/RSL                            | 94.98%                        | 86.59%            | 111.46%            | 109.93%           |                    |
| RSA/Total assets                   | 50.86%                        | 60.70%            | 87.31%             | 93.64%            |                    |
| RSL/Total assets                   | 53.55%                        | 70.10%            | 78.33%             | 85.18%            |                    |
| GAP/Total assets                   | -2.69%                        | -9.40%            | 8.97%              | 8.46%             |                    |
| GAP/Total RSA                      | -2.87%                        | -10.04%           | 9.58%              | 9.03%             |                    |

The following table shows the estimated impact of immediate 200 and 100 basis point changes in interest rates as of December 31, 2007 and December 31, 2006. The effects are determined through the use of a simulation model based on our interest-earning asset and interest-bearing liability portfolios, assuming the size of these portfolios remains constant throughout the measurement period. The simulation assumes that assets and liabilities accrue interest on their current pricing basis. Assets and liabilities then reprice based on their terms and remain at that interest rate through the end of the measurement period. The model attempts to illustrate the potential change in net interest income if the foregoing occurred.

|  | December 31, 2007       |                         |                         |                         | December 31, 2006       |                         |                         |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|  | -200<br>Basis<br>Points | -100<br>Basis<br>Points | +100<br>Basis<br>Points | +200<br>Basis<br>Points | -200<br>Basis<br>Points | -100<br>Basis<br>Points | +100<br>Basis<br>Points | +200<br>Basis<br>Points |
| Percentage change in net interest income due to an immediate 100 and 200 basis point change in interest rates over a one-year time horizon | -6.8%                   | -3.4%                   | 2.7%                    | 5.3%                    | -7.3%                   | -3.5%                   | 2.2%                    | 4.1%                    |

This table shows that if there had been an instantaneous parallel shift in the yield curve of +100 basis points on December 31, 2007, net interest income would increase by 2.7% over a one-year period, as compared to a net interest income increase of 2.2% if there had been an instantaneous parallel shift of +100 basis points at December 31, 2006. The measurement of a +200 basis point instantaneous parallel shift in the yield curve at December 31, 2007 would result in an increase in net

interest income of 5.3% over a one-year period as compared to 4.1% measured on the basis of the December 31, 2006 portfolio. At December 31, 2007, if there had been an instantaneous parallel shift in the yield curve of –100 basis points, we would have suffered a decline in net interest income of 3.4%, as compared to a 3.5% decline measured on the basis of the December 31, 2006 portfolio. At December 31, 2007, if there had been an instantaneous parallel shift in the yield curve of –200 basis points, we would have suffered a decline in net interest income of 6.8%, as compared to a 7.3% decline measured on the basis of the December 31, 2006 portfolio.

Changes in the effect on net interest income from a 100 and 200 basis point movement at December 31, 2007, compared to December 31, 2006 are due to the timing and nature of the repricing of rate sensitive assets to rate sensitive liabilities within the one year time frame.

The table presented above reflects that the Company is incrementally less interest rate sensitive to falling rates and more interest rate sensitive to rising rates at December 31, 2007 as compared to December 31, 2006. The primary factor contributing to the Company becoming slightly less asset sensitive in 2007, is the shorter duration of the Company's borrowed funds at December 31, 2007 as compared to December 31, 2006, offset by the magnitude of floating rate loans booked. There are several factors contributing to the shortening in the duration of borrowed funds, including our decision to increase the level of our Federal Funds purchased. We also continued to draw on our credit facilities during 2007. These lines charge interest based upon floating rate indices, further shortening our funding duration. As the absolute level of short-term rates has dropped during 2007, more of our loans are approaching or hitting their floors, which has the result of moderating further rate sensitivity in falling rates.

The preceding sensitivity analysis is based on numerous assumptions including: the nature and timing of interest rate levels including the shape of the yield curve, prepayments on loans and securities, changes in deposit levels, pricing decisions on loans and deposits, reinvestment/replacement of asset and liability cash flows and others. While our assumptions are developed based upon current economic and local market conditions, we cannot make any assurances as to the predictive nature of these assumptions including how client preferences or competitor influences might change.

We continue to monitor our gap and rate shock reports to detect changes to our exposure to fluctuating rates. We have the ability to shorten or lengthen maturities on newly acquired assets, sell investment securities, or seek funding sources with different maturities in order to change our asset and liability structure for the purpose of mitigating the effect of interest rate risk.

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

See "Index to Consolidated Financial Statements" on page F-1.

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

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision, and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as contemplated by Exchange Act Rule 13a-15. Based upon, and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective, in all material respects, in timely alerting them to

material information relating to the Company (and its consolidated subsidiaries) required to be included in the periodic reports the Company is required to file and submit to the SEC under the Exchange Act.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal controls over financial reporting during the quarter ended December 31, 2007 that have materially affected or are reasonable likely to materially affect, the Company's internal control over financial reporting.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2007 based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2007.

Ernst & Young LLP, an independent registered public accounting firm, has issued an attestation report on the effectiveness of internal control over financial reporting as of December 31, 2007, which is included elsewhere herein.

### **ITEM 9B. OTHER INFORMATION**

None.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

Information regarding our directors is included in our Proxy Statement for our 2008 Annual Meeting of Stockholders (the "Proxy Statement") under the heading "Election of Directors" and the information included therein is incorporated herein by reference. Information regarding our executive officers is included in "Part I., Item 1. Business" of this report.

Information regarding our directors' and executive officers' compliance with Section 16(a) of the Exchange Act is included in the Proxy Statement under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" and the information included therein is incorporated herein by reference.

Information regarding the Nominating and Corporate Governance Committee of our Board of Directors and the procedures by which our stockholders may recommend nominees to our Board of Directors, and information regarding the Audit Committee of our Board of Directors and its "audit committee financial expert", is included in the Proxy Statement under the heading "Corporate Governance" and is incorporated herein by reference.

We have adopted a Code of Ethics as required by the NASDAQ listing standards and the rules of the SEC. The Code of Ethics applies to all of our directors, officers, including our Chief Executive Officer and Chief Financial Officer, and employees. The Code of Ethics is publicly available on our website at [www.pvtb.com](http://www.pvtb.com). If we make substantive amendments to the Code of Ethics or grant any waiver, including any implicit waiver, that applies to any of our directors or executive officers, we will disclose the nature of such amendment or waiver on our website or in a report on Form 8-K in accordance with applicable NASDAQ and SEC rules.

## **ITEM 11. EXECUTIVE COMPENSATION**

Information regarding compensation of our executive officers and directors is included in the Proxy Statement under the headings “Compensation Discussion and Analysis”, “Executive Compensation”, and “Director Compensation” and the information included therein is incorporated herein by reference.

The information required by this item regarding Compensation Committee Interlocks and Insider Participation is included under the heading “Executive Compensation—Compensation Committee Interlocks and Insider Participation” in the Proxy Statement, and the Compensation Committee Report is included in the Proxy Statement under the heading “Compensation Committee Report”. The information included therein is incorporated herein by reference.

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

Information regarding security ownership of certain beneficial owners and management is included in the Proxy Statement under the heading “Security Ownership of Certain Beneficial Owners, Directors and Executive Officers” and the information included therein is incorporated herein by reference.

## **ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Information regarding certain relationships and related party transactions is included in our Proxy Statement under the heading “Transactions with Related Persons” and the information included therein is incorporated herein by reference. Information regarding our directors and their independence is included in the Proxy Statement under the heading “Corporate Governance—Director Independence” and the information included therein is incorporated herein by reference.

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

Information regarding the fees we paid our independent accountants, Ernst & Young LLP, during 2007 is included in the Proxy Statement under the heading “Principal Accounting Firm Fees” and the information included therein is incorporated herein by reference.

## **PART IV**

## **ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

### **(a)(1) Index to Financial Statements**

The consolidated financial statements of the Company and its subsidiaries as required by Item 8 are filed as a part of this document. See “Index to Consolidated Financial Statements” on page F-1.

### **(a)(2) Financial Statement Schedules**

All financial statement schedules called for by Item 8 and Item 15 of Form 10-K have been omitted because the information requested is either not applicable or has been included in the consolidated financial statements or notes thereto.

**(a)(3) Exhibits**

| <b>EXHIBIT<br/>NO.</b> | <b>DESCRIPTION OF EXHIBITS</b>   |
|------------------------|--|
| 3.1                    | Certificate of amendment of the Amended and Restated Certificate of Incorporation of PrivateBancorp, Inc., as amended (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2004 (File No. 000-25887) and incorporated herein by reference).   |
| 3.2                    | Amended and Restated Certificate of Incorporation of PrivateBancorp, Inc., as amended (filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 000-25887) and incorporated herein by reference).  |
| 3.3                    | Amended and Restated By-laws of PrivateBancorp, Inc. (filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2007 (File No. 000-25887) and incorporated herein by reference).   |
| 3.4                    | Certificate of Designation of Series A Junior Nonvoting Preferred Stock of PrivateBancorp, Inc.(1)   |
| 4.1                    | Certain instruments defining the rights of the holders of long-term debt of the Company and certain of its subsidiaries, none of which authorize a total amount of indebtedness in excess of 10% of the total assets of the Company and its subsidiaries on a consolidated basis, have not been filed as exhibits. The Company hereby agrees to furnish a copy of any of these agreements to the SEC upon request. |
| 4.2                    | Indenture, dated March 14, 2007, between the Company and LaSalle Bank National Association, as Trustee (filed as an exhibit to the Company's Current Report on Form 8-K dated March 14, 2007 (File No. 000-25887) and incorporated herein by reference).   |
| 4.3                    | Form of 3-5/8% Contingent Convertible Senior Note due 2027 (included in Exhibit 4.2).  |
| 4.4                    | Registration Rights Agreement dated March 14, 2007 between the Company and the Initial Purchaser (filed as an exhibit to the Company's Current Report on Form 8-K dated March 14, 2007 (File No. 000-25887) and incorporated herein by reference).   |
| 4.5                    | Form of Preemptive and Registration Rights Agreement dated as of November 26, 2007 (filed as an exhibit to the Company's Current Report on Form 8-K dated November 26, 2007 (File No. 000-25887) and incorporated herein by reference).  |
| 10.1                   | Form of Stock Purchase Agreement dated as of November 26, 2007 between PrivateBancorp, Inc. and the Purchasers named therein (filed as an exhibit to the Company's Current Report on Form 8-K dated November 26, 2007 (File No. 000-25887) and incorporated herein by reference).  |
| 10.2                   | PrivateBancorp, Inc. Amended and Restated Stock Incentive Plan (filed as Appendix A to the Company's Proxy Statement for its 2000 Annual Meeting of Stockholders (File No. 000-25887) and incorporated herein by reference).*  |
| 10.3                   | PrivateBancorp, Inc. Incentive Compensation Plan, as amended (filed as Appendix A to the Company's Proxy Statement for its 2005 Annual Meeting of Stockholders (File No. 000-25887) and incorporated herein by reference).*  |
| 10.4                   | PrivateBancorp, Inc. Deferred Compensation Plan (filed as an exhibit to the Company's Form S-8 Registration Statement (File No. 333-104807) and incorporated herein by reference).*  |
| 10.5                   | PrivateBancorp, Inc. Strategic Long-Term Incentive Plan (filed as an exhibit to the Company's Form S-8 Registration Statement (File No. 333-147451) and incorporated herein by reference).*  |

| <b>EXHIBIT<br/>NO.</b> | <b>DESCRIPTION OF EXHIBITS</b>  |
|------------------------|---|
| 10.6                   | Employment Term Sheet Agreement between Ralph B. Mandell and PrivateBancorp, Inc. dated December 14, 2007*(1)   |
| 10.7                   | Employment Term Sheet Agreement among Larry D. Richman, PrivateBancorp, Inc. and The PrivateBank and Trust Company dated October 31, 2007*(1)   |
| 10.8                   | Employment Term Sheet Agreement among Karen B. Case, PrivateBancorp, Inc. and The PrivateBank and Trust Company dated October 29, 2007*(1)  |
| 10.9                   | Employment Term Sheet Agreement among Bruce R. Hague, PrivateBancorp, Inc. and The PrivateBank and Trust Company dated October 25, 2007*(1)   |
| 10.10                  | Employment Term Sheet Agreement among Dennis L. Klaeser, PrivateBancorp, Inc. and The PrivateBank and Trust Company dated December 12, 2007*(1)   |
| 10.11                  | Employment Term Sheet Agreement among Bruce S. Lubin, PrivateBancorp, Inc. and The PrivateBank and Trust Company dated October 25, 2007*(1)   |
| 10.12                  | Employment Term Sheet Agreement among Jay B. Williams, PrivateBancorp, Inc. and The PrivateBank -Wisconsin dated December 12, 2007*(1)  |
| 10.13                  | Employment Term Sheet Agreement among Richard C. Jensen, PrivateBancorp, Inc. and The PrivateBank -St. Louis dated November 19, 2007*(1)  |
| 10.14                  | Form of Indemnification Agreement by and between PrivateBancorp, Inc. and its directors and executive officers (filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).*   |
| 10.15                  | Amended and Restated Loan and Subordinated Debenture Purchase Agreement dated as of September 29, 2005 by and between PrivateBancorp, Inc. and LaSalle Bank National Association (filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (File No. 000-25887) and incorporated herein by reference). |
| 10.16                  | First Amendment to Amended and Restated Loan and Subordinated Debenture Purchase Agreement dated December 12, 2006 (filed as an exhibit to the Company's Annual report of Form 10-K for the year ended December 31, 2006 (File No. 000-25887) and incorporated herein by reference)   |
| 10.17                  | Second Amendment to Amended and Restated Loan and Subordinated Debenture Purchase Agreement by and between PrivateBancorp, Inc. and LaSalle Bank National Association dated April 3, 2007(1)  |
| 10.18                  | Third Amendment to Amended and Restated Loan and Subordinated Debenture Purchase Agreement by and between PrivateBancorp, Inc. and LaSalle Bank National Association dated December 31, 2007(1)   |
| 10.19                  | Form of Inducement Performance Share Award Agreement pursuant to the PrivateBancorp, Inc. Strategic Long-Term Incentive Compensation Plan*(1)   |
| 10.20                  | Form of Nonqualified Inducement Performance Stock Option Agreement pursuant to the PrivateBancorp, Inc. Strategic Long-Term Incentive Compensation Plan*(1)   |
| 10.21                  | Form of Nonqualified Inducement Time-Vested Stock Option Agreement pursuant to the PrivateBancorp, Inc. Strategic Long-Term Incentive Compensation Plan*(1)   |
| 10.22                  | Form of Incentive Stock Option Agreement pursuant to the PrivateBancorp, Inc. Incentive Compensation Plan (filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 000-25887) and incorporated herein by reference).*  |

| <b>EXHIBIT<br/>NO.</b> | <b>DESCRIPTION OF EXHIBITS</b>   |
|------------------------|--|
| 10.23                  | Form of Director Stock Option Agreement pursuant to the PrivateBancorp, Inc. Incentive Compensation Plan (filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 000-25887) and incorporated herein by reference).*              |
| 10.24                  | Form of Non-qualified Stock Option Agreement pursuant to the PrivateBancorp, Inc. Incentive Compensation Plan. (filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 000-25887) and incorporated herein by reference).* |
| 10.25                  | Form of Restricted Stock Award Agreement pursuant to the PrivateBancorp, Inc. Incentive Compensation Plan. (filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 000-25887) and incorporated herein by reference).*     |
| 21.1                   | Subsidiaries of the Registrant(1)  |
| 23.1                   | Consent of Ernst & Young LLP(1)  |
| 24.1                   | Powers of Attorney (set forth on signature page)   |
| 31.1                   | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(1)  |
| 31.2                   | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(1)  |
| 32.2                   | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(1)  |

(1) Filed herewith.

\* Indicates management contracts or compensatory plans or arrangements required to be filed as an exhibit.



INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

PRIVATEBANCORP, INC.

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## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of PrivateBancorp, Inc.

We have audited PrivateBancorp, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). PrivateBancorp, Inc.'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 included in the accompanying Report on Management's Assessment of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, 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, PrivateBancorp, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, 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 balance sheets of PrivateBancorp, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007 of PrivateBancorp, Inc. and our report dated February 28, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 28, 2008

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of PrivateBancorp, Inc.

We have audited the accompanying consolidated balance sheets of PrivateBancorp, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of PrivateBancorp, Inc.'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 PrivateBancorp, Inc. and subsidiaries as of December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with the U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Oversight Board (United States), PrivateBancorp, Inc.'s internal control over financial reporting as of December 31, 2007, 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, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 28, 2008

**PRIVATEBANCORP, INC.AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**  
**As of December 31, 2007 and 2006**  
**(In thousands, except per share data)**

|  | <b>December 31,</b> |                    |
|--|---------------------|--------------------|
|  | <b>2007</b>         | <b>2006</b>        |
| <b>Assets</b>  |                     |                    |
| Cash and due from banks  | \$ 51,331           | \$ 42,428          |
| Fed funds sold and other short-term investments  | 13,220              | 36,969             |
| Total cash and cash equivalents  | 64,551              | 79,397             |
| Loans held for sale  | 19,358              | 14,515             |
| Securities, at fair value  | 538,730             | 496,782            |
| Loans net of unearned discount   | 4,177,795           | 3,499,988          |
| Allowance for loan losses  | (48,891)            | (38,069)           |
| Net loans  | 4,128,904           | 3,461,919          |
| Goodwill   | 93,341              | 93,043             |
| Premises and equipment, net  | 25,600              | 21,413             |
| Accrued interest receivable  | 24,144              | 23,490             |
| Other assets   | 95,577              | 73,865             |
| Total assets   | <u>\$4,990,205</u>  | <u>\$4,264,424</u> |
| <b>Liabilities and Stockholders' Equity</b>  |                     |                    |
| Demand deposits:   |                     |                    |
| Non-interest-bearing   | \$ 299,043          | \$ 300,689         |
| Interest-bearing   | 157,761             | 152,323            |
| Savings and money market deposit accounts  | 1,594,172           | 1,575,080          |
| Brokered deposits  | 542,470             | 589,321            |
| Other time deposits  | 1,167,692           | 933,600            |
| Total deposits   | 3,761,138           | 3,551,013          |
| Funds borrowed   | 560,809             | 281,733            |
| Junior subordinated deferrable interest debentures held by trusts that issued<br>guaranteed capital debt securities  | 101,033             | 101,033            |
| Accrued interest payable   | 16,134              | 16,071             |
| Other liabilities  | 50,298              | 17,450             |
| Total liabilities  | <u>\$4,489,412</u>  | <u>\$3,967,300</u> |
| <b>Stockholders' Equity</b>  |                     |                    |
| Preferred stock, 1,000,000 shares authorized   | 41,000              | —                  |
| Common stock, without par value, \$1 stated value; 39,000,000 shares authorized;<br>28,439,447 and 20,035,050 shares issued and outstanding as of December 31,<br>2007 and December 31, 2006, respectively | 27,225              | 21,481             |
| Treasury stock, 235,397 shares repurchased as of December 31, 2007   | (13,559)            | (5,254)            |
| Additional paid-in-capital   | 311,989             | 153,487            |
| Retained earnings  | 126,204             | 121,539            |
| Accumulated other comprehensive income   | 7,934               | 5,871              |
| Total stockholders' equity   | <u>500,793</u>      | <u>297,124</u>     |
| Total liabilities and stockholders' equity   | <u>\$4,990,205</u>  | <u>\$4,264,424</u> |

Note: All previously reported share and per share data has been  
restated to reflect the adoption of SFAS No. 123(R), "Share Based Payment"

The accompanying notes to consolidated financial statements are an integral part of these statements.

**PRIVATEBANCORP, INC.AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**  
**Years Ended December 31, 2007, 2006 and 2005**  
(In thousands, except per share data)

|  | <b>Year Ended December 31,</b> |                  |                  |
|--|--------------------------------|------------------|------------------|
|  | <b>2007</b>                    | <b>2006</b>      | <b>2005</b>      |
| <b>Interest income</b>   |                                |                  |                  |
| Loans, including fees  | \$282,979                      | \$228,816        | \$139,613        |
| Federal funds sold and interest bearing deposits   | 1,011                          | 722              | 500              |
| Securities:  |                                |                  |                  |
| Taxable  | 14,584                         | 17,776           | 26,582           |
| Exempt from Federal income taxes   | 9,350                          | 9,997            | 9,849            |
| Total interest income  | <u>307,924</u>                 | <u>257,311</u>   | <u>176,544</u>   |
| <b>Interest expense</b>  |                                |                  |                  |
| Deposits:  |                                |                  |                  |
| Interest-bearing demand  | 1,959                          | 1,744            | 864              |
| Savings and money market deposit accounts  | 68,446                         | 55,193           | 30,562           |
| Brokered deposits and other time deposits  | 83,640                         | 65,474           | 31,223           |
| Funds borrowed   | 19,393                         | 11,093           | 13,367           |
| Junior Subordinated deferrable interest Debentures held by trusts that issued guaranteed capital debt securities | 6,364                          | 6,333            | 4,128            |
| Total interest expense   | <u>179,802</u>                 | <u>139,837</u>   | <u>80,144</u>    |
| Net interest income  | 128,122                        | 117,474          | 96,400           |
| Provision for loan losses  | 16,934                         | 6,836            | 6,538            |
| Net interest income after provision for loan losses  | <u>111,188</u>                 | <u>110,638</u>   | <u>89,862</u>    |
| <b>Non-interest income</b>   |                                |                  |                  |
| The PrivateWealth Group fee revenue  | 16,188                         | 13,855           | 9,945            |
| Mortgage banking income  | 4,528                          | 3,339            | 3,886            |
| Other income   | 5,210                          | 6,278            | 4,276            |
| Securities gains (losses), net   | 348                            | (374)            | 499              |
| Gains on interest rate swap  | —                              | 64               | 404              |
| Total non-interest income  | <u>26,274</u>                  | <u>23,162</u>    | <u>19,010</u>    |
| <b>Non-interest expense</b>  |                                |                  |                  |
| Salaries and employee benefits   | 71,219                         | 43,930           | 36,311           |
| Occupancy expense, net   | 13,204                         | 9,755            | 7,517            |
| Professional fees  | 11,876                         | 6,813            | 4,551            |
| Wealth management fees   | 3,432                          | 2,665            | 1,079            |
| Marketing  | 6,099                          | 4,291            | 3,549            |
| Data processing  | 4,206                          | 3,316            | 2,832            |
| Amortization of intangibles  | 966                            | 628              | 411              |
| Insurance  | 1,937                          | 1,319            | 1,095            |
| Other non-interest expense   | 9,470                          | 6,349            | 5,341            |
| Total non-interest expense   | <u>122,409</u>                 | <u>79,066</u>    | <u>62,686</u>    |
| Minority interest expense  | 363                            | 330              | 307              |
| Income before income taxes   | 14,690                         | 54,404           | 45,879           |
| Income tax provision   | 2,883                          | 16,558           | 14,965           |
| <b>Net income</b>  | <u>\$ 11,807</u>               | <u>\$ 37,846</u> | <u>\$ 30,914</u> |
| Preferred Stock Dividends  | 107                            | —                | —                |
| <b>Net Income available to Common Shareholders</b>   | <u>\$ 11,700</u>               | <u>\$ 37,846</u> | <u>\$ 30,914</u> |
| <b>Basic earnings per share</b>  | <u>\$ 0.54</u>                 | <u>\$ 1.83</u>   | <u>\$ 1.53</u>   |
| <b>Diluted earnings per share</b>  | <u>\$ 0.53</u>                 | <u>\$ 1.76</u>   | <u>\$ 1.46</u>   |

Note: The accompanying notes to consolidated financial statements  
are an integral part of these statements.



**PRIVATEBANCORP, INC.AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**Years Ended December 31, 2007, 2006 and 2005**

**(In thousands, except per share data)**

|   | Preferred<br>Stock | Common<br>Stock | Treasury<br>Stock | Additional<br>paid-in-<br>capital | Retained<br>Earnings | Accumulated Other<br>Comprehensive<br>Income (Loss) | Total<br>Equity |
|---|--------------------|-----------------|-------------------|-----------------------------------|----------------------|---|-----------------|
| <b>Balance January 1, 2005</b>  | —                  | \$ 19,986       | \$ (2,207)        | \$ 108,000                        | \$ 64,086            | \$ 7,056  | \$196,921       |
| Net income  | —                  | —               | —                 | —                                 | 30,914               | —   | 30,914          |
| Net increase in fair value of securities classified as<br>available-for-sale, net of income taxes and<br>reclassification adjustments | —                  | —               | —                 | —                                 | —                    | 378   | 378             |
| Total comprehensive income  | —                  | —               | —                 | —                                 | 30,914               | 378   | 31,292          |
| Cash dividends declared (\$0.18 per share)  | —                  | —               | —                 | —                                 | (3,726)              | —   | (3,726)         |
| Issuance of common stock  | —                  | 458             | —                 | 8,106                             | —                    | —   | 8,564           |
| Acquisition of Treasury Stock   | —                  | 48              | (521)             | 184                               | —                    | —   | (289)           |
| Share-based payment expense   | —                  | —               | —                 | 4,702                             | —                    | —   | 4,702           |
| Excess tax benefit  | —                  | —               | —                 | 1,165                             | —                    | —   | 1,165           |
| <b>Balance December 31, 2005</b>  | \$ —               | \$ 20,492       | \$ (2,278)        | \$ 122,157                        | \$ 91,274            | \$ 7,434  | \$238,629       |
| <b>Balance January 1, 2006</b>  | \$ —               | \$ 20,492       | \$ (2,278)        | \$ 122,157                        | \$ 91,274            | \$ 7,434  | \$238,629       |
| SAB 108 Adjustment January 1, 2006  | —                  | —               | —                 | —                                 | (2,480)              | —   | (2,480)         |
| <b>Adjusted Balance January 1, 2006</b>   | \$ —               | \$ 20,492       | \$ (2,278)        | \$ 122,157                        | \$ 88,794            | \$ 7,434  | \$236,149       |
| Net income  | —                  | —               | —                 | —                                 | 37,846               | —   | 37,846          |
| Net decrease in fair value of securities classified as<br>available-for-sale, net of income taxes and<br>reclassification adjustments | —                  | —               | —                 | —                                 | —                    | (1,563)   | (1,563)         |
| Total comprehensive income  | —                  | —               | —                 | —                                 | 37,846               | (1,563)   | 36,283          |
| Cash dividends declared (\$0.24 per share)  | —                  | —               | —                 | —                                 | (5,101)              | —   | (5,101)         |
| Issuance of common stock  | —                  | 933             | —                 | 25,485                            | —                    | —   | 26,418          |
| Acquisition of Treasury Stock   | —                  | 56              | (2,526)           | 550                               | —                    | —   | (1,920)         |
| Share-based payment expense   | —                  | —               | —                 | 4,344                             | —                    | —   | 4,344           |
| Excess tax benefit  | —                  | —               | —                 | 951                               | —                    | —   | 951             |
| <b>Balance December 31, 2006</b>  | \$ —               | \$ 21,481       | \$ (5,254)        | \$ 153,487                        | \$ 121,539           | \$ 5,871  | \$297,124       |
| <b>Balance January 1, 2007</b>  | \$ —               | \$ 21,481       | \$ (5,254)        | \$ 153,487                        | \$ 121,539           | \$ 5,871  | \$297,124       |
| Net income  | —                  | —               | —                 | —                                 | 11,807               | —   | 11,807          |
| Net increase in fair value of securities classified as<br>available-for-sale, net of income taxes and<br>reclassification adjustments | —                  | —               | —                 | —                                 | —                    | 2,063   | 2,063           |
| Total comprehensive income  | —                  | —               | —                 | —                                 | 11,807               | 2,063   | 13,870          |
| Common stock dividends declared (\$0.30 per share)  | —                  | —               | —                 | —                                 | (7,035)              | —   | (7,035)         |
| Preferred Stock dividend declared   | —                  | —               | —                 | —                                 | (107)                | —   | (107)           |
| Issuance of common stock  | —                  | 5,699           | —                 | 150,278                           | —                    | —   | 155,977         |
| Issuance of preferred stock   | 41,000             | —               | —                 | —                                 | —                    | —   | 41,000          |
| Acquisition of Treasury Stock   | —                  | 45              | (8,305)           | 592                               | —                    | —   | (7,668)         |
| Share-based payment expense   | —                  | —               | —                 | 7,350                             | —                    | —   | 7,350           |
| Excess tax benefit  | —                  | —               | —                 | 282                               | —                    | —   | 282             |
| <b>Balance December 31, 2007</b>  | \$ 41,000          | \$ 27,225       | \$ (13,559)       | \$ 311,989                        | \$ 126,204           | \$ 7,934  | \$500,793       |

Note: The accompanying notes to consolidated financial statements  
are an integral part of these statements.



**PRIVATEBANCORP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years Ended December 31, 2007, 2006 and 2005**

**(In thousands)**

|   | <b>Year Ended December 31,</b> |                  |                  |
|---|--------------------------------|------------------|------------------|
|   | <b>2007</b>                    | <b>2006</b>      | <b>2005</b>      |
| <b>Cash flows from operating activities</b>   |                                |                  |                  |
| Net income  | \$ 11,807                      | \$ 37,846        | \$ 30,914        |
| Adjustments to reconcile net income to net cash provided by operating activities:   |                                |                  |                  |
| Depreciation and amortization   | 3,924                          | 4,080            | 3,968            |
| Provision for loan losses   | 16,934                         | 6,836            | 6,538            |
| Net (gain) losses on sale of securities   | (348)                          | 374              | (499)            |
| Gains on interest rate swap   | —                              | (64)             | (404)            |
| Net (increase) decrease in loans held for sale                                      | (4,844)                        | (9,246)          | 3,241            |
| Increase (decrease) in deferred loan fees   | 917                            | (738)            | (555)            |
| Share-based payment expense   | 7,350                          | 4,344            | 4,702            |
| Increase in accrued interest receivable   | (654)                          | (5,626)          | (4,172)          |
| Increase in accrued interest payable  | 62                             | 7,304            | 4,814            |
| (Increase) decrease in other assets   | (23,426)                       | 4,455            | (12,811)         |
| Increase (decrease) in other liabilities  | 32,846                         | (20,220)         | (719)            |
| Total adjustments   | 32,761                         | (8,501)          | 4,103            |
| Net cash provided by operating activities   | 44,568                         | 29,345           | 35,017           |
| <b>Cash flows from investing activities</b>   |                                |                  |                  |
| Proceeds from maturities, paydowns and sales of available-for-sale securities       | 101,749                        | 212,970          | 142,248          |
| Purchases of available-for-sale securities  | (140,176)                      | (114,418)        | (144,384)        |
| Redemption of FHLB Chicago Stock  | —                              | 138,506          | 77,602           |
| Net loan principal advanced   | (684,496)                      | (690,031)        | (639,638)        |
| Acquisition of The PrivateBank – Michigan net of cash and cash equivalents acquired | —                              | —                | (48,483)         |
| Acquisition of The PrivateBank – Georgia net of cash and cash equivalents acquired  | —                              | (20,438)         | —                |
| Premises and equipment expenditures   | (8,111)                        | (12,900)         | (7,733)          |
| Net cash used in investing activities   | (731,034)                      | (486,311)        | (620,388)        |
| <b>Cash flows from financing activities</b>   |                                |                  |                  |
| Net increase in total deposits  | 210,076                        | 541,794          | 676,850          |
| Proceeds from exercise of stock options   | 2,005                          | 2,336            | 1,169            |
| Proceeds from issuance of Common Shares   | 154,607                        | —                | 7,565            |
| Acquisition of treasury stock   | (8,305)                        | (2,526)          | (521)            |
| Proceeds from issuance of Preferred Stock   | 41,000                         | —                | —                |
| Dividends paid  | (7,142)                        | (5,101)          | (3,727)          |
| Issuance of debt related to Acquisition of The PrivateBank –Michigan                | —                              | —                | 58,795           |
| Excess tax benefits   | 282                            | 1,438            | 1,166            |
| Issuance of debt  | 518,380                        | 257,955          | 346,717          |
| Repayment of debt   | (239,283)                      | (320,930)        | (491,489)        |
| Other equity transactions, net  | —                              | (472)            | 61               |
| Net cash provided by financing activities   | 671,620                        | 474,494          | 596,586          |
| Net change in cash and cash equivalents   | (14,846)                       | 17,528           | 11,215           |
| Cash and cash equivalents at beginning of year                                      | 79,397                         | 61,869           | 50,654           |
| <b>Cash and cash equivalents at end of year</b>                                     | <b>\$ 64,551</b>               | <b>\$ 79,397</b> | <b>\$ 61,869</b> |
| <b>Cash paid during year for:</b>   |                                |                  |                  |
| Interest  | \$ 179,740                     | \$ 132,533       | \$ 75,214        |
| Income taxes  | 13,725                         | 30,534           | 21,333           |

Note: The accompanying notes to consolidated financial statements  
are an integral part of these statements.

**PRIVATEBANCORP, INC. AND SUBSIDIARIES****NOTE 1—BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. Nature of Operations**

PrivateBancorp, Inc. ("Private Bancorp" or the "Company") was organized as a Delaware corporation in 1989 to serve as the holding company for The PrivateBank – Chicago, a de novo bank. We completed our initial public offering in June of 1999. We currently have five bank subsidiaries that operate through 20 offices in Chicago, suburban Detroit, St. Louis, Milwaukee, Kansas City, Atlanta, Cleveland and Minneapolis. PrivateBancorp provides its clients with premier middle market commercial and commercial real estate banking services, private banking and wealth management services through our PrivateWealth Group which includes Lodestar, an asset management company and subsidiary of The PrivateBank – Chicago. PrivateBancorp clients also have access to mortgage loans offered through The PrivateBank Mortgage Company, a subsidiary of PrivateBancorp.

We have grown our business organically as well as through the acquisition of existing banks in new markets and the establishment of de novo banks and new offices in new markets. PrivateBancorp, Inc. completed its most recent acquisition on December 13, 2006, when we purchased Piedmont Bancshares, Inc., and its subsidiary, Piedmont Bank of Georgia, now referred to as The PrivateBank – Georgia. The acquisition was accounted for under the purchase method of accounting; thus the Company's Consolidated Balance Sheet at December 31, 2006 includes the assets and liabilities of The PrivateBank – Georgia at that date; however, The PrivateBank – Georgia's results of operations prior to the effective acquisition date are not included in the accompanying consolidated financial statements. Our newest de novo bank, The PrivateBank – Kansas City (in organization), opened in March of 2007 as an office of The PrivateBank – St. Louis and its results of operations are included in the results of operations of The PrivateBank – St. Louis. In addition to private banking services, clients of The PrivateBank – Kansas City also have access to our wealth management products and services. The Company has received conditional OTS approval for The PrivateBank – Kansas City's federal savings bank charter, and the application remains subject to approval from the FDIC and Federal Reserve Bank of Chicago. During the fourth quarter 2007, we opened a business development office in Cleveland, Ohio and in January 2008, we opened a business development office in Minneapolis, Minnesota.

**b. Consolidation**

The consolidated financial statements of the Company and subsidiaries include the accounts of the Company and its wholly owned subsidiaries, The PrivateBank – Chicago, which includes Lodestar, The PrivateBank – St. Louis, which includes The PrivateBank – Kansas City, The PrivateBank – Wisconsin, The PrivateBank – Michigan, The PrivateBank – Georgia, and The PrivateBank Mortgage Company. Significant intercompany accounts and transactions have been eliminated in the preparation of these statements.

**c. Statement of Cash Flows**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold and other short-term investments. Generally, federal funds are sold for one-day periods, but not longer than 30 days. Short-term investments mature in less than 30 days.

**d. Securities**

Available-for-sale securities are intended to be invested for an indefinite period but may be sold in response to events we expect to occur in the foreseeable future. Securities available-for-sale are recognized on a trade date basis and are reported at fair value, with unrealized gains and losses, net of taxes, reported as adjustments to other comprehensive income in a separate component of stockholders'

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

equity. Any decline in fair value of securities that is deemed other than temporary is charged against current period earnings. At December 31, 2007 and 2006, all debt securities were classified as available-for-sale. FHLB stock is an equity investment included in the securities line on the balance sheet and not classified as "available-for-sale".

Premium amortization and discount accretion on securities are included in interest income on securities using the effective interest rate method. Premium amortizations totaled \$3.1 million, \$3.2 million, and \$6.0 million for the years ended December 31, 2007, 2006, and 2005, respectively. Discount accretion totaled \$2.2 million, \$1.8 million, and \$1.7 million at December 31, 2007, 2006, and 2005, respectively. The specific identification method is used to record gains and losses on the sale of available-for-sale securities.

**e. Loans**

Loans are generally reported at the principal amount outstanding, net of unearned income. Loan origination and commitment fees, offset by certain direct loan origination costs, are deferred and the net amount amortized as an adjustment of the related loan's yield. The Company is generally amortizing these amounts over the contractual life of the related loans.

Loans are placed on non-accrual status when, in the opinion of management, there are doubts as to the collectability of interest or principal, or when principal or interest is past due 90 days or more and the loan is not well secured and in the process of collection. All loans classified as non-accrual are considered to be impaired. Any shortfall in the estimated value of an impaired loan compared with the recorded investment of the loan is identified as an allocated portion of the allowance for loan losses and is one of the factors considered by management in its overall assessment of the adequacy of the allowance for loan losses. Interest previously accrued in the current year but not collected is reversed and charged against interest income at the time the related loan is placed on non-accrual status. Unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest payments received on impaired loans are recorded as reductions of principal if principal payment is doubtful. Infrequently, loans are restructured due to a borrower experiencing financial difficulties. For economic or legal reasons, we grant a concession to the borrower that we would otherwise not consider, and account for these loans as a troubled debt restructuring (TDR). TDRs may include certain modifications of terms of loans, receipts of assets from debtors in partial or full satisfaction of loans, or a combination of both. Restructured loans classified as TDRs are accounted for in accordance with Statements of Financial Accounting Standards ("SFAS") 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings", and SFAS 114.

**f. Allowance for Loan Losses**

The allowance for loan losses is determined by management based on factors such as past loan loss experience, known and inherent risks in the loan portfolio, the estimated value of any underlying collateral, prevailing economic conditions and other factors and estimates which are subject to change over time. Management adjusts the allowance for loan losses by recording a provision for loan losses in an amount sufficient to maintain the allowance at a level commensurate with management's assessment of the risks in the loan portfolio. Loans are charged off when deemed to be uncollectable by management.

**g. Loans Held for Sale**

Loans originated and intended for sale in the secondary market are classified as held for sale and reported at the lower of aggregate cost or market value, with unrealized losses, if any, recorded by a charge to income. Fair value is determined based on quoted market rates or, in the case where a firm

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

commitment has been made to sell the loan, the firm committed price. Gains and losses on the disposition of loans held for sale are determined on the specific identification method. Mortgage loans sold in the secondary market are sold without retaining servicing rights.

**h. Brokered Deposits**

The Company utilizes brokered deposits as liquidity and asset-liability management tools in the normal course of business. Certain brokered deposits issued by the Company contain a purchased option, retained by the Company, to call (redeem) the brokered deposit prior to maturity at a specified date. Upon issuance of brokered deposits, the Company recognizes a liability that reflects the fees paid to brokers for raising the funds in the retail market. The deferred broker commissions are amortized to interest expense as an adjustment to the brokered deposit yield over the contractual maturity of the brokered deposit. In the event the Company notifies the certificate holders of its intent to exercise the call option on the callable brokered deposit, the remaining unamortized broker commissions are amortized to the call date.

**i. Derivative Financial Instruments**

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 balance sheet 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 a hedge and further, on the type of hedge. 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. These interest rate locks and forward commitments are valued at zero at the inception date and subsequently adjusted for changes in market value resulting from changes in market interest rates. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument based on the exposure being hedged as a fair value or cash flow hedge. 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 balance sheet with corresponding offsets recorded in the statement of income. Derivative instruments that do not qualify as hedges pursuant to SFAS 133 are reported on the balance sheet 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.

**j. Bank Premises and Equipment**

Bank premises and equipment are stated at cost less accumulated depreciation and amortization. For financial reporting purposes, depreciation is computed using the straight-line method over the estimated useful lives of the assets. At December 31, 2007, the range of estimated useful lives of depreciable assets was between 3 and 38.5 years.

**k. Income Taxes**

The Company and its subsidiaries file a consolidated Federal income tax return. The subsidiaries provide for income taxes on a separate return basis and remit to the Holding Company amounts determined to be currently payable.

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

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. Please see note “u” below for discussion of our accounting policy with respect to FASB Interpretation No. 48 “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109” (“FIN 48”).

**l. Earnings per Share**

Basic earnings per common share are determined by dividing earnings by the weighted average number of common shares outstanding. For diluted earnings per common share, net income available to common shareholders can be affected by the conversion of the registrant's convertible preferred stock and contingent convertible senior notes. Where the effect of this conversion would be dilutive, net income available to common shareholders is adjusted by the associated preferred dividends and the after tax amount of interest recognized in the period associated with the contingent convertible senior notes. This adjusted net income is divided by the weighted average number of common shares issued and outstanding for each period plus amounts representing the dilutive effect of stock options outstanding, restricted stock and the dilution resulting from the conversion of the registrant's convertible preferred stock and contingent convertible senior notes, if applicable. The effects of convertible preferred stock, contingent convertible senior notes, restricted stock, and stock options are excluded from the computation of diluted earnings per common share in periods in which the effect would be antidilutive. All previously reported share and per share data in these financial statements has been restated to reflect the 2-for-1 stock split that occurred on May 31, 2004 and the adoption of SFAS No. 123(R), “Share Based Payment”.

**m. Accumulated Other Comprehensive Income**

Components of comprehensive income are reported in the Consolidated Statement of Changes in Stockholders' Equity.

**n. Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from these estimates.

**o. Goodwill and Other Intangible Assets**

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets, which are included in other assets, represent purchased assets that also lack physical substance but can be separately 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. Goodwill impairment testing is performed annually, or more frequently if certain indicators arise. Goodwill is “pushed down” to each acquired entity. Fair values of reporting units are determined using either market-based valuation multiples for comparable businesses if available, or discounted cash flow analyses based on internal financial forecasts. If the fair

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

value of a reporting unit exceeds its net book value, goodwill is considered not to be impaired. There was no goodwill or intangible impairment at December 31, 2007.

Intangible assets with finite lives include those associated with deposits, customer intangibles and wealth management intangibles. Intangible assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Deposit intangibles related to the acquisitions of Johnson Bank Illinois, The PrivateBank – Michigan and The PrivateBank – Georgia are primarily amortized over a period not to exceed 10 years using an accelerated amortization method. Customer intangibles related to the acquisition of Lodestar are amortized over a 15 year period and wealth management intangibles related to the acquisition of The PrivateBank – Michigan are amortized over a 10 year period, both using an accelerated method of amortization. Amortization expense for intangibles is recognized in non-interest expense.

**p. Reclassifications**

Certain reclassifications have been made to prior periods' consolidated financial statements to place them on a basis comparable with the current period's consolidated financial statements.

**q. Stock-Based Compensation**

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R) (revised 2004), "Share Based Payment." This statement requires use of the fair value method of accounting for share-based payment transactions with employees. With the adoption of SFAS No. 123(R) effective January 1, 2006, the Company began accounting for stock options under the fair value method of accounting and estimating expected forfeitures of stock grants instead of its previous practice of accounting for forfeitures as they occurred. The Company elected the modified-retrospective-transition method, which resulted in the restatement of prior periods by recognizing compensation cost in the amounts previously reported in the pro forma footnote disclosures. Compensation cost recognized includes the cost of all share-based payments granted, but not yet fully vested in all periods presented.

Prior to January 1, 2006, the Company accounted for its stock-based employee compensation plans under the recognition and measurement provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations, as permitted by SFAS No. 123(R), "Accounting for Stock-Based Compensation." No stock based employee compensation was recognized in the Consolidated Statements of Income in periods prior to the restatements under SFAS No. 123(R), as all options granted under the Company's compensation plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

Prior to the adoption of SFAS No. 123(R), the Company presented all tax benefits of deductions resulting from the exercise of stock options and vesting of restricted shares as operating cash flows in the Statement of Cash Flows. SFAS No. 123(R) requires the cash flows resulting from the tax benefits of these tax deductions in excess of the compensation cost recognized for those share-based payments (the excess tax benefits) be classified as financing cash flows. The excess tax benefit in financing cash flows was \$282,000 in 2007 and \$1.4 million in 2006.

See Note 11 below for more information.

**r. Advertising Costs**

All advertising costs incurred by the Company are expensed in the period in which they are incurred.



**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)****s. Business Combinations**

The Johnson Bank Illinois acquisition in 2000, the Bloomfield Hills Bancorp (“BHB”) acquisition on June 20, 2005, and Piedmont Bancshares Inc. (“PBI”) acquisition on December 13, 2006 were accounted for as purchases. All assets and liabilities were adjusted to fair value as of the effective date of the merger creating goodwill, which was pushed-down to The PrivateBank – Chicago in the Johnson Bank acquisition and down to The PrivateBank – Michigan in the BHB acquisition, and to The PrivateBank – Georgia in the PBI acquisition. In connection with the acquisitions, the Company recorded premiums and discounts to mark-to-market the fair value of loans, deposits and FHLB advances, as applicable. These premiums and discounts are being recognized in the statements of income as yield adjustments to interest income on loans, interest expense on deposits and interest expense on FHLB advances and ended in February of 2007 for Johnson Bank, will end in October of 2012 for BHB, and in December 2011 for PBI.

**t. Stock Repurchases**

Acquisitions of the Company’s common stock are recorded using the cost method, which results in debiting the Treasury stock account for the reacquisition cost and in reporting this account as a deduction from the total paid-in-capital and retained earnings on the consolidated balance sheet.

**u. New Accounting Pronouncements**

In June 2006, the FASB issued FIN 48. This interpretation prescribes a consistent recognition threshold and measurement attribute, as well as criteria for subsequently recognizing, derecognizing and measuring such tax positions for financial statement purposes. FIN 48 also requires expanded disclosure with respect to the uncertainty in income taxes. Adoption of FIN 48 as of January 1, 2007 did not impact the Company’s consolidated financial position or results of operations.

Effective January 1, 2007, the Company adopted the Emerging Issues Task Force (“EITF”) Issue 06-5, “Accounting for Purchases of Life Insurance—Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4,” which explains how to determine the amount that can be realized from a life insurance contract. It also requires that if the contract provides for a greater surrender value if all individual policies in a group are surrendered at the same time, that the surrender value be determined based on the assumption that policies will be surrendered on an individual basis. In addition, the cash surrender value should not be discounted when contractual limitations on the ability to surrender a policy exist. EITF 06-5 also requires that fixed amounts that are recoverable by the policyholder in future periods over one year from the surrender of the policy be recognized at their present value. Adoption of EITF Issue 06-5 as of January 1, 2007 did not impact the Company’s consolidated financial position or results of operations.

In February 2006, the FASB issued Statement No. 155, “Accounting for Certain Hybrid Financial Instruments,” which permits, but does not require, fair value accounting for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation in accordance with Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities,” (“SFAS No. 133”). The statement also subjects beneficial interests in securitized financial assets that were previously exempted to the requirements of SFAS No. 133. This statement is effective for fiscal years beginning after December 15, 2006. Adoption of this statement as of January 1, 2007 did not impact the Company’s consolidated financial position or results of operations.

In September 2006, the FASB issued FASB Statement No. 157, “Fair Value Measurements,” to provide guidance on how to measure fair value, which would apply broadly to financial and non-financial assets and liabilities that are measured at fair value under other authoritative accounting pronouncements. The statement defines fair value, provides a hierarchy that prioritizes inputs that should



**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

be used in valuation techniques used to measure fair value, and expands current disclosures about the use of fair value to measure assets and liabilities. The disclosures focus on the methods used for the measurements and their effect on earnings and would apply whether the assets were measured at fair value in all periods, such as trading securities, or in only some periods, such as for impaired assets. A transition adjustment would be recognized as a cumulative-effect adjustment to beginning retained earnings for the fiscal year in which the statement is initially adopted. This adjustment is measured as the difference between the carrying amounts and the fair values of those financial instruments at the date of adoption. The statement is effective for fiscal years beginning after November 15, 2007 (or January 1, 2008 for calendar-year companies) and interim periods within those fiscal years. The Company will adopt the statement on January 1, 2008. The fair value disclosures required by this statement will be effective for the first interim period in which the statement is adopted. The Corporation adopted SFAS 157 on January 1, 2008, and the adoption did not have a material impact on financial condition, results of operations, or liquidity.

In February 2007, the FASB issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"). The statement gives companies the option, at specified election dates, to measure certain financial assets and liabilities at fair value. The election may be applied to financial assets and liabilities on an instrument by instrument basis, is irrevocable, and may only be applied to entire instruments. Unrealized gains and losses on instruments for which the fair value option has been elected will be reported in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Corporation adopted SFAS 159 on January 1, 2008, and the adoption did not have a material impact on financial condition, results of operations, or liquidity as we did not elect the fair value option for any of our financial assets or liabilities.

In December 2007, the FASB issued SFAS 141(R), "Business Combinations". SFAS 141(R) will significantly change how entities apply the acquisition method to business combinations. The most significant changes affecting how the Corporation will account for business combinations under this Statement include: the acquisition date will be date the acquirer obtains control; all (and only) identifiable assets acquired, liabilities assumed, and noncontrolling interests in the acquiree will be stated at fair value on the acquisition date; assets or liabilities arising from noncontractual contingencies will be measured at their acquisition date fair value only if it is more likely than not that they meet the definition of an asset or liability on the acquisition date; adjustments subsequently made to the provisional amounts recorded on the acquisition date will be made retroactively during a measurement period not to exceed one year; acquisition-related restructuring costs that do not meet the criteria in SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities, will be expensed as incurred; transaction costs will be expensed as incurred; reversals of deferred income tax valuation allowances and income tax contingencies will be recognized in earnings subsequent to the measurement period; and the allowance for loan losses of an acquiree will not be permitted to be recognized by the acquirer. Additionally, SFAS 141(R) will require new and modified disclosures surrounding subsequent changes to acquisition-related contingencies, contingent consideration, noncontrolling interests, acquisition-related transaction costs, fair values and cash flows not expected to be collected for acquired loans, and an enhanced goodwill rollforward.

The Company will be required to prospectively apply SFAS 141(R) to all business combinations completed on or after January 1, 2009. Early adoption is not permitted. For business combinations in which the acquisition date was before the effective date, the provisions of SFAS 141(R) will apply to the subsequent accounting for deferred income tax valuation allowances and income tax contingencies and will require any changes in those amounts to be recorded in earnings. The Company is currently evaluating the effects that SFAS 141(R) will have on the financial condition, results of operations, liquidity, and the disclosures that will be presented in the consolidated financial statements.

# PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

## NOTE 2—OPERATING SEGMENTS

During the fourth quarter 2007, we aggregated our geographical banking segments into one Banking segment in accordance with paragraph 17 of FASB Statement No. 131, Disclosures about Segments of an Enterprise and Related Information (“Statement 131”). As explained in the section captioned “Business,” changes in management made during the quarter modified the way management views its business segments. All geographical banking locations, whose operations are very similar, whose economic performance we measure consistently and whose products and services and client base are similar, report through one Executive Committee member to the Chief Executive Officer. As such, our operations consist of three primary business segments: Banking (which includes Mortgage Company); The PrivateWealth Group (which includes Lodestar); and the Holding Company. Insurance expense for the Company is allocated to all segments.

We apply the accrual basis of accounting for each reportable segment and for transactions between reportable segments. During 2007, there were no changes in the measurement methods used to determine reported segment profit or loss as compared to the same period for 2006.

The accounting policies of the segments are generally the same as those described in Note 1—Basis of Presentation to the consolidated financial statements.

Balance sheet highlights at December 31, 2007 and December 31, 2006 for each business segment are summarized in the following segment tables (in thousands):

| <u>12/31/2007</u>                   | <u>Total assets</u> | <u>Total deposits</u> | <u>Total borrowings(1)</u> | <u>Total gross loans</u> | <u>Total capital</u> |
|-------------------------------------|---------------------|-----------------------|----------------------------|--------------------------|----------------------|
| <b>Banking(2)</b>                   | 5,017,616           | 3,970,587             | 370,559                    | 4,177,795                | 574,673              |
| <b>Holding Company Activities</b>   | 799,365             | —                     | 291,283                    | —                        | 500,793              |
| <b>Intersegment Eliminations(3)</b> | (826,776)           | (209,449)             | —                          | —                        | (574,673)            |
| <b>Consolidated</b>                 | <u>4,990,205</u>    | <u>3,761,138</u>      | <u>661,842</u>             | <u>4,177,795</u>         | <u>500,793</u>       |

| <u>12/31/2006</u>                   | <u>Total assets</u> | <u>Total deposits</u> | <u>Total borrowings(1)</u> | <u>Total gross loans</u> | <u>Total capital</u> |
|-------------------------------------|---------------------|-----------------------|----------------------------|--------------------------|----------------------|
| <b>Banking(2)</b>                   | 4,298,154           | 3,567,064             | 199,516                    | 3,499,988                | 458,484              |
| <b>Holding Company Activities</b>   | 483,616             | —                     | 183,250                    | —                        | 297,124              |
| <b>Intersegment Eliminations(3)</b> | (517,346)           | (16,051)              | —                          | —                        | (458,484)            |
| <b>Consolidated</b>                 | <u>4,264,424</u>    | <u>3,551,013</u>      | <u>382,766</u>             | <u>3,499,988</u>         | <u>297,124</u>       |

| <u>Growth between periods '07-06</u> | <u>Total assets</u> | <u>Total deposits</u> | <u>Total borrowings(1)</u> | <u>Total gross loans</u> | <u>Total capital</u> |
|--------------------------------------|---------------------|-----------------------|----------------------------|--------------------------|----------------------|
| <b>Banking(2)</b>                    | 17%                 | 11%                   | 86%                        | 19%                      | 25%                  |
| <b>Holding Company Activities</b>    | 65%                 | —                     | 59%                        | —                        | 69%                  |
| <b>Intersegment Eliminations(3)</b>  | 60%                 | 1,205%                | —                          | —                        | 25%                  |
| <b>Consolidated</b>                  | 17%                 | 6%                    | 73%                        | 19%                      | 69%                  |

(1) Includes Debentures for the Holding Company segment.

(2) For segment reporting purposes, the balance sheet of The PrivateWealth Group is included in the Banking segment.

(3) Intersegment eliminations for total capital reflect the elimination of the net investment in each of the Holding Company subsidiaries in consolidation. The intersegment eliminations for total deposits reflect the elimination of the holding company's cash deposited at The PrivateBanks – Chicago,

# PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

St. Louis and Georgia. The intersegment eliminations include adjustments necessary for each category to agree with the related consolidated financial statements.

Financial results for each business segment for the year ended December 31, 2007, December 31, 2006, and December 31, 2005 are presented below (in thousands):

| 12 Months Ended December 2007       | Net interest income | Provision for loan losses | Non Interest Income | Non Interest Expense | Minority Interest Expense | Income Tax Provision | Net income    |
|-------------------------------------|---------------------|---------------------------|---------------------|----------------------|---------------------------|----------------------|---------------|
| <b>Banking</b>                      | 140,255             | 16,934                    | 11,177              | 90,874               | —                         | 12,590               | 32,288        |
| <b>The PrivateWealth Group</b>      | 1,264               | —                         | 16,188              | 14,667               | 363                       | 923                  | 1,599         |
| <b>Holding Company Activities</b>   | (14,188)            | —                         | 238                 | 17,483               | —                         | (10,107)             | (21,326)      |
| <b>Intersegment Eliminations(1)</b> | 791                 | —                         | (1,329)             | (615)                | —                         | (523)                | (754)         |
| <b>Consolidated</b>                 | <u>128,122</u>      | <u>16,934</u>             | <u>26,274</u>       | <u>122,409</u>       | <u>363</u>                | <u>2,883</u>         | <u>11,807</u> |

| 12 Months Ended December 2006       | Net interest income | Provision for loan losses | Non Interest Income | Non Interest Expense | Minority Interest Expense | Income Tax Provision | Net income    |
|-------------------------------------|---------------------|---------------------------|---------------------|----------------------|---------------------------|----------------------|---------------|
| <b>Banking</b>                      | 124,148             | 6,836                     | 10,248              | 58,485               | —                         | 19,164               | 48,516        |
| <b>The PrivateWealth Group</b>      | 1,032               | —                         | 13,855              | 12,391               | 330                       | 2,939                | 1,700         |
| <b>Holding Company Activities</b>   | (8,016)             | —                         | 212                 | 9,498                | —                         | (5,545)              | (11,757)      |
| <b>Intersegment Eliminations(1)</b> | 310                 | —                         | (1,153)             | (1,308)              | —                         | —                    | (613)         |
| <b>Consolidated</b>                 | <u>117,474</u>      | <u>6,836</u>              | <u>23,162</u>       | <u>79,066</u>        | <u>330</u>                | <u>16,558</u>        | <u>37,846</u> |

| 12 Months Ended December 2005       | Net interest income | Provision for loan losses | Non Interest Income | Non Interest Expense | Minority Interest Expense | Income Tax Provision | Net income    |
|-------------------------------------|---------------------|---------------------------|---------------------|----------------------|---------------------------|----------------------|---------------|
| <b>Banking</b>                      | 98,938              | 6,538                     | 10,609              | 45,228               | —                         | 18,377               | 39,446        |
| <b>The PrivateWealth Group</b>      | 751                 | —                         | 9,947               | 9,393                | 307                       | 477                  | 967           |
| <b>Holding Company Activities</b>   | (4,130)             | —                         | 200                 | 6,695                | —                         | (3,637)              | (6,988)       |
| <b>Intersegment Eliminations(1)</b> | 841                 | —                         | (1,746)             | 1,370                | —                         | (252)                | (2,511)       |
| <b>Consolidated</b>                 | <u>96,400</u>       | <u>6,538</u>              | <u>19,010</u>       | <u>62,686</u>        | <u>307</u>                | <u>14,965</u>        | <u>30,914</u> |

| Growth between periods '07-06       | Net interest income | Provision for loan losses | Non Interest Income | Non Interest Expense | Minority Interest Expense | Income Tax Provision | Net income   |
|-------------------------------------|---------------------|---------------------------|---------------------|----------------------|---------------------------|----------------------|--------------|
| <b>Banking</b>                      | 13%                 | 148%                      | 9%                  | 55%                  | —                         | (34)%                | (33)%        |
| <b>The PrivateWealth Group</b>      | 22%                 | —                         | 17%                 | 18%                  | 10%                       | (69)%                | (6)%         |
| <b>Holding Company Activities</b>   | 77%                 | —                         | 12%                 | 84%                  | —                         | 82%                  | 81%          |
| <b>Intersegment Eliminations(1)</b> | 155%                | —                         | 15%                 | (53)%                | —                         | —                    | 23%          |
| <b>Consolidated</b>                 | <u>9%</u>           | <u>148%</u>               | <u>13%</u>          | <u>55%</u>           | <u>10%</u>                | <u>(83)%</u>         | <u>(69)%</u> |

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

| <u>Growth between periods '06-05</u> | <u>Net interest income</u> | <u>Provision for loan losses</u> | <u>Non Interest Income</u> | <u>Non Interest Expense</u> | <u>Minority Interest Expense</u> | <u>Income Tax Provision</u> | <u>Net income</u> |
|--------------------------------------|----------------------------|----------------------------------|----------------------------|-----------------------------|----------------------------------|-----------------------------|-------------------|
| <b>Banking</b>                       | 25%                        | 5%                               | (3)%                       | 29%                         | —                                | 4%                          | 23%               |
| <b>The PrivateWealth Group</b>       | 37%                        | —                                | 39%                        | 32%                         | 8%                               | 516%                        | 76%               |
| <b>Holding Company Activities</b>    | 94%                        | —                                | 6%                         | 42%                         | —                                | 52%                         | 68%               |
| <b>Intersegment Eliminations(1)</b>  | (63)%                      | —                                | (34)%                      | (196)%                      | —                                | (100)%                      | (76)%             |
| <b>Consolidated</b>                  | 22%                        | 5%                               | 22%                        | 26%                         | 8%                               | 11%                         | 22%               |

- (1) The intersegment eliminations for interest expense reflect the elimination of the holding company's cash deposited at The PrivateBanks – Chicago, St. Louis and Georgia. The intersegment eliminations include adjustments necessary for each category to agree with the related consolidated financial statements.

### **Banking**

The PrivateBanks – Chicago, St. Louis, Wisconsin, Michigan and Georgia, provide personal and commercial banking services primarily to affluent individuals, professionals, entrepreneurs and their business interests. Commercial lending products include lines of credit for working capital, term loans for equipment and letters of credit to support the commitments made by its clients. Non-credit products include remote capture, merchant credit card processing, electronic funds transfer, and other cash management products. In addition, some of our banks provide lock-box and cash concentration accounts. The banks offer a full range of real estate lending products including fixed and floating rate permanent and mini-permanent mortgages, and construction and commercial real estate loans. Personal loans include installment loans and lines of credit, home equity loans and a wide variety of home mortgage loans.

Personal banking services include interest-bearing checking, money market accounts, certificates of deposit, ATM/debit cards, investment brokerage accounts and domestic and international wire transfers. Additionally, some of our banks offer secured and unsecured personal loans and lines of credit, foreign currency exchange and access to wealth management services and products.

During 2001, The PrivateBank – Chicago recorded approximately \$12.2 million in goodwill in connection with the Johnson Bank Illinois acquisition. During 2002, The PrivateBank – Chicago recorded \$8.4 million of goodwill and \$2.5 million in customer intangibles in connection with the Lodestar acquisition. The customer intangibles reflect the estimated fair value of the Lodestar client relationships over a 15-year time horizon. On June 15, 2004, The PrivateBank Mortgage Company recorded \$1.3 million in goodwill in connection with the acquisition of Corley Financial Services. The PrivateBank – Chicago's balance sheet reflects goodwill of \$19.2 million at December 31, 2007, which remained unchanged from December 31, 2006, and intangibles of \$1.7 million at December 31, 2007, compared to \$1.9 million at December 31, 2006. Amortization expense related to the Lodestar customer intangible assets is currently recognized at approximately \$170,000 per year until 2017.

During the second quarter 2005, The PrivateBank – Michigan recorded \$42.6 million in goodwill, \$3.2 million of client deposit intangibles and \$500,000 of wealth management intangibles in connection with the Company's acquisition of The PrivateBank – Michigan. The amortization expense related to The PrivateBank – Michigan intangibles are amortized over 10 years using an accelerated method of amortization. The PrivateBank – Michigan balance sheet reflects goodwill of \$42.6 million, which remained unchanged from December 31, 2006, and intangibles of \$2.7 million at December 31, 2007, compared to \$3.1 million at December 31, 2006. The amortization expense related to The PrivateBank –

## PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

Michigan intangibles for the years 2008 through 2012, will be approximately \$406,000, \$389,000, \$373,000, \$358,000, and \$343,000, respectively.

During the fourth quarter 2006, The PrivateBank – Georgia recorded \$29.9 million in goodwill, \$2.5 million of client deposit intangibles in connection with the Company's acquisition of The PrivateBank – Georgia. The amortization expense related to The PrivateBank – Georgia will be amortized over 8 years using an accelerated method of amortization. The PrivateBank – Georgia's balance sheet reflects goodwill of \$30.2 million, compared to \$29.9 million at December 31, 2006 due to routine adjustments of deferred taxes and acquisition costs related to the purchase of The PrivateBank-Georgia as allowable under accounting rules. The PrivateBank – Georgia had intangibles of \$2.1 million at December 31, 2007 compared to \$2.5 million at December 31, 2006, as a result of its acquisition by the Company on December 13, 2006. The amortization expense related to The PrivateBank – Georgia intangibles for the years 2008 through 2012, will be approximately \$355,000, \$338,000, \$320,000, \$302,000, and \$284,000, respectively.

There was no goodwill or intangible impairment at December 31, 2007.

### The PrivateWealth Group

The PrivateWealth Group (formerly "Wealth Management") includes investment management, personal trust, and estate administration, custodial, qualified plan, IRA, brokerage and investment advisory services. The PrivateWealth Group professionals work with trust and investment management clients to define objectives, goals and strategies for clients' investment portfolios. They also assist some clients with the selection of independent investment managers to handle account investments. In addition, account administrators work with trust clients and their attorneys to establish estate plans. Consistent with the Company's philosophy, The PrivateWealth Group emphasizes a high level of personal service, including prompt collection and reinvestment of interest and dividend income, daily portfolio valuations, tracking of tax information, customized reporting and ease of security settlement. Lodestar is an investment management firm that is 80% owned by The PrivateBank and Trust Company and is part of The PrivateWealth Group for segment reporting purposes. Lodestar provides investment management services to high net worth clients, some of whom are also fiduciary services clients of The PrivateWealth Group. The minority interest expense related to Lodestar is included in non-interest expense for this segment. Additionally, clients have access to investment advisory, insurance products, and securities brokerage services through an affiliation each of The PrivateBank – Chicago, The PrivateBank – St. Louis, and The PrivateBank - Michigan has with Linsco Private Ledger, a registered broker dealer and registered investment advisor.

For the year ended December 31, 2007, fees paid to third party investment managers were \$3.4 million compared to \$2.7 million in the prior year.

### Holding Company

Holding Company activities consist of parent company only matters. The Holding Company's most significant assets are net investments in its five banking subsidiaries, The PrivateBank – Chicago, The PrivateBank – St. Louis, The PrivateBank – Wisconsin, The PrivateBank – Michigan, and The PrivateBank – Georgia and a mortgage company subsidiary, The PrivateBank Mortgage Company. The Holding Company acquired The PrivateBank – Georgia on December 13, 2006, as part of its acquisition of Piedmont Bancshares, Inc.

Holding Company activities are reflected primarily by interest expense on borrowings and operating expenses. Recurring Holding Company operating expenses consist of compensation (amortization of restricted stock awards and stock option expense) and professional fees.

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

**NOTE 3—EARNINGS PER COMMON SHARE**

The following table shows the computation of basic and diluted earnings per common share (in thousands, except per share data):

|   | <b>Income<br/>(Numerator)</b> | <b>Weighted<br/>Average<br/>Shares<br/>(Denominator)</b> | <b>Per<br/>Share<br/>Amount</b> |
|---|-------------------------------|--|---------------------------------|
| <b>Year Ended December 31, 2007</b>     |                               |  |                                 |
| Basic Earnings Per Common Share         |                               |  |                                 |
| Income available to common stockholders | \$ 11,700                     | 21,572   | \$ 0.54                         |
| Effect of Dilutive Share Based Payments | —                             | 632  |                                 |
| Preferred Stock Dividends               | 107                           | 82   |                                 |
| Diluted Earnings Per Common Share—      |                               |  |                                 |
| Income available to common stockholders | \$ 11,807                     | 22,286   | \$ 0.53                         |
| <b>Year Ended December 31, 2006</b>     |                               |  |                                 |
| Basic Earnings Per Common Share         |                               |  |                                 |
| Income available to common stockholders | \$ 37,846                     | 20,630   | \$ 1.83                         |
| Effect of Dilutive Share Based Payments | —                             | 864  |                                 |
| Diluted Earnings Per Common Share—      |                               |  |                                 |
| Income available to common stockholders | \$ 37,846                     | 21,494   | \$ 1.76                         |
| <b>Year Ended December 31, 2005</b>     |                               |  |                                 |
| Basic Earnings Per Common Share         |                               |  |                                 |
| Income available to common stockholders | \$ 30,914                     | 20,202   | \$ 1.53                         |
| Effect of Dilutive Share Based Payments | —                             | 936  |                                 |
| Diluted Earnings Per Common Share—      |                               |  |                                 |
| Income available to common stockholders | \$ 30,914                     | 21,138   | \$ 1.46                         |

During 2007, 741,965 of 2,575,304 unexercised options are included in the diluted earnings per common share calculation. During 2006, 1,128,551 of 1,550,451 unexercised options are included in the diluted earnings per common share calculation. During 2005, 1,526,350 of 1,540,350 unexercised options are included in the diluted earnings per common share calculation. The exercise prices for all previously granted unexercised stock options ranged from \$4.13 to \$46.51 in 2007, \$3.65 to \$46.51 in 2006, and from \$3.13 to \$37.56 in 2005.

Not included in the diluted earnings per share calculation are shares that are contingently issuable. Contingently issuable shares are any type of equity that will be issued by the Company once a particular contingency has been met. At December 31, 2007, the Company had 1,158,073 of contingently issuable shares related to share based compensation and 2,552,724 of contingently issuable shares related to convertible debt. The Company had no contingently issuable shares at December 31, 2006 and December 31, 2005.

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

**NOTE 4—SECURITIES**

The amortized cost and the estimated fair value of securities as of December 31, 2007 and December 31, 2006 were as follows (in thousands):

|  | December 31, 2007 |                        |                         |                      |
|--|-------------------|------------------------|-------------------------|----------------------|
|  | Amortized Cost    | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| <b>Investment Securities</b>   |                   |                        |                         |                      |
| U. S. Agency Notes   | \$ 3,991          | \$ 20                  | \$ —                    | \$ 4,011             |
| U. S. Government Agency Mortgage-Backed Securities and Collateralized Mortgage Obligations | 300,468           | 2,563                  | (921)                   | 302,110              |
| Corporate collateralized mortgage obligations  | 9,296             | 84                     | (24)                    | 9,356                |
| Tax-Exempt Municipal Securities  | 196,198           | 10,895                 | (101)                   | 206,992              |
| Taxable Municipal Securities   | 3,790             | 12                     | —                       | 3,802                |
| Federal Home Loan Bank Stock   | 7,700             | —                      | —                       | 7,700                |
| Other  | 4,757             | 2                      | —                       | 4,759                |
|  | <u>\$ 526,200</u> | <u>\$ 13,576</u>       | <u>\$ (1,046)</u>       | <u>\$ 538,730</u>    |

|  | December 31, 2006 |                        |                         |                      |
|--|-------------------|------------------------|-------------------------|----------------------|
|  | Amortized Cost    | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| <b>Investment Securities</b>   |                   |                        |                         |                      |
| U. S. Agency Notes   | \$ 30,022         | \$ —                   | \$ —                    | \$ 30,022            |
| U. S. Government Agency Mortgage-Backed Securities and Collateralized Mortgage Obligations | 245,962           | 593                    | (3,315)                 | \$ 243,240           |
| Tax-Exempt Municipal Securities  | 199,058           | 11,975                 | (10)                    | 211,023              |
| Taxable Municipal Securities   | 3,810             | —                      | (1)                     | 3,809                |
| Federal Home Loan Bank Stock   | 5,141             | —                      | —                       | 5,141                |
| Other  | 3,547             | —                      | —                       | 3,547                |
|  | <u>\$ 487,540</u> | <u>\$ 12,568</u>       | <u>\$ (3,326)</u>       | <u>\$ 496,782</u>    |

The following table presents the age of gross unrealized losses and fair value by investment category (in thousands).

|   | December 31, 2007    |                         |                      |                         |                      |                         |
|---|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|
|   | Less than 12 months  |                         | Over 12 months       |                         | Total                |                         |
|   | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses |
| <b>Investment Securities</b>  |                      |                         |                      |                         |                      |                         |
| U.S. Government Agency Mortgage-Backed Securities and Collateralized Mortgage Obligations | \$206,559            | \$ (221)                | \$95,551             | \$ (700)                | 302,110              | \$ (921)                |
| Corporate Collateralized Mortgage Obligations   | 9,356                | (24)                    | —                    | —                       | 9,356                | (24)                    |
| Tax-Exempt Municipal Securities   | 206,788              | (100)                   | 204                  | (1)                     | 206,992              | (101)                   |
| Total   | <u>\$422,703</u>     | <u>\$ (345)</u>         | <u>\$95,755</u>      | <u>\$ (701)</u>         | <u>\$518,458</u>     | <u>\$ (1,046)</u>       |



**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

|  | December 31, 2006          |                               |                            |                               |                            |                               |
|--|----------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|
|  | Less than 12 months        |                               | Over 12 months             |                               | Total                      |                               |
|  | Estimated<br>Fair<br>Value | Gross<br>Unrealized<br>Losses | Estimated<br>Fair<br>Value | Gross<br>Unrealized<br>Losses | Estimated<br>Fair<br>Value | Gross<br>Unrealized<br>Losses |
| <b>Investment Securities</b>   |                            |                               |                            |                               |                            |                               |
| U.S. Government Agency Mortgage-<br>Backed Securities and Collateralized<br>Mortgage Obligations | \$ 55,360                  | \$ (88)                       | \$187,880                  | \$ (3,227)                    | \$243,240                  | \$ (3,315)                    |
| Tax-Exempt Municipal Securities  | 210,546                    | (7)                           | 477                        | (3)                           | 211,023                    | (10)                          |
| Taxable Municipal Securities   | 3,616                      | —                             | 193                        | (1)                           | 3,809                      | (1)                           |
| <b>Total</b>   | <b>\$269,522</b>           | <b>\$ (95)</b>                | <b>\$188,550</b>           | <b>\$ (3,231)</b>             | <b>\$458,072</b>           | <b>\$ (3,326)</b>             |

Management does not believe any individual unrealized loss as of December 31, 2007 represents an other-than-temporary impairment. The unrealized losses over 12 months reported for mortgage-backed securities and collateralized mortgage obligations relate primarily to securities issued by FNMA, FHLMC and private institutions. These unrealized losses over 12 months are primarily attributable to changes in interest rates.

The amortized cost and estimated fair value of securities at December 31, 2007, by expected maturity, are shown below (in thousands). Expected maturities will differ from contractual maturities because obligors may have the right to call or prepay obligations with or without call or prepayment penalties. Our U.S. Government Agency Mortgage-Backed Securities and Collateralized Mortgage Obligations have been allocated across the various maturities based on Bloomberg consensus prepayment speeds.

|  | <b>Amortized<br/>Cost</b> | <b>Estimated<br/>Fair Value</b> |
|--|---------------------------|---------------------------------|
| Due within one year                    | \$ 113,897                | \$ 114,528                      |
| Due after one year through five years  | 226,529                   | 231,069                         |
| Due after five years through ten years | 127,246                   | 132,568                         |
| Due after ten years                    | 50,828                    | 52,865                          |
| Securities with no stated maturity     | 7,700                     | 7,700                           |
|  | <b>\$ 526,200</b>         | <b>\$ 538,730</b>               |

During 2007 and 2006, securities were sold for total proceeds of \$13.7 million and \$108.3 million respectively, resulting in net gains of approximately \$348,000 for the year ended December 31, 2007 and net losses of approximately \$374,000 for December 31, 2006. Gross gains and gross losses for 2007 were \$390,000 and \$42,000, respectively. Gross gains and gross losses for 2006 were \$2.0 million and \$2.4 million, respectively. Taxes related to gross gains and gross losses on investment securities for 2007 were \$148,000 and (\$10,000), respectively. Taxes related to gross gains and gross losses on investment securities for 2006 were \$728,000 and (\$867,000), respectively.

Premium amortization and discount accretion on securities are included in interest income on securities using the effective interest rate method. Premium amortizations totaled \$3.1 million, \$3.2 million, and \$6.0 million for the years ended December 31, 2007, 2006, and 2005, respectively. Discount accretion totaled \$2.2 million, \$1.8 million, and \$1.7 million at December 31, 2007, 2006, and 2005, respectively. The specific identification method is used to record gains and losses on security transactions.

# PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

At December 31, 2007 and 2006, we had approximately \$398.6 million and \$359.5 million, respectively, of securities collateralizing public deposits, trust deposits and other collateralized deposits for other purposes as required or permitted by law. Deposits requiring pledged assets are not considered to be core deposits for regulatory purposes and the assets that are pledged as collateral for these deposits are not deemed to be liquid assets. In the opinion of management, there were no investments in securities at December 31, 2007 that constituted an unusual credit risk for the Company.

Change in fair value of securities available-for-sale is presented on a net basis in the Consolidated Statement of Changes in Stockholders' Equity. The following table discloses the changes in other comprehensive income as of December 31, 2007 and 2006 on a gross basis (in thousands):

|  | December 31, 2007       |                 |                         |
|--|-------------------------|-----------------|-------------------------|
|  | Before<br>Tax<br>Amount | Tax Effect      | Net of<br>Tax<br>Amount |
| Change in unrealized gains (losses) on securities available-for-sale | \$ 3,636                | \$ 1,356        | \$ 2,280                |
| Less: reclassification adjustment for losses included in net income  | (348)                   | (131)           | (217)                   |
| Change in net unrealized gains                                       | <u>\$ 3,288</u>         | <u>\$ 1,225</u> | <u>\$ 2,063</u>         |

|  | December 31, 2006       |                   |                         |
|--|-------------------------|-------------------|-------------------------|
|  | Before<br>Tax<br>Amount | Tax Effect        | Net of<br>Tax<br>Amount |
| Change in unrealized gains (losses) on securities available-for-sale | \$(3,175)               | \$ (1,377)        | \$(1,798)               |
| Less: reclassification adjustment for losses included in net income  | 374                     | 139               | 235                     |
| Change in net unrealized gains                                       | <u>\$(2,801)</u>        | <u>\$ (1,238)</u> | <u>\$(1,563)</u>        |

## NOTE 5—LOANS

Amounts outstanding by selected loan categories at December 31, 2007 and 2006, including net unamortized deferred loan fees of \$2.2 million and \$1.7 million, respectively, were as follows (in thousands):

|                                     | December 31,<br>2007   | Percentage<br>of total<br>loans | December 31,<br>2006 | Percentage<br>of total<br>loans |
|-------------------------------------|------------------------|---------------------------------|----------------------|---------------------------------|
|                                     | (dollars in thousands) |                                 |                      |                                 |
| Commercial and Industrial           | \$ 827,837             | 20%                             | \$ 563,155           | 16%                             |
| Owner Occupied CRE                  | 483,920                | 12%                             | 265,439              | 8%                              |
| Total Commercial                    | <u>\$ 1,311,757</u>    | <u>32%</u>                      | <u>\$ 828,594</u>    | <u>24%</u>                      |
| Commercial real estate              | 1,386,275              | 33%                             | 1,273,599            | 36%                             |
| Commercial real estate—multi-family | 217,884                | 5%                              | 212,863              | 6%                              |
| Total CRE                           | <u>\$ 1,604,159</u>    | <u>38%</u>                      | <u>\$ 1,486,462</u>  | <u>42%</u>                      |
| Construction                        | 613,468                | 15%                             | 591,704              | 17%                             |
| Personal(1)                         | 247,462                | 6%                              | 192,397              | 6%                              |
| Residential real estate             | 265,466                | 6%                              | 262,107              | 7%                              |
| Home equity                         | 135,483                | 3%                              | 138,724              | 4%                              |
| Total loans                         | <u>\$ 4,177,795</u>    | <u>100%</u>                     | <u>\$ 3,499,988</u>  | <u>100%</u>                     |

(1) Includes \$11,000 of overdrafts.

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

The following tables present the impaired, non-accrual and past due loans (in thousands):

|  | <b>December 31,</b> |                |
|--|---------------------|----------------|
|  | <b>2007</b>         | <b>2006</b>    |
| Non-accrual loans:                                 |                     |                |
| Impaired loans with valuation reserve required(1)  | \$ 2,964            | \$ 291         |
| Impaired loans with no valuation reserve required  | 36,019              | 3,479          |
| Total non-accrual loans                            | <u>\$38,983</u>     | <u>\$3,770</u> |
| Loans past due 90 days and still accruing interest | <u>\$ 53</u>        | <u>\$5,137</u> |

(1) These impaired loans require a valuation reserve because the value of the loans is less than the recorded investment in the loans.

|   | <b>Years Ended December 31,</b> |             |             |
|---|---------------------------------|-------------|-------------|
|   | <b>2007</b>                     | <b>2006</b> | <b>2005</b> |
| Valuation reserve related to impaired loans | \$ 2,964                        | \$ 291      | \$ —        |
| Average impaired loans                      | \$18,654                        | \$1,783     | \$962       |
| Interest income foregone on impaired loans  | \$ 1,403                        | \$ 136      | \$ 61       |

We have one restructured loan in the portfolio as of December 31, 2007. Management has granted a concession to a borrower experiencing financial difficulty on a \$2.1 million loan. Gross interest income that would have been reported in 2007 had the loan performed in accordance with its original terms was \$96,000 and interest income included in 2007 net income was \$142,000. The Company has no commitments to lend additional funds to this borrower.

Loan concentrations are defined as amounts loaned to a multiple number of borrowers engaged in similar activities, which would cause them to be similarly impacted by economic or other conditions. The banks grant loans to clients located primarily in the metropolitan Chicago, St. Louis, Milwaukee, Detroit, Kansas City, and Atlanta areas. There are no other significant concentrations of loans and commitments to make loans other than the categories of loans disclosed above. At December 31, 2007, we had \$180.5 million in loans pledged to the FHLB as collateral for securing our advances.

**NOTE 6—ALLOWANCE FOR LOAN LOSSES**

The changes in the allowance for loan losses for the following three years ended December 31 were as follows (in thousands):

|  | <b>2007</b>     | <b>2006</b>     | <b>2005</b>     |
|--|-----------------|-----------------|-----------------|
| Beginning balance  | \$38,069        | \$29,388        | \$18,986        |
| Loans charged off  | (6,316)         | (1,025)         | (538)           |
| Loans recovered  | 204             | 152             | 788             |
| Provision for loan losses                                | 16,934          | 6,836           | 6,538           |
| Addition of The PrivateBank – Michigan loan loss reserve | —               | —               | 3,614           |
| Addition of The PrivateBank – Georgia loan loss reserve  | —               | 2,718           | —               |
| Ending balance   | <u>\$48,891</u> | <u>\$38,069</u> | <u>\$29,388</u> |

In 2006, we added \$202.9 million of loans and \$2.7 million of allowance for loan loss from The PrivateBank – Georgia at its acquisition date, December 30, 2006. In 2005, we added \$315.6 million of loans and \$3.6 million of allowance for loan loss from The PrivateBank – Michigan at its acquisition date.

# PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

## NOTE 7—PREMISES AND EQUIPMENT

Bank and building premises and equipment at December 31, 2007 and 2006, consisted of the following (in thousands):

|   | 2007      | 2006      |
|---|-----------|-----------|
| Land                                      | \$ 110    | \$ 110    |
| Building                                  | 1,640     | 1,640     |
| Furniture, fixtures and equipment         | 24,232    | 18,756    |
| Leasehold improvements                    | 22,164    | 19,277    |
|   | 48,146    | 39,783    |
| Accumulated depreciation and amortization | (22,546)  | (18,370)  |
| Premises and equipment, net               | \$ 25,600 | \$ 21,413 |

Included in occupancy expense is depreciation and amortization expense of \$4.4 million, \$3.6 million, and \$4.0 million, for 2007, 2006, and 2005, respectively.

We lease our main banking facilities and certain branch facilities under noncancellable operating lease agreements. The minimum annual rental commitments under these leases, at December 31, 2007, are as follows (in thousands):

|                          |          |
|--------------------------|----------|
| 2008                     | \$ 4,234 |
| 2009                     | 3,928    |
| 2010                     | 3,807    |
| 2011                     | 3,835    |
| 2012                     | 3,781    |
| 2013 and thereafter      | 27,638   |
| Total rental commitments | \$47,223 |

Total rent expense, including expenses paid for common area maintenance, included in the consolidated statements of income was \$6.0 million, \$4.5 million, and \$3.3 million, in 2007, 2006 and 2005, respectively.

## NOTE 8—INCOME TAXES

The components of the total income tax provision in the consolidated statements of income for the years ended December 31, 2007, 2006 and 2005 are as follows (in thousands):

|                       | 2007     | 2006      | 2005     |
|-----------------------|----------|-----------|----------|
| Income tax provision— |          |           |          |
| Current—              |          |           |          |
| Federal               | \$ 6,884 | \$ 26,954 | \$17,550 |
| State                 | 4,002    | 3,057     | 3,694    |
|                       | 10,886   | 30,011    | 21,244   |
| Deferred—             |          |           |          |
| Federal               | (5,067)  | (12,308)  | (5,753)  |
| State                 | (2,936)  | (1,145)   | (526)    |
|                       | (8,003)  | (13,453)  | (6,279)  |
| Total                 | \$ 2,883 | \$ 16,558 | \$14,965 |

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

The summary reconciliation of the differences between the total income tax provision (benefit) and the amounts computed at the statutory federal tax rate of 35% for the years ended December 31, 2007, 2006, and 2005 is as follows (in thousands):

|   | <u>2007</u>     | <u>2006</u>     | <u>2005</u>     |
|---|-----------------|-----------------|-----------------|
| Income tax provision at statutory federal income tax rate | \$ 5,142        | \$19,042        | \$16,059        |
| Increase (decrease) in taxes resulting from:              |                 |                 |                 |
| Tax-exempt income   | (2,770)         | (2,941)         | (3,072)         |
| Bank owned life insurance                                 | (580)           | (565)           | (500)           |
| Investment credits  | (687)           | (355)           | (250)           |
| Non deductible Share-based payment expense                | 613             | 479             | 713             |
| State income taxes  | 693             | 1,243           | 2,059           |
| Other   | 472             | (345)           | (44)            |
| Provision for income taxes                                | <u>\$ 2,883</u> | <u>\$16,558</u> | <u>\$14,965</u> |

Deferred tax assets and liabilities result from temporary differences between the carrying amounts of assets and liabilities in the financial statements and their related tax bases. The components of the net deferred tax balances as of December 31, 2007 and 2006 are as follows (in thousands):

|  | <u>2007</u>      | <u>2006</u>     |
|--|------------------|-----------------|
| Gross deferred tax assets—                       |                  |                 |
| Allowance for loan losses                        | \$ 18,977        | \$13,113        |
| Share based payment expenses                     | 5,631            | 2,790           |
| Premises and equipment                           | 400              | 1,115           |
| Deferred compensation                            | 519              | 468             |
| Net operating loss carryforward                  | 147              | 1,062           |
| Loan fees and costs                              | 2,970            | 896             |
| Other  | 1,982            | 1,082           |
| Gross deferred tax assets                        | <u>30,626</u>    | <u>20,526</u>   |
| Gross deferred tax liabilities—                  |                  |                 |
| Unrealized gain on securities available-for-sale | (4,850)          | (3,380)         |
| Goodwill amortization                            | (3,117)          | (1,485)         |
| Acquisition of intangible assets                 | (1,288)          | (1,767)         |
| Investment in partnerships                       | (210)            | (953)           |
| Other  | (752)            | (535)           |
| Gross deferred tax liabilities                   | <u>(10,217)</u>  | <u>(8,120)</u>  |
| Net deferred tax assets                          | <u>\$ 20,409</u> | <u>\$12,406</u> |

Net deferred tax assets are included in other assets in the Company's Consolidated Balance Sheets. Included in net deferred tax assets at December 31, 2006 is approximately \$767,000 of net deferred tax assets acquired in the purchase of Piedmont Bancshares, Inc. These net deferred tax assets include a net operating loss carryforward of approximately \$147,000 which expires in 2026. The Company believes it is more likely than not that the deferred tax assets including the net operating loss carryforward will be realized based on reversing deferred tax liabilities and expected future taxable income.

As discussed in Note 1, "Basis of Presentation," the Company adopted FIN 48 as of January 1, 2007. As of the date of adoption, there were no unrecognized tax benefits included in the consolidated balance sheet. Accordingly, there were no amounts recognized for potential penalties and interest related

## PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

to unrecognized tax benefits. If incurred, the Company would recognize any interest and penalties in the provision for income taxes.

The Company files U.S. federal and various state income tax returns. The Company is no longer subject to income tax examination by the Federal Internal Revenue Service (IRS) or certain state departments of revenue with which it files for years prior to 2004. Although tax year 2004 may still be subject to examination due to the statute of limitations, the IRS has previously completed its review of the U.S. federal tax returns for this year. Similarly, while tax years 2003 through 2005 may still be subject to examination due to the statute of limitations, the Illinois Department of Revenue has previously completed its review of the Illinois state tax returns for these years.

### NOTE 9—DEPOSITS

The scheduled maturities of time deposits (including brokered deposits) as of December 31, 2007, for the years 2008 through 2012 and thereafter, are as follows (in thousands):

| For year ending December 31, | (in thousands)      |
|------------------------------|---------------------|
| 1st quarter 2008             | \$ 746,747          |
| 2nd quarter 2008             | 283,458             |
| 3rd quarter 2008             | 179,077             |
| 4th quarter 2008             | 222,672             |
| 2009                         | 98,343              |
| 2010                         | 46,071              |
| 2011                         | 30,096              |
| 2012 and thereafter          | 103,698             |
| Total                        | <u>\$ 1,710,162</u> |

### NOTE 10—FUNDS BORROWED

The following table is a summary of the Company's short-term borrowings as of December 31, 2007 and 2006.

| Funds Borrowed:                           | Current<br>Rate | Maturity   | 12/31/07         |
|---|-----------------|------------|------------------|
| <b>Short Term Funds Borrowed</b>          |                 |            |                  |
| Fed funds purchased                       | 4.13%           | daily      | 226,000          |
| Demand repurchase agreements(1)           | 2.30%           | daily      | 11,044           |
| FHLB advance                              | 4.82%           | 1/2/2008   | 2,000            |
| FHLB advance                              | 5.34%           | 1/15/2008  | 1,000            |
| FHLB advance                              | 4.78%           | 1/30/2008  | 3,000            |
| FHLB advance                              | 5.19%           | 3/17/2008  | 3,000            |
| FHLB advance                              | 4.79%           | 4/1/2008   | 2,000            |
| FHLB advance                              | 3.95%           | 5/5/2008   | 3,000            |
| FHLB advance                              | 4.96%           | 5/16/2008  | 5,000            |
| FHLB advance                              | 5.29%           | 6/23/2008  | 4,000            |
| FHLB advance                              | 4.81%           | 8/18/2008  | 5,000            |
| FHLB advance                              | 3.89%           | 11/17/2008 | 5,000            |
| FHLB advance                              | 4.44%           | 11/17/2008 | 3,000            |
| FHLB advance                              | 4.21%           | 12/30/2008 | 2,000            |
| <b>Total Short Term Funds Borrowed(2)</b> |                 |            | <u>\$275,044</u> |

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

| <b>Funds Borrowed:</b>                    | <b>Current<br/>Rate</b> | <b>Maturity</b> | <b>12/31/06</b>         |
|---|-------------------------|-----------------|-------------------------|
| <b>Short Term Funds Borrowed</b>          |                         |                 |                         |
| Fed funds purchased                       | 4.25%                   | daily           | 100,000                 |
| Demand repurchase agreements(1)           | 2.25%                   | daily           | 12,946                  |
| FHLB advance                              | 3.92%                   | 02/09/2007      | 3,000                   |
| FHLB advance                              | 2.71%                   | 07/07/2007      | 5,000                   |
| FHLB advance                              | 5.33%                   | 10/01/2007      | 4,000                   |
| FHLB advance                              | 5.08%                   | 10/24/2007      | 5,000                   |
| FHLB advance                              | 4.88%                   | 11/15/2007      | 4,000                   |
| FHLB advance                              | 5.48%                   | 12/13/2007      | 2,000                   |
| LaSalle line of Credit                    | 6.68%                   | 12/01/2007      | \$ 45,000               |
| <b>Total Short Term Funds Borrowed(2)</b> |                         |                 | <b><u>\$180,946</u></b> |

- (1) Demand repurchase agreements are a form of retail repurchase agreements offered to certain clients of The PrivateBank—Chicago and The PrivateBank—St. Louis. Funds are swept each business day from the client's demand deposit account. These amounts are not deposits and are not insured, but are secured by a pool of securities pledged specifically for this purpose.
- (2) In connection with the acquisitions of the Michigan and Georgia banks, we acquired certain FHLB advances; the difference between the fair value and the book value at acquisition date is being amortized over 10 years and 8 years, respectively, using an accelerated method of amortization. The adjustments at December 31, 2007 and 2006 totaled \$15,000 and \$37,000, respectively, and are not included in the balances above.



**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

The following table is a summary of the Company's long-term borrowings as of December 31, 2007 and 2006.

| <b>Funds Borrowed:</b>                   | <b>Current<br/>Rate</b> | <b>Maturity</b> | <b>12/31/07</b>         |
|--|-------------------------|-----------------|-------------------------|
| <b>Long Term Funds Borrowed</b>          |                         |                 |                         |
| FHLB advance                             | 5.19%                   | 1/15/2009       | \$ 4,000                |
| FHLB advance                             | 4.07%                   | 3/20/2009       | 5,000                   |
| FHLB advance                             | 4.40%                   | 10/26/2009      | 10,000                  |
| FHLB advance                             | 4.30%                   | 11/16/2009      | 3,000                   |
| FHLB advance                             | 4.25%                   | 11/16/2009      | 4,000                   |
| FHLB advance                             | 3.89%                   | 11/27/2009      | 20,000                  |
| FHLB advance                             | 4.01%                   | 11/30/2009      | 5,000                   |
| FHLB advance                             | 4.10%                   | 12/15/2009      | 2,000                   |
| FHLB advance                             | 4.06%                   | 12/30/2009      | 1,000                   |
| FHLB advance                             | 5.13%                   | 1/15/2010       | 3,000                   |
| FHLB advance                             | 4.64%                   | 3/08/2010       | 5,000                   |
| FHLB advance                             | 4.61%                   | 9/20/2010       | 5,000                   |
| FHLB advance                             | 5.05%                   | 12/22/2010      | 5,000                   |
| FHLB advance                             | 4.16%                   | 12/30/2010      | 1,000                   |
| FHLB advance                             | 5.27%                   | 2/09/2012       | 5,000                   |
| FHLB advance                             | 2.80%                   | 5/20/2013       | 1,000                   |
| FHLB advance                             | 4.96%                   | 6/24/2013       | 5,000                   |
| FHLB advance                             | 3.37%                   | 12/29/2014      | 2,000                   |
| FHLB advance                             | 3.71%                   | 6/24/2015       | 1,000                   |
| FHLB advance                             | 3.74%                   | 9/02/2015       | 1,500                   |
| FHLB advance                             | 4.22%                   | 12/21/2015      | 2,000                   |
| Subordinated debt                        | 6.58%                   | 12/31/2017      | 75,000                  |
| LaSalle line of Credit                   | 6.43%                   | 12/31/2017      | 250                     |
| FHLB advance                             | 4.36%                   | 3/25/2019       | 2,000                   |
| FHLB advance                             | 4.51%                   | 5/22/2019       | 3,000                   |
| Contingent convertible senior notes      | 3.63%                   | 3/15/2027       | 115,000                 |
| <b>Total Long Term Funds Borrowed(1)</b> |                         |                 | <b><u>\$285,750</u></b> |

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

| <b>Funds Borrowed:</b>                   | <b>Current<br/>Rate</b> | <b>Maturity</b> | <b>12/31/06</b>  |
|--|-------------------------|-----------------|------------------|
| <b>Long Term Funds Borrowed</b>          |                         |                 |                  |
| FHLB advance                             | 4.78%                   | 01/30/2008      | \$ 3,000         |
| FHLB advance                             | 5.19%                   | 03/17/2008      | 3,000            |
| FHLB advance                             | 3.95%                   | 05/05/2008      | 3,000            |
| FHLB advance                             | 5.29%                   | 06/23/2008      | 4,000            |
| FHLB advance                             | 3.89%                   | 11/17/2008      | 5,000            |
| FHLB advance                             | 4.07%                   | 03/20/2009      | 5,000            |
| FHLB advance                             | 4.66%                   | 09/21/2009      | 5,000            |
| FHLB advance                             | 4.64%                   | 03/08/2010      | 5,000            |
| FHLB advance                             | 4.61%                   | 09/20/2010      | 5,000            |
| FHLB advance                             | 5.05%                   | 12/22/2010      | 5,000            |
| FHLB advance                             | 2.80%                   | 05/20/2013      | 1,000            |
| FHLB advance                             | 4.96%                   | 06/24/2013      | 5,000            |
| FHLB advance                             | 3.37%                   | 12/29/2014      | 2,000            |
| FHLB advance                             | 3.71%                   | 06/24/2015      | 1,000            |
| FHLB advance                             | 3.74%                   | 09/02/2015      | 1,500            |
| FHLB advance                             | 4.22%                   | 12/21/2015      | 2,000            |
| LaSalle line of Credit                   | 6.68%                   | 12/31/2016      | 250              |
| Subordinated debt                        | 6.72%                   | 12/31/2016      | 40,000           |
| FHLB advance                             | 4.96%                   | 03/25/2019      | 2,000            |
| FHLB advance                             | 4.69%                   | 05/22/2019      | 3,000            |
| <b>Total Long Term Funds Borrowed(1)</b> |                         |                 | <b>\$100,750</b> |

(1) In connection with the acquisitions of the Michigan and Georgia banks, we acquired certain FHLB advances; the difference between the fair value and the book value at acquisition date is being amortized over 10 years and 8 years, respectively, using an accelerated method of amortization. The adjustments at December 31, 2007 and 2006 totaled \$15,000 and \$37,000, respectively, and are not included in the balances above.

As of December 31, 2007 the Company owned 100% of the common securities of three trusts, PrivateBancorp Statutory Trust II, Bloomfield Hills Statutory Trust I and PrivateBancorp Statutory Trust III (the "Trusts"). PrivateBancorp Statutory Trust II and PrivateBancorp Statutory Trust III were established as wholly-owned subsidiaries of the Company in June 2005 and December 2005, respectively. Bloomfield Hills Statutory Trust I was acquired as part of our acquisition of Bloomfield Hills Bancorp, Inc. ("BHB") on June 20, 2005. The Trusts were formed for purposes of issuing trust preferred securities to third-party investors and investing the proceeds from the issuance of the trust preferred securities and common securities solely in junior subordinated debentures ("Debentures") issued by the Trusts, with the same maturities and interest rates as the trust preferred securities. The Debentures are the sole assets of the Trusts.

# PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

The following table is a summary of the Company's junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities ("Debentures") as of December 31, 2007.

| (dollars in thousands)             |                            |                  |               |                          |                        |
|------------------------------------|----------------------------|------------------|---------------|--------------------------|------------------------|
| Issuance Trust                     | Trust Preferred Securities | Debentures       | Maturity Date | Earliest Redemption Date | Coupon Rate            |
| PrivateBancorp Statutory Trust II  | \$50,000                   | \$ 51,547        | 09/15/35      | 09/15/10                 | 6.00%(1)               |
| PrivateBancorp Statutory Trust III | 40,000                     | 41,238           | 12/15/35      | 12/15/10                 | 6.10%(2)               |
| Bloomfield Hills Statutory Trust I | 8,000                      | 8,248            | 06/17/34      | 06/17/09                 | Floating LIBOR + 2.65% |
| Total                              | <u>\$98,000</u>            | <u>\$101,033</u> |               |                          |                        |

(1) 6.00% rate effective until 9/15/2010, then floating at three-month LIBOR + 1.71%.

(2) 6.10% rate effective until 12/15/2010, then floating at three-month LIBOR + 1.50%.

On June 20, 2005, PrivateBancorp Statutory Trust II issued \$50.0 million in fixed/floating rate trust preferred securities. The trust preferred securities pay interest quarterly at a fixed rate of 6.00% for the initial five years and then will subsequently pay interest quarterly at a floating rate equal to 3 month LIBOR plus 1.71%. The trust preferred securities have a 30-year final maturity and are callable at par at the option of the Company in whole or in part after year five, on any interest payment date.

In connection with the acquisition of BHB, the Company acquired \$8.0 million in floating rate junior subordinated debenture trust preferred securities issued by Bloomfield Hills Statutory Trust I. The trust preferred securities pay interest quarterly at a rate of 3 month LIBOR plus 2.65%. The trust preferred securities have a maturity date of June 17, 2034 and are callable beginning June 17, 2009 and at any interest payment date thereafter.

On December 5, 2005, PrivateBancorp Statutory Trust III issued \$40.0 million of trust preferred securities and related junior subordinated debentures. These securities mature in December 2035 but are redeemable at par at our option after five years. The trust preferred securities pay quarterly distributions at a rate of 6.10% for five years and thereafter at a rate equal to the three-month LIBOR rate plus 1.50%. A portion of the proceeds was used to fund the redemption, on December 31, 2005 of \$20.0 million of previously outstanding 9.50% trust preferred securities that were originally issued in 2001.

The Trusts, which are variable interest entities, are reported in the Company's consolidated financial statements as unconsolidated subsidiaries. Accordingly, the Debentures, which include the Company's ownership interest in the Trusts, are reflected as "Junior Subordinated deferrable interest Debentures held by trusts that issued guaranteed capital debt securities" on the face of the balance sheet and the common securities are included in "other assets."

The Company has guaranteed the payment of distributions and payments upon liquidation or redemption of the Debentures, 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 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 the 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

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

of the Debentures at maturity or their earlier redemption. The Debentures are redeemable in whole or in part prior to maturity at any time after the dates shown in the table, and earlier at the discretion of the Company if certain conditions are met, and, in any event, only after the Company has obtained Federal Reserve approval, if then required under applicable guidelines or regulations.

The Company's aggregate principal amount of outstanding Debentures at December 31, 2007 is \$101.0 million. As of December 31, 2007, all of our Debentures are eligible for treatment as Tier 1 capital as allowed by the Federal Reserve. On March 1, 2005, the Federal Reserve issued a final rule that retains Tier 1 capital treatment for trust preferred securities but with stricter limits. Under the rule, after a five-year transition period, the aggregate amount of the trust preferred securities and certain other capital elements will retain their current limit of 25% of Tier 1 capital elements, 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, 2007, the Company would still be considered well-capitalized under regulatory capital guidelines.

As of December 31, 2007 the Company had a credit facility with a correspondent bank comprised of a \$24.75 million senior debt facility and a \$75.0 million subordinated debt facility. The senior debt facility is comprised of a \$250,000 term loan with a maturity date of December 31, 2017 and a revolving loan with a maturity date of December 31, 2008. Management expects to renew the revolving loan on an annual basis. The subordinated debt matures on December 31, 2017. The interest rate on the senior debt facility resets quarterly, and is based on, at the Company's option, either the correspondent bank's prime rate or three-month LIBOR plus 120 basis points, with a floor of 3.50%. The interest rate on the subordinated debt resets quarterly, and is equal to three-month LIBOR plus 135 basis points, with a floor of 3.50%. The subordinated debt qualifies as Tier 2 capital under applicable rules and regulations promulgated by the Board of Governors of the Federal Reserve System.

At December 31, 2007 included in funds borrowed, the Company had \$250,000 outstanding on the senior debt facility and \$75.0 million of subordinated debt outstanding. The credit facility is used for general corporate and other working capital purposes.

In 2007, the Company issued a total of \$115.0 million of contingent convertible senior notes to qualified institutional investors. The notes are senior, unsecured obligations of PrivateBancorp, Inc. and pay interest semi-annually at a rate of 3.625% per year. The notes will mature on March 15, 2027, and will be convertible under certain circumstances into cash and, if applicable, shares of the Company's common stock at an initial conversion price of \$45.05 per share. A portion of the net proceeds from the notes were used during the first quarter 2007 to pay down \$41.5 million of the senior debt facility and approximately \$7.5 million of the net proceeds were used to repurchase 213,200 shares of common stock. The Company will use the remaining net proceeds for working capital and other general corporate purposes.

**NOTE 11—ACCOUNTING FOR STOCK-BASED COMPENSATION AND OTHER BENEFITS****Equity Award Plans**

The Company has several plans that it uses to issue equity based awards that include stock options, stock appreciation rights, restricted stock and restricted stock units. These plans include the Incentive Compensation Plan, the Stock Incentive Plan and the Transformation Equity Award Plan. The Transformation Equity Award Plan is the combination of two plans, the Strategic Long Term Incentive Plan and the Long Term Incentive Plan. At December 31, 2007, the Incentive Compensation Plan had 50,254 shares available to be granted under the Plan either pursuant to the granting of stock options, as restricted stock awards or as deferred stock units. No shares remain available for grant under the Stock Incentive Plan. The Strategic Long Term Incentive Plan had 2,565,400 shares available and the Long

## **PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

Term Incentive Plan had 3,770,368 share equivalents available at December 31, 2007. The Strategic Long Term Incentive Plan and the Long Term Incentive Plan were approved by the Board of Directors with 5,000,000 issuable units each.

### **Incentive Compensation Plan**

Equity issued from this plan will be awarded to employees that are not designated key managers of the company and new employees not included in the Strategic Growth and Transformation plan.

Beginning in 2006, the Company modified its retirement provision for awards issued under this plan. Retirement eligibility is defined as having completed at least ten years of employment with the Company (or a predecessor) and having attained at least 62 years of age. The 2006 and subsequent awards held by employees who retire with retirement eligibility will continue to vest on the normal vesting schedule so long as the retiree remains retired from the financial services industry. In the financial statements, these grants will be amortized up to the retirement eligibility date. Any grants awarded to employees already meeting the retirement definition will be immediately expensed on the grant date.

### **Transformation Equity Award Plan**

On November 2, 2007, the Company announced its Strategic Growth and Transformation plan. Included with this plan is the Transformation Equity Award Plan ("Transformation Plan") for making inducement awards as a means to attract talent and to promote the achievement of exceptional performance benchmarks. More than half of these awards have market based or performance based vesting provisions that create an incentive for management to achieve significant stock price appreciation or earnings per share growth hurdles. The remaining equity awards are stock options, which will vest over a five-year period.

### **Strategic Long Term Incentive Plan**

This plan contains inducement awards that have been and will continue to be granted to specific new employees hired as part of the Strategic Growth and Transformation plan. It is not required that these awards receive shareholder approval and the Company has no plans to do so.

### **Long Term Incentive Plan**

This plan contains retention awards that have been granted to certain key managers that were employed by the company prior to the announcement of the Strategic Growth and Transformation plan. These awards have the same characteristics as awards issued under the Strategic Long Term Incentive plan except that they are currently required to be settled in cash, not stock, until the plan is approved by the Company's shareholders. As such, these awards are currently classified as Stock Appreciation Rights ("SARs") and Restricted Stock Units ("RSUs") and are subject to remeasurement per SFAS No. 123(R). SARs and RSUs are valued and amortized using the same techniques as the inducement awards that are settled with the Company's shares. However, because SARs and RSUs are settled in cash, these awards are revalued at each reporting date and are classified as other liabilities in the Company's balance sheet.

### **Stock Options and SARs**

The Company had stock options outstanding (split-adjusted) under its Stock Incentive Plan, Incentive Compensation Plan and Long Term Incentive Plan of 293,355, 1,166,323 and 1,791,000 at December 31, 2007, and 379,610, 1,170,841 and no options outstanding at December 31, 2006, respectively, for each plan.

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

Included in salaries and employee benefits in the consolidated statements of income is compensation expense for stock options and SARs, net of forfeits, of \$4.9 million in 2007, \$2.0 million in 2006 and \$2.8 million in 2005. The total recognized tax benefit related to this compensation expense was \$1.1 million in 2007, \$223,000 in 2006 and \$251,000 in 2005. The total intrinsic value of options exercised was \$3.5 million in 2007, \$9.5 million in 2006, and \$5.6 million in 2005.

All options issued under the Incentive Compensation Plan have a strike price equal to the per share fair market value of the underlying common stock on the date of grant. All options have a term of 10 years. Beginning with stock options granted in the third quarter 2006, employee options vest equally over the first five years on each anniversary date of the grant, and non-employee director options vest equally over the first three years on each anniversary date of the grant. Options granted to employees prior to 2006 were first exercisable beginning on the second anniversary date of the grant, and then fully vested on the fourth anniversary date. Options awarded to non-employee directors prior to 2006 vested at the end of the year in which the awards were granted. Additionally, all options granted in 2006 and 2007 were non-qualified stock options. Prior to 2006, employees were primarily granted incentive stock options and non-employee directors were granted non-qualified stock options. Due to the different rules of taxation to the option holder, non-qualified stock options require the Company to record a tax benefit related to the amortized compensation expense in its financial statements.

All options issued under the Transformation Plan have a strike price equal to the per share fair market value of the underlying common stock on the date of grant. All options have a term of 10 years. Beginning in 2008, options will vest annually based upon the achievement of 20% compounded annual growth in GAAP fully dilutive earnings per share from a baseline of \$1.65, the EPS for the twelve months prior to September 30, 2007. If the annual target is not attained, these options will vest based upon the achievement of cumulative earnings per share growth hurdles over the baseline: 50%, 75% and 100% will vest if the sum of GAAP earnings per share is equivalent to compounded annual growth rates in earnings per share of 15%, 17.5% and 20%, respectively, over a five-year time period ending December 31, 2012. If none of these targets are achieved, 25% of the options originally issued will vest if the recipient is still employed by the Company on December 31, 2012. In no circumstance will more than 100% of the originally issued options vest. All options granted were non-qualified stock options.

Since vesting is mostly dependent on EPS targets, the Transformation options contain a performance condition as defined by SFAS 123R. At each reporting period the Company must assess the probability of these shares vesting based on the performance conditions. The compensation expense in the Company's financial statements for these awards includes the probability assumption that 100% of the performance options issued will vest by December 31, 2012.

# PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

The following table summarizes the status of the Company's stock option agreements and stock option program, not including SARs, as of December 31, 2007 and 2006, adjusted to reflect all stock splits and changes during the years then ended:

|  | 2007             |                | 2006             |                |
|--|------------------|----------------|------------------|----------------|
|  | Weighted Average |                | Weighted Average |                |
|  | Shares           | Exercise Price | Shares           | Exercise Price |
| Outstanding at beginning of period                             | 1,550,451        | \$ 25.26       | 1,540,350        | \$ 17.65       |
| Granted  | 1,892,550        | 27.25          | 324,500          | 46.06          |
| Exercised  | (162,923)        | 11.63          | (292,699)        | 7.98           |
| Forfeited  | (29,400)         | 38.94          | (21,700)         | 28.90          |
| Outstanding at end of year                                     | 3,250,678        | 26.98          | 1,550,451        | 25.26          |
| Options exercisable at end of period                           | 935,201          | 20.74          | 780,426          | 14.64          |
| Weighted average fair value of options granted during the year | \$ 11.28         |                | \$ 18.22         |                |

The range of exercise prices was \$4.13 to \$46.51 and the weighted average remaining contractual life was 8.3 years for stock options outstanding as of December 31, 2007. The weighted average contractual life of stock options that were vested and unexercised at December 31, 2007 was 5.4 years. The aggregate intrinsic value of these options was \$12.1 million. If these options were exercised, the Company would receive an additional \$13.1 million of capital.

The following table presents the range of exercise prices for the stock option grants outstanding at December 31, 2007.

| Exercise Price Range            | Stock Options Outstanding | Weighted Average Remaining Contractual Life |
|---------------------------------|---------------------------|---|
| \$4.13 – \$24.98                | 495,428                   | 3.8   |
| \$26.10 – \$31.27               | 2,009,000                 | 9.2   |
| \$33.01 – \$46.51               | 746,250                   | 8.9   |
| Total stock options outstanding | 3,250,678                 | 8.3   |

As of December 31, 2007, total unrecognized compensation costs related to unvested stock options was \$26.1 million with a weighted average remaining life of 4.5 years.

The following table summarizes the status of the Company's SARs as of December 31, 2007. The Company had no SARs as of December 31, 2006.

|   | 2007             |                |
|---|------------------|----------------|
|   | Weighted Average |                |
|   | Shares           | Exercise Price |
| Outstanding at beginning of period                          | —                | —              |
| Granted   | 873,864          | \$ 26.58       |
| Exercised   | —                | —              |
| Forfeited   | —                | —              |
| Outstanding at end of year                                  | 873,864          | 26.58          |
| Options exercisable at end of period                        | —                | —              |
| Weighted average fair value of SARs granted during the year | \$ 13.85         |                |



**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

The range of exercise prices was \$26.10 to \$33.15 and the weighted average remaining contractual life was 9.8 years for SARs outstanding as of December 31, 2007. There were no SARs vested and unexercised.

The following table presents the exercise prices for the SARs outstanding at December 31, 2007.

| <u>Exercise Price</u>           | <u>Stock<br/>Options<br/>Outstanding</u> | <u>Weighted Average<br/>Remaining<br/>Contractual Life</u> |
|---------------------------------|--|--|
| \$26.10                         | 810,000                                  | 9.8  |
| \$31.94                         | 27,614                                   | 10.0   |
| \$33.15                         | 36,250                                   | 10.0   |
| Total stock options outstanding | <u>873,864</u>                           | <u>9.8</u>   |

As of December 31, 2007, total unrecognized compensation costs related to unvested stock options was \$11.8 million with a weighted average remaining life of 5 years.

**Stock Option and SARs Valuation**

During 2006 and 2007, the Company granted stock options to a portion of its employees and to all of its non-employee directors. All stock option grants are approved by the Company's Board of Directors on the grant date or a specifically designated future date. These stock options are exercisable at the price equal to the closing price of the Company's common stock on the date of grant.

To derive the estimated fair value of these stock options, the Company used the Cox-Ross-Rubenstein binomial method of valuing options. The Company adopted this formula in the second quarter of 2004. Previously the Black-Scholes method was used. The Cox-Ross-Rubenstein formula is similar to the Black-Scholes method because it uses similar inputs of expected term, expected volatility, interest rate and dividend yield.

Beginning in 2006, the Company derived expected term by using the calculation prescribed in the SEC's Staff Accounting Bulletin No. 107 "Share Based Payment" ("SAB 107"). This calculation arrives at expected term using the vesting schedule and the contractual term of the stock options. Late in 2007, the Company engaged a consultant to perform an analysis and determine expected lives based on actual historical exercise behavior. The results of this analysis were used for all valuations after its completion.

Beginning in 2006, the Company changed its method for determining expected volatility. Expected volatility is calculated by combining the historical volatility on the Company's exchange traded common stock and the implied volatility on the exchange traded stock options that are derived from the value of the Company's exchange traded common stock. In previous years, the Company used the expected volatility computed solely from an index of strategic peers and their common stock volatility. The Company changed its method for calculating expected volatility because of the shortening of the expected term of the options granted in 2006 and the length of time the Company's stock has been traded on a publicly accessible exchange, the latter validating reliance on the Company's own common stock historical volatility. In 2007, the Company determined that it was appropriate to use historical volatility from its inception as a publicly traded company.

The interest rate and dividend yield calculations remain unchanged from prior years. The interest rate is the U.S. Treasury yield over the expected term of the stock options. The dividend yield is calculated by annualizing the Company's most recent dividend paid and dividing by the Company's market capitalization.

# PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

Stock options and SARs with performance conditions are valued using the same method as the Company's previously issued "plain vanilla" options. Performance conditions are not included as part of the valuation process. Due to the number of vesting possibilities based on when a performance condition is attained, the performance options have been valued in multiple tranches. Stock options with performance conditions were valued on the grant date. SARs were valued on December 31, 2007.

In determining the fair value of each option grant, the Company used the following assumptions:

| Inputs              | 2007            | 2006            | 2005         |
|---------------------|-----------------|-----------------|--------------|
| Expected term       | 3.0 – 7.7 years | 6.0 – 6.5 years | 7 years      |
| Expected volatility | 29.54 – 37.93%  | 31.87 – 32.71%  | 30%          |
| Interest rate       | 3.79 – 4.63%    | 4.56 – 4.72%    | 3.81 – 4.15% |
| Dividend yield      | 0.86 – 1.15%    | 0.52 – 0.60%    | 0.57%        |

## Restricted Stock and RSUs

Restricted shares issued under the Incentive Compensation Plan carry voting and dividend rights. Sale of the shares is restricted prior to vesting. Subject to continued employment, vesting occurs five years from the date of grant. Upon adoption of SFAS No. 123(R), the Company records compensation expense on a straight-line basis over the vesting period based on the fair market value on the grant date.

Restricted shares issued under the Transformation Plan carry voting rights, RSUs do not. Dividends are accrued and paid out upon vesting of the shares and RSUs. Sale of the shares is restricted prior to vesting. Vesting occurs upon achievement of a 20% compounded annual growth rate in the Company's stock price over a five-year period ending December 31, 2012. The baseline stock price is \$27.91. In each year, the Company's stock must have a closing price greater than 20% of the prior year stock price growth hurdle for 20 consecutive trading days. In any year in which the target is missed, that award can be earned in a succeeding year by achieving that year's target. If none of these targets are achieved, 25% of the restricted shares originally issued will vest if the recipient is still employed by the Company on December 31, 2012. In no circumstance will more than 100% of the originally issued restricted shares or RSUs vest.

Since vesting is mostly dependent on stock price targets, the Transformation restricted shares and RSUs contain a market condition as defined by SFAS 123R. This market condition is included in the valuation calculation of the awards. The award is divided into separately valued tranches. The Company records compensation expense on a straight-line basis for each tranche over the anticipated time it will take for the award to vest. This period of time is called the derived service period as defined by SFAS 123R.

Included in salaries and employee benefits in the consolidated statements of income is compensation expense for restricted shares and RSUs, net of forfeits of \$3.5 million in 2007, \$2.3 million in 2006, and \$1.9 million in 2005. The total recognized tax benefit related to this compensation expense was \$1.2 million in 2007, \$819,000 in 2006 and \$681,000 in 2005. The total fair value of restricted shares vested was \$188,000 in 2007, \$2.6 million in 2006, and \$2.5 million in 2005.

## PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

The following table summarizes the status of the Company's restricted stock program, not including RSUs, as of December 31, 2007 and 2006, adjusted to reflect all stock splits and changes during the years then ended:

|                                 | 2007             |  | 2006           |  |
|---------------------------------|------------------|--|----------------|--|
|                                 | Shares           | Weighted Average Grant Date Fair Value | Shares         | Weighted Average Grant Date Fair Value |
| Unvested at beginning of period | 553,800          | \$ 31.12                               | 491,500        | \$ 22.87                               |
| Granted                         | 689,900          | 16.65                                  | 149,700        | 46.11                                  |
| Vested                          | (5,100)          | 7.50                                   | (73,000)       | 6.94                                   |
| Forfeited                       | (23,900)         | 33.11                                  | (14,400)       | 35.63                                  |
| Unvested at end of period       | <u>1,214,700</u> | <u>22.97</u>                           | <u>553,800</u> | <u>31.12</u>                           |

As of December 31, 2007, total unrecognized compensation costs related to non-vested restricted stock was \$18.7 million with a weighted average remaining life of 4.1 years.

The following table summarizes the status of the Company's RSUs as of December 31, 2007. The Company had no RSUs as of December 31, 2006.

|                                 | 2007           |  |
|---------------------------------|----------------|--|
|                                 | Shares         | Weighted Average Grant Date Fair Value |
| Unvested at beginning of period | —              | —                                      |
| Granted                         | 355,768        | \$ 22.36                               |
| Vested                          | —              | —                                      |
| Forfeited                       | —              | —                                      |
| Unvested at end of period       | <u>355,768</u> | <u>22.36</u>                           |

As of December 31, 2007, total unrecognized compensation costs related to non-vested restricted stock was \$7.2 million with a weighted average remaining life of 5 years.

### Restricted Stock Valuation

Restricted shares that vest based on the service provided by the recipient are valued at the fair market value of the Company's stock on the grant date. Restricted shares and RSUs that contain market conditions are valued using a Monte Carlo simulation. Due to the number of vesting possibilities based on when a market condition is attained, the performance options have been valued in multiple tranches. Restricted Stock with market conditions were valued on the grant date. RSUs were valued on December 31, 2007.

### Deferred Compensation Plan

The Company established a deferred compensation plan on April 24, 2003 as part of its Incentive Compensation Plan that was approved by shareholders. The purpose of the Company's Deferred Compensation Plan is to further the Company's ability to attract and retain high quality executives and non-employee directors. The Plan also furthers the retention of stock ownership of participants by facilitating deferral of gains resulting from the exercise of nonqualified stock options or the receipt of shares pursuant to awards under the Company's Stock Incentive Plan and the Incentive Compensation Plan, and conversion of cash compensation into deferred stock units representing the right to receive, on a one-for-one basis, shares of Company Common Stock. The Deferred Compensation Plan permits the

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

deferral of base compensation, bonus compensation, and/or cash and the receipt of shares of Common Stock pursuant to exercises of non-qualified stock options and pursuant to other awards under the Company's Incentive Compensation Plan. The Deferred Compensation Plan is structured as a "nonqualified plan" under applicable IRS and Department of Labor guidelines. At December 31, 2007 and 2006, 18,476 and 16,814 deferred stock units, respectively, were recorded in the plan.

**Savings and Retirement Plan**

The Company maintains The PrivateBancorp, Inc. Savings and Retirement Plan (the "Plan") pursuant to Section 401(k) of the Internal Revenue Code, whereby eligible employees may contribute a percentage of compensation, but not in excess of the maximum amount allowed under the Code. The banks can make discretionary contributions to the Plan as determined and approved by the bank's Board of Directors. Total discretionary contributions to the Plan amounted to \$791,000 in 2007, \$716,000 in 2006, and \$527,000 in 2005.

**NOTE 12—RELATED-PARTY TRANSACTIONS**

An analysis of loans made to directors, their affiliated businesses and executive officers of the Company and the banks follows:

|                            |                      |
|----------------------------|----------------------|
| Balance, December 31, 2006 | \$ 25,483,157        |
| Additions                  | 27,239,325           |
| Collections                | (1,856,152)          |
| Balance, December 31, 2007 | <u>\$ 50,866,330</u> |

Directors and executive officers of the Company and the banks were clients of and had transactions with the banks in the ordinary course of business during the period presented above and additional transactions may be expected in the future. In management's opinion, all outstanding loans, commitments and deposit relationships included in such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others, and did not involve more than a normal risk of collectability or other unfavorable features.

PrivateBancorp, Inc. engages Mesirow Financial Holdings ("Mesirow"), a financial services firm of which director James Tyree is Chairman and Chief Executive Officer, as its broker to secure corporate insurance and company health and welfare benefit plans. Under various arrangements between the Company and Mesirow, Mesirow currently provides certain insurance brokerage and wealth management advisory services to the Company and/or its affiliates and its clients. In its capacity as the Company's insurance broker with respect to its corporate and health and welfare insurance programs and policies, Mesirow earned commissions equal to approximately \$345,000 in 2007. Additionally, the PrivateWealth Group engages Mesirow Financial as one of its investment management firms and paid management fees of approximately \$20,000 to Mesirow during 2007. Additionally, from time to time, the Company refers clients to Mesirow for insurance services. During 2007, the Company earned approximately \$23,000 in commissions related to referrals that secured coverage through Mesirow Financial.

During 2007, The PrivateBank – Chicago paid Worknet, an information technology firm of which director William Castellano is chairman and CEO, \$10,800 for services rendered, compared to \$11,640 in 2006. In 2007, The PrivateBank – Chicago paid \$15,000 to The Law Offices of Alan Pearlman; Mr. Pearlman is the General Counsel of director Patrick Daly's company, The Daly Group LLC. The PrivateBank – Chicago paid this firm \$6,375 in 2006. During 2006, the Company paid \$53,766 to the law firm of Neal, Gerber & Eisenberg, for legal services. Phillip Kayman, one of the Company's directors, was previously a partner at Neal, Gerber & Eisenberg. There were no expenses paid to this firm in 2007.

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

During 2007 and 2006, The PrivateBank – St. Louis paid \$7,641 and \$111,488, respectively, to Arcturis Inc., where St. Louis director Patricia Whitaker is president. The PrivateBank – St. Louis paid Lewis, Rice & Fingersh LC \$102,863 in 2007 and \$27,092 in 2006. St. Louis director, Jacob Reby is a member of Lewis, Rice & Fingersh LC. The PrivateBank – St. Louis also paid Armstrong Teasdale LC \$130,322 in 2007 and \$246,702 in 2006. St. Louis director, Steven Cousins, is a partner of Armstrong Teasdale.

The PrivateBank – Michigan paid \$15,743 in 2007 and \$17,073 in 2006 to McQueen Financial. The son of Pat McQueen, The PrivateBank – Michigan's COO, is a principal at this investment management firm. The PrivateBank – Michigan also paid \$16,444 in 2007 and \$8,088 in 2006 to Schellenberg & Associates, where The PrivateBank – Michigan director Tom Schellenberg is affiliated.

Mr. Mandell's daughter-in-law is employed by The PrivateBank – Chicago as a Managing Director. In 2007, she was paid an aggregate salary and bonus of \$143,000. In 2006, she was paid an aggregate salary and bonus of \$153,000, granted options to purchase 1,800 shares of the Company's common stock at an exercise price of \$46.51 per share and awarded 1,000 shares of restricted stock. Mr. Goldstein's son-in-law is employed as a Managing Director of Lodestar, a subsidiary of The PrivateBank – Chicago. He received an aggregate salary and bonus of approximately \$237,000 in 2007 and \$236,000 in 2006.

**NOTE 13—DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK****Derivative Financial Instruments**

From time to time, the Company enters into certain derivative financial instruments as part of its strategy to manage its exposure to market risk. Market risk is the possibility that, due to changes in interest rates or other economic conditions, the Company's net interest income will be adversely affected.

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 as 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, 2007, the aggregate notional value of interest rate swaps with various commercial borrowers totaled \$56.0 million and the aggregate notional value of interest rate swaps with third parties also totaled \$56.0 million. These interest rate swaps mature between August 2010 and December 2010. These swaps were reported on the Company's balance sheet as a derivative asset of \$695,000 and a derivative liability of \$695,000. At December 31, 2006, the Company did not have any transactions of this type.

The Company does not enter into derivatives for purely speculative purposes. Our derivatives have not been designated as SFAS No. 133 hedge relationships. These derivatives include commitments to fund certain mortgage loans to be sold into the secondary market and forward commitments for the future delivery of residential mortgage loans. It is the Company's practice to enter into forward commitments for the future delivery of fixed rate residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates on its commitments to fund the loans as well as on its portfolio of mortgage loans held-for-sale. At December 31, 2007, the Company had approximately \$1.1 million of interest rate lock commitments and

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

\$10.1 million of forward commitments for the future delivery of residential mortgage loans. The fair values were estimated based on changes in mortgage rates from the date of the commitments.

**Credit Risk and Market Risk**

By their nature, all financial instruments involve risk, including credit risk for nonperformance by counterparties. The contract or notional amounts of these instruments reflect the extent of involvement we have in particular classes of financial instruments. The maximum potential loss may exceed any amounts recognized in the Consolidated Balance Sheets. However, the Company's maximum exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and financial guarantees is limited to the amount drawn and outstanding on those instruments.

Exposure to credit risk is controlled through credit approvals, credit limits, obtaining collateral and continuous monitoring procedures and reserves for losses are established when deemed necessary.

All financial instruments inherently expose the holders to market risk, including changes in interest rates. The Company manages its exposure to these market risks through our regular operating and financing activities and when appropriate, through the use of derivative financial instruments.

**Financial Instruments with Off-Balance-Sheet Risk**

The Company has, through its subsidiaries, entered into credit-related instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its clients. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated financial statements. Credit risk represents the loss that would be recognized at the reporting date if counterparties failed to completely perform as contracted.

Our exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments, assuming that the amounts are fully advanced and that collateral or other security is of no value. The banks use the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. At December 31, 2007 and 2006, the banks had the following categories of credit-related financial instruments:

|                              | 2007           | 2006        |
|------------------------------|----------------|-------------|
|                              | (in thousands) |             |
| Commitments to extend credit | \$1,686,143    | \$1,205,788 |
| Standby letters of credit    | 72,691         | 82,856      |

Note: all commitments are shown at contract amount.

Commitments to extend credit are agreements to lend to a client as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. 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 banks evaluate each client's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the banks to guarantee the performance of a client to a third-party. Those guarantees are primarily issued to support commercial business activities of bank clients. The credit risk involved in issuing letters of credit is essentially the

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

same as that involved in extending loan facilities to clients. The bank holds collateral supporting those commitments for which collateral is deemed necessary. It is the banks' general policy to require third-party guarantees on all standby letters of credit regardless of the collateral used to secure a standby letter of credit. The majority of our standby letters of credit are secured by cash or other collateral.

The following table summarizes the maturity of standby letters of credit and commitments to extend credit:

|                              | Total              | Expiring in:       |                  |                  |                 |
|------------------------------|--------------------|--------------------|------------------|------------------|-----------------|
|                              |                    | 2008               | 2009-10          | 2011-2012        | 2013+           |
|                              |                    | (in thousands)     |                  |                  |                 |
| Standby letters of credit    | \$ 72,691          | \$ 63,461          | \$ 4,672         | \$ 4,137         | \$ 421          |
| Commitments to extend credit | 1,686,143          | 1,040,575          | 255,856          | 296,789          | 92,923          |
| Total                        | <u>\$1,758,834</u> | <u>\$1,104,036</u> | <u>\$260,528</u> | <u>\$300,926</u> | <u>\$93,344</u> |

In addition, at December 31, 2007, the Company had approximately \$10.1 million in commitments to fund residential mortgage loans to be sold into the secondary market, compared to \$10.3 million at December 31, 2006. These lending commitments are considered derivative instruments under the guidelines of SFAS No. 133. The Company 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 contracts are also considered derivative instruments under SFAS No. 133 and totaled approximately \$1.1 million at December 31, 2007 and \$945,000 at December 31, 2006.

**NOTE 14—ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following presents the carrying value and estimated fair value of the various classes of financial instruments held by the Company and its subsidiaries at December 31, 2007 and 2006. This information is presented solely for compliance with SFAS No. 107 "Disclosures about Fair Value of Financial Instruments," and is subject to change over time based on a variety of factors. Because no active market exists for a significant portion of the financial instruments presented below and the inherent imprecision involved in the estimation process, management does not believe the information presented reflects the amounts that would be received if the Company's assets and liabilities were sold nor does it represent the fair value of the Company as an entity.

Where possible, the Company has utilized quoted market prices to estimate fair value. Since quoted market prices were not available for a significant portion of the financial instruments, the fair values were approximated using discounted cash flow techniques. Fair value estimates are made at a specific point in time, based on judgments regarding future expected loss experience, current economic conditions, risk conditions, risk characteristics of various financial instruments and other factors. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.



**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

|  | December 31,<br>2007 |                         | December 31,<br>2006 |                         |
|--|----------------------|-------------------------|----------------------|-------------------------|
|  | Carrying<br>Value    | Estimated<br>Fair Value | Carrying<br>Value    | Estimated<br>Fair Value |
|  | (in thousands)       |                         |                      |                         |
| <b>Assets—</b>   |                      |                         |                      |                         |
| Cash and cash equivalents  | \$ 64,551            | \$ 64,551               | \$ 79,397            | \$ 79,397               |
| Securities   | 538,730              | 538,730                 | 496,782              | 496,782                 |
| Loans held for sale  | 19,358               | 19,358                  | 14,515               | 14,515                  |
| Net loans  | 4,128,904            | 4,150,809               | 3,461,919            | 3,443,768               |
| Accrued interest receivable  | 24,144               | 24,144                  | 23,490               | 23,490                  |
| Bank owned life insurance  | 44,130               | 44,130                  | 42,474               | 42,474                  |
| <b>Liabilities—</b>  |                      |                         |                      |                         |
| Deposits with no stated maturity   | 2,050,976            | 1,929,175               | 2,028,092            | 1,919,822               |
| Time deposits  | 1,710,162            | 1,715,489               | 1,522,921            | 1,516,792               |
| Total deposits   | \$3,761,138          | \$3,644,664             | \$3,551,013          | \$3,436,614             |
| Accrued interest payable   | 16,134               | 16,134                  | 16,071               | 16,071                  |
| Funds borrowed   | 560,8092             | 559,042                 | 281,733              | 280,755                 |
| Junior subordinated deferrable interest debentures<br>held by trusts that issued guaranteed capital debt<br>securities | 101,033              | 104,997                 | 101,033              | 95,812                  |

The following methods and assumptions were used to estimate the fair value of each class of financial instruments. These assumptions were based on subjective estimates of market conditions and perceived risks of the financial instruments at a certain point in time.

**a. Cash and Cash Equivalents, Accrued Interest Receivable and Interest Payable**

For these short-term instruments, the carrying value approximates fair value because these instruments are short-term in nature and do not present unanticipated credit concerns.

**b. Securities**

For securities held to maturity or available-for-sale, fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar instruments.

**c. Loans Held for Sale**

Loans held for sale are carried at fair value. Fair value is determined based on quoted market rates or, in the case where a firm commitment has been made to sell the loan, the firm committed price.

**d. Net Loans**

The fair value of performing loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan. The estimate of maturity is based on the Company's and the industry's historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of current economic and lending conditions.

Fair value for significant non-accrual (impaired) loans is based on estimated cash flows that are discounted using a rate commensurate with the risk associated with the estimated cash flows.

## PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

Assumptions regarding credit risk, cash flows and discount rates are determined using available market information and specific borrower information.

### **e. Interest Rate Swaps**

The fair value of interest swaps executed by the Company is determined based on the fair market value as quoted by broker-dealers.

### **f. Bank-Owned Life Insurance**

The fair value of bank-owned life insurance is equal to its cash surrender value.

### **g. Deposit Liabilities**

The fair value of deposits with no stated maturity, such as non-interest-bearing deposits, interest-bearing deposits, savings and money market deposit accounts, is equal to the amount payable on demand as of year-end. The fair value of certificates of deposit and brokered deposits are based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

### **h. Funds Borrowed**

Rates currently available to the Company and the banks for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

### **i. Off-Balance Sheet Financial Instruments**

The Company's commitments to originate loans and unused lines and outstanding letters of credit are primarily at market-based interest rates, and therefore there is no fair value adjustment.

## **NOTE 15—REGULATORY REQUIREMENTS**

The banks are subject to federal and state laws, which restrict the payment of dividends to the Company. Based on these restrictions, at January 1, 2008, The PrivateBank – Chicago could have declared \$127.8 million in dividends without requesting approval of the applicable federal or state regulatory agency. As of January 1, 2008, The PrivateBank – St. Louis could have declared \$11.7 million in dividends without requesting approval of the applicable federal or state regulatory agency. As of January 1, 2008, The PrivateBank – Michigan could have declared \$10.9 million in dividends without requesting approval of the applicable federal or state regulatory agency. The PrivateBank – Georgia could have declared \$479,000 in dividends without requesting approval of the applicable federal or state regulatory agency as of January 1, 2008. The PrivateBank – Wisconsin could not have declared dividends as of January 1, 2008.

The banks are required to maintain non-interest-bearing cash balances with the Federal Reserve based on the types and amounts of deposits held. During 2007 the consolidated clearing balance requirement with the Federal Reserve for all the bank subsidiaries was \$250,000 and the consolidated reserve requirement was \$2.4 million.

The Company and the banks are subject to various regulatory capital requirements as established by the applicable federal or state banking regulatory authorities. 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 banks' assets, liabilities and certain off-balance sheet items. The quantitative measures for capital adequacy require the Company and the banks to maintain minimum amounts and ratios of total and Tier 1 capital to risk weighted assets and of

# PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

Tier 1 capital to average assets (leverage). The Company's and the banks' capital components, classification, risk weightings and other factors are also subject to qualitative judgments by regulators. Failure to meet minimum capital requirements can initiate certain actions by regulators that, if undertaken, could have a material effect on the Company's financial statements. Prompt corrective action provisions are not applicable to bank holding companies. Management believes that as of December 31, 2007, the Company and the banks meet all minimum capital adequacy requirements to which they are subject. To be categorized as well capitalized, an institution must maintain ratios as set forth in the following table. Management believes that no events or changes in conditions have occurred subsequent to such notification to change the bank's category.

The following table presents selected capital information for the Company (Consolidated), The PrivateBank – Chicago, The PrivateBank – St. Louis, The PrivateBank – Michigan, The PrivateBank – Georgia, and The PrivateBank – Wisconsin as of December 31, 2007 and 2006 (dollars in thousands):

|                                 | Actual    |        | For Capital Adequacy Purposes |       | To Be Well Capitalized Under Prompt Corrective Action Provisions |        |
|---------------------------------|-----------|--------|-------------------------------|-------|--|--------|
|                                 | Amount    | Ratio  | Amount                        | Ratio | Amount   | Ratio  |
| <b>As of December 31, 2007—</b> |           |        |                               |       |  |        |
| Total risk-based capital—       |           |        |                               |       |  |        |
| Consolidated                    | \$615,881 | 14.20% | \$347,080                     | 8.00% | \$433,850  | 10.00% |
| The PrivateBank – Chicago       | 344,914   | 11.61  | 237,693                       | 8.00  | 297,116  | 10.00  |
| The PrivateBank – St. Louis     | 46,989    | 12.10  | 31,080                        | 8.00  | 38,850   | 10.00  |
| The PrivateBank – Michigan      | 73,024    | 12.59  | 46,396                        | 8.00  | 57,995   | 10.00  |
| The PrivateBank – Georgia       | 33,440    | 12.01  | 22,282                        | 8.00  | 27,853   | 10.00  |
| The PrivateBank – Wisconsin     | 14,319    | 13.38  | 8,564                         | 8.00  | 10,704   | 10.00  |
| Tier 1 risk-based capital—      |           |        |                               |       |  |        |
| Consolidated                    | \$494,095 | 11.39  | \$173,540                     | 4.00  | \$260,310  | 6.00   |
| The PrivateBank – Chicago       | 315,966   | 10.63  | 118,846                       | 4.00  | 178,270  | 6.00   |
| The PrivateBank – St. Louis     | 42,133    | 10.85  | 15,540                        | 4.00  | 23,310   | 6.00   |
| The PrivateBank – Michigan      | 65,774    | 11.34  | 23,198                        | 4.00  | 34,797   | 6.00   |
| The PrivateBank – Georgia       | 29,958    | 10.76  | 11,141                        | 4.00  | 16,712   | 6.00   |
| The PrivateBank – Wisconsin     | 13,266    | 12.39  | 4,282                         | 4.00  | 6,423  | 6.00   |
| Tier 1 (leverage) capital—      |           |        |                               |       |  |        |
| Consolidated                    | \$494,095 | 10.93  | \$180,762                     | 4.00  | \$225,953  | 5.00   |
| The PrivateBank – Chicago       | 315,966   | 10.23  | 123,500                       | 4.00  | 154,375  | 5.00   |
| The PrivateBank – St. Louis     | 42,133    | 9.42   | 17,890                        | 4.00  | 22,362   | 5.00   |
| The PrivateBank – Michigan      | 65,774    | 10.98  | 23,962                        | 4.00  | 29,953   | 5.00   |
| The PrivateBank – Georgia       | 29,958    | 9.91   | 12,094                        | 4.00  | 15,117   | 5.00   |
| The PrivateBank – Wisconsin     | 13,266    | 11.35  | 4,673                         | 4.00  | 5,841  | 5.00   |
| <b>As of December 31, 2006—</b> |           |        |                               |       |  |        |
| Total risk-based capital—       |           |        |                               |       |  |        |
| Consolidated                    | \$366,870 | 10.27% | \$285,766                     | 8.00% | \$357,207  | 10.00% |
| The PrivateBank – Chicago       | 263,664   | 10.73  | 196,576                       | 8.00  | 245,720  | 10.00  |
| The PrivateBank – St. Louis     | 49,580    | 11.51  | 34,450                        | 8.00  | 43,062   | 10.00  |
| The PrivateBank – Michigan      | 51,390    | 10.99  | 37,419                        | 8.00  | 46,774   | 10.00  |
| The PrivateBank – Georgia       | 25,293    | 11.62  | 17,417                        | 8.00  | 21,771   | 10.00  |

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

|                             | Actual    |       | For Capital Adequacy Purposes |       | To Be Well Capitalized Under Prompt Corrective Action Provisions |       |
|-----------------------------|-----------|-------|-------------------------------|-------|--|-------|
|                             | Amount    | Ratio | Amount                        | Ratio | Amount   | Ratio |
| Tier 1 risk-based capital—  |           |       |                               |       |  |       |
| Consolidated                | \$287,889 | 8.06  | \$142,883                     | 4.00  | \$214,324  | 6.00  |
| The PrivateBank – Chicago   | 238,268   | 9.70  | 98,288                        | 4.00  | 147,432  | 6.00  |
| The PrivateBank – St. Louis | 44,752    | 10.39 | 17,225                        | 4.00  | 25,837   | 6.00  |
| The PrivateBank – Michigan  | 46,262    | 9.89  | 18,710                        | 4.00  | 28,064   | 6.00  |
| The PrivateBank – Georgia   | 22,575    | 10.37 | 8,709                         | 4.00  | 13,063   | 6.00  |
| Tier 1 (leverage) capital—  |           |       |                               |       |  |       |
| Consolidated                | \$287,889 | 7.51  | \$153,353                     | 4.00  | \$191,691  | 5.00  |
| The PrivateBank – Chicago   | 238,268   | 8.45  | 112,723                       | 4.00  | 140,904  | 5.00  |
| The PrivateBank – St. Louis | 44,752    | 9.07  | 19,744                        | 4.00  | 24,680   | 5.00  |
| The PrivateBank – Michigan  | 46,262    | 8.79  | 21,043                        | 4.00  | 26,304   | 5.00  |
| The PrivateBank – Georgia   | 22,575    | 10.50 | 8,596                         | 4.00  | 10,745   | 5.00  |

**NOTE 16—CONTINGENT LIABILITIES**

Because of the nature of its activities, the Company is from time to time involved in legal actions that arise in the normal course of business. In the judgment of management, after consultation with legal counsel, none of the litigation to which the Company or its subsidiaries is a defendant is expected to have a material effect, either individually or in the aggregate, on the consolidated balance sheet, results of operations or cash flows of the Company.

**NOTE 17—PRIVATEBANCORP, INC. (PARENT COMPANY ONLY) CONDENSED FINANCIAL STATEMENTS**

**CONDENSED BALANCE SHEETS (Parent Company Only)**  
As of December 31, 2007 and 2006

|  | 2007             | 2006             |
|--|------------------|------------------|
|  | (in thousands)   |                  |
| <b>Assets</b>  |                  |                  |
| Cash and due from banks—bank subsidiaries  | \$208,901        | \$ 3,091         |
| Investment in bank subsidiaries  | 577,704          | 474,017          |
| Other assets   | 13,146           | 9,657            |
| <b>Total assets</b>  | <u>\$799,751</u> | <u>\$486,765</u> |
| <b>Liabilities and Stockholders' Equity</b>  |                  |                  |
| Funds borrowed   | \$190,250        | \$ 85,250        |
| Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities | 101,033          | 101,033          |
| Other liabilities  | 7,675            | 3,358            |
| <b>Total liabilities</b>   | <u>298,958</u>   | <u>189,641</u>   |
| <b>Stockholders' equity</b>  | <u>500,793</u>   | <u>297,124</u>   |
| <b>Total liabilities and stockholders' equity</b>  | <u>\$799,751</u> | <u>\$486,765</u> |

PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

CONDENSED STATEMENTS OF INCOME (Parent Company Only)  
For the Years Ended December 31, 2007, 2006 and 2005

|  | 2007      | 2006           | 2005      |
|--|-----------|----------------|-----------|
|  |           | (in thousands) |           |
| <b>Operating income:</b>   |           |                |           |
| Interest income  | \$ 237    | \$ 11          | \$ 230    |
| Interest expense   | 14,425    | 1,957          | 4,360     |
| Net interest expense   | (14,188)  | (1,946)        | (4,130)   |
| <b>Non interest income:</b>  |           |                |           |
| Other income   | 238       | 285            | 200       |
| <b>Operating expense:</b>  |           |                |           |
| Share-based payment expense  | 10,754    | 5,725          | 5,926     |
| Other  | 6,729     | 9,917          | 3,526     |
| Total  | 17,483    | 15,642         | 9,452     |
| Loss before income taxes and equity in undistributed net income of bank subsidiaries | (31,433)  | (17,303)       | (13,382)  |
| Income tax benefit   | (10,107)  | (5,545)        | (3,888)   |
| Loss before equity in undistributed net income of bank subsidiaries                  | (21,326)  | (11,758)       | (9,494)   |
| Equity in undistributed net income of bank and nonbank subsidiaries                  | 33,133    | 49,604         | 40,408    |
| Net income   | \$ 11,807 | \$ 37,846      | \$ 30,914 |

The Parent Company Only Statements of Changes in Stockholders' Equity are the same as the Consolidated Statements of Changes in Stockholders' Equity.

**PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)**

**CONDENSED STATEMENTS OF CASH FLOWS (Parent Company Only)**  
**For the Years Ended December 31, 2007, 2006 and 2005**

|   | <u>2007</u>      | <u>2006</u>     | <u>2005</u>     |
|---|------------------|-----------------|-----------------|
|   |                  | (in thousands)  |                 |
| Cash flows from operating activities:   |                  |                 |                 |
| Net income  | \$ 11,810        | \$ 37,846       | \$ 30,914       |
| Adjustments to reconcile net income to net cash used in operating activities— |                  |                 |                 |
| Equity in net income of bank subsidiaries                                     | (33,135)         | (49,604)        | (40,408)        |
| Share based payment expense   | 7,588            | 4,334           | 4,702           |
| Decrease (increase) in other assets   | 6,060            | (1,341)         | (261)           |
| Increase (decrease) in other liabilities                                      | 2,330            | 2,410           | (623)           |
| Other, net  | (3,479)          | (6,725)         | (17,690)        |
| Total adjustments   | <u>(20,636)</u>  | <u>(50,916)</u> | <u>(54,280)</u> |
| Net cash used in operating activities   | <u>(8,826)</u>   | <u>(13,070)</u> | <u>(23,366)</u> |
| Cash flows from investing activities:   |                  |                 |                 |
| Net capital investments in bank subsidiaries                                  | (73,500)         | (54,000)        | (38,350)        |
| Repayment of investment in subsidiaries                                       | —                | 17,027          | —               |
| Acquisition of The PrivateBank – Michigan                                     | —                | —               | (48,483)        |
| Acquisition of The PrivateBank – Georgia                                      | —                | 20,438          | —               |
| Net cash used in investing activities   | <u>(73,500)</u>  | <u>(57,411)</u> | <u>(86,833)</u> |
| Cash flows from financing activities:   |                  |                 |                 |
| Funds borrowed  | 150,850          | 72,000          | 127,645         |
| Repayment of funds borrowed   | (45,850)         | —               | (34,600)        |
| Proceeds from exercise of stock options                                       | 2,694            | 2,336           | 1,169           |
| Proceeds from issuance of Common Shares                                       | 154,607          | —               | 7,565           |
| Issuance of preferred stock   | 41,000           | —               | —               |
| Acquisition of treasury stock   | (8,305)          | (2,526)         | (521)           |
| Excess tax benefit  | 282              | 1,439           | 1,166           |
| Dividends paid  | (7,142)          | (5,102)         | (3,726)         |
| Net cash provided by financing activities                                     | <u>288,136</u>   | <u>68,147</u>   | <u>98,698</u>   |
| Net (decrease) increase in cash and cash equivalents                          | <u>205,810</u>   | <u>(2,334)</u>  | <u>(11,501)</u> |
| Cash and cash equivalents at beginning of year                                | <u>3,091</u>     | <u>5,425</u>    | <u>16,926</u>   |
| Cash and cash equivalents at end of year                                      | <u>\$208,091</u> | <u>\$ 3,091</u> | <u>\$ 5,425</u> |
| Cash paid during the year for:  |                  |                 |                 |
| Interest  | \$ 11,812        | \$ 7,916        | \$ 3,371        |
| Income taxes  | \$ 13,500        | \$ 30,534       | \$ 21,263       |

**NOTE 18—CAPITAL TRANSACTIONS**

During 2007 and 2006, the Company repurchased 235,397 and 66,997 shares, respectively, of its common stock in connection with the satisfaction of stock option exercises and minimum federal withholding tax requirements on the exercise of stock options and vesting of restricted stock and shares repurchased in the open market.

The Company sold 5,581,680 shares of its common stock, and 1,428,074 shares of a newly created class of nonvoting convertible preferred stock in a private placement offering completed on December 11, 2007. The convertible preferred shares have the same economic terms as the common shares in all

# PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

material respects, except that the preferred shares have no voting rights. The Company used the proceeds from the sale of the shares for working capital and general corporate purposes, including the support of the Strategic Growth Plan. The aggregate number of common and preferred shares issued represents 23.5% of the Company's common stock outstanding after the offering (assuming conversion of the preferred stock) and an increase in stockholders' equity of \$154.6 million.

## NOTE 19—QUARTERLY SUPPLEMENTAL FINANCIAL DATA (unaudited)

The following are the consolidated results of operations on a quarterly basis:

|  | 2007        |            |            |            | 2006       |            |            |            |
|--|-------------|------------|------------|------------|------------|------------|------------|------------|
|  | Fourth      | Third      | Second     | First      | Fourth     | Third      | Second     | First      |
| (In thousands except ratios and per share data)      |             |            |            |            |            |            |            |            |
| <b>Summary Income Statement</b>                      |             |            |            |            |            |            |            |            |
| <b>Interest Income</b>                               |             |            |            |            |            |            |            |            |
| Loans, including fees                                | \$ 71,062   | \$ 72,299  | \$ 70,732  | \$ 68,886  | \$ 64,418  | \$ 60,361  | \$ 55,127  | \$ 48,910  |
| Federal funds sold and interest-bearing deposits     | 275         | 259        | 239        | 238        | 320        | 116        | 199        | 87         |
| Securities   | 6,264       | 5,795      | 5,938      | 5,937      | 5,274      | 6,367      | 7,781      | 8,351      |
| Total interest income                                | 77,601      | 78,353     | 76,909     | 75,061     | 70,012     | 66,844     | 63,107     | 57,348     |
| Interest expense                                     | 45,853      | 46,065     | 44,798     | 43,086     | 40,215     | 36,804     | 33,245     | 29,573     |
| Net interest income                                  | 31,748      | 32,288     | 32,111     | 31,975     | 29,797     | 30,040     | 29,862     | 27,775     |
| Provision for loan loss                              | 10,171      | 2,399      | 2,958      | 1,406      | 707        | 1,494      | 2,382      | 2,253      |
| Net interest income after provision for loan loss    | 21,577      | 29,889     | 29,153     | 30,569     | 29,090     | 28,546     | 27,480     | 25,522     |
| <b>Non-Interest income</b>                           |             |            |            |            |            |            |            |            |
| Banking, wealth management services and other income | 6,204       | 6,400      | 7056       | 6,266      | 5,594      | 5,632      | 7224       | 5,022      |
| Securities (losses) gains, net                       | —           | 366        | (97)       | 79         | (1)        | 1,212      | (1,007)    | (578)      |
| Gains (losses) on swap                               | —           | —          | —          | —          | —          | (904)      | 413        | 555        |
| Total non-interest income                            | 6,204       | 6,766      | 6,959      | 6,345      | 5,593      | 5,940      | 6,630      | 4,999      |
| <b>Non-Interest expense</b>                          |             |            |            |            |            |            |            |            |
| Salaries and employee benefits                       | 31,673      | 13,083     | 12,734     | 13,729     | 12,205     | 10,864     | 10,325     | 10,536     |
| Amortization of intangibles                          | 240         | 241        | 242        | 243        | 169        | 152        | 153        | 154        |
| Occupancy expense                                    | 3,918       | 3,336      | 3,160      | 2,790      | 2,733      | 2,639      | 2,214      | 2,169      |
| Other non-interest expense                           | 15,979      | 7,264      | 7,174      | 6,603      | 7,456      | 6,356      | 6,242      | 4,699      |
| Total non-interest expense                           | 51,810      | 23,924     | 23,310     | 23,365     | 22,563     | 20,011     | 18,934     | 17,558     |
| Minority interest expense                            | 78          | 100        | 95         | 90         | 82         | 85         | 86         | 77         |
| Income before income taxes                           | (24,107)    | 12,631     | 12,707     | 13,459     | 12,038     | 14,390     | 15,090     | 12,886     |
| Provision for income taxes                           | (8,962)     | 3,466      | 3,956      | 4,423      | 2,986      | 4,596      | 5,077      | 3,899      |
| Net income   | \$ (15,145) | \$ 9,165   | \$ 8,751   | \$ 9,036   | \$ 9,052   | \$ 9,794   | \$ 10,013  | \$ 8,987   |
| <b>Key Statistics</b>                                |             |            |            |            |            |            |            |            |
| Diluted earnings per share                           | (0.68)      | 0.42       | 0.40       | 0.41       | 0.42       | 0.46       | 0.47       | 0.42       |
| Basic earnings per share                             | (0.68)      | 0.43       | 0.41       | 0.42       | 0.43       | 0.48       | 0.48       | 0.44       |
| Return on average total assets                       | -1.30%      | 0.82%      | 0.80%      | 0.86%      | 0.91%      | 1.04%      | 1.10%      | 1.03%      |
| Return on average total equity                       | -16.61%     | 11.80%     | 11.66%     | 12.37%     | 13.61%     | 15.43%     | 16.65%     | 15.40%     |
| Fee income to total revenue                          | 16.35%      | 16.54%     | 18.01%     | 16.39%     | 15.81%     | 15.79%     | 19.48%     | 15.32%     |
| Net interest margin                                  | 2.96%       | 3.13%      | 3.19%      | 3.26%      | 3.25%      | 3.47%      | 3.55%      | 3.45%      |
| Yield on average earning assets                      | 7.11%       | 7.45%      | 7.53%      | 7.56%      | 7.49%      | 7.59%      | 7.39%      | 7.00%      |
| Cost of average paying liabilities                   | 4.62%       | 4.78%      | 4.77%      | 4.73%      | 4.73%      | 4.62%      | 4.29%      | 3.96%      |
| Efficiency ratio (TEA)                               | 132.8%      | 59.6%      | 58.1%      | 59.3%      | 61.9%      | 53.9%      | 50.3%      | 51.7%      |
| <b>Common Stock Information</b>                      |             |            |            |            |            |            |            |            |
| Book value per share                                 | \$ 16.89    | \$ 14.73   | \$ 14.19   | \$ 13.92   | \$ 13.83   | \$ 12.73   | \$ 12.08   | \$ 11.72   |
| Dividends paid per share                             | 0.075       | 0.075      | 0.075      | 0.075      | 0.060      | 0.060      | 0.060      | 0.060      |
| Outstanding shares at end of period                  | 28,439,447  | 22,182,571 | 22,132,645 | 22,072,896 | 22,035,050 | 21,249,183 | 21,198,759 | 21,159,339 |
| <b>Number of Shares Used to Compute:</b>             |             |            |            |            |            |            |            |            |
| Basic earnings per share                             | 22,537,167  | 21,223,341 | 21,185,400 | 21,331,021 | 20,882,759 | 20,581,504 | 20,659,566 | 20,561,694 |
| Diluted earnings per share                           | 22,537,167  | 21,819,333 | 21,810,173 | 22,018,295 | 21,637,210 | 21,440,343 | 21,523,387 | 21,424,810 |



# PRIVATEBANCORP, INC. AND SUBSIDIARIES—(Continued)

|   | 2007  |            |            |            | 2006       |            |            |            |
|---|---|------------|------------|------------|------------|------------|------------|------------|
|   | Fourth  | Third      | Second     | First      | Fourth     | Third      | Second     | First      |
|   | (In thousands except ratios and per share data) |            |            |            |            |            |            |            |
| Capital ratios  |   |            |            |            |            |            |            |            |
| Total equity to total assets                            | 10.04%  | 7.08%      | 6.82%      | 6.90%      | 6.97%      | 6.84%      | 6.87%      | 6.61%      |
| Total risk-based capital ratio                          | 14.20%  | 10.60%     | 10.63%     | 10.45%     | 10.36%     | 10.71%     | 10.66%     | 10.51%     |
| Tier-1 risk-based capital ratio                         | 11.39%  | 8.07%      | 8.06%      | 7.93%      | 8.06%      | 8.53%      | 8.52%      | 8.44%      |
| Leverage ratio  | 10.93%  | 7.20%      | 7.08%      | 6.95%      | 7.51%      | 7.26%      | 7.33%      | 7.16%      |
| Selected financial condition                            |   |            |            |            |            |            |            |            |
| Data (at end of period)                                 |   |            |            |            |            |            |            |            |
| Total securities  | \$ 538,730                                      | \$ 497,948 | \$ 495,854 | \$ 482,024 | \$ 496,782 | \$ 458,869 | \$ 499,801 | \$ 682,355 |
| Total loans   | 4,177,794                                       | 3,737,524  | 3,705,339  | 3,581,398  | 3,499,988  | 3,136,634  | 2,956,026  | 2,786,075  |
| Total assets  | 4,990,203                                       | 4,498,227  | 4,486,010  | 4,343,872  | 4,264,424  | 3,877,593  | 3,652,267  | 3,671,918  |
| Total deposits  | 3,761,139                                       | 3,588,063  | 3,638,545  | 3,582,821  | 3,551,013  | 3,238,822  | 3,125,774  | 2,939,502  |
| Funds borrowed  | 560,809   | 464,021    | 407,696    | 334,128    | 281,733    | 235,858    | 133,163    | 351,523    |
| Total stockholders' equity                              | 500,792   | 318,399    | 306,109    | 299,672    | 297,124    | 265,227    | 250,800    | 242,862    |
| Credit quality  |   |            |            |            |            |            |            |            |
| Non-performing assets:                                  |   |            |            |            |            |            |            |            |
| Loans delinquent over 90 days                           | 53  | 3,294      | 5,844      | 5,124      | 5,137      | 1,260      | 1,262      | 1,080      |
| Non-accrual loans                                       | 38,983  | 25,657     | 20,731     | 4,816      | 3,770      | 588        | 1,721      | 3,228      |
| Other real estate                                       | 9,265   | 7,044      | 4,683      | 4,831      | 1,101      | 480        | 203        | 235        |
| Total non-performing assets                             | \$ 48,301                                       | \$ 35,995  | \$ 31,258  | \$ 14,771  | \$ 10,008  | \$ 2,328   | \$ 3,186   | \$ 4,543   |
| Loans charged-off                                       | 3,435   | 1,648      | 647        | 586        | 86         | 308        | 466        | 165        |
| Recoveries  | (42)  | (82)       | (76)       | (4)        | (37)       | (17)       | (77)       | (21)       |
| Net charge-offs (recoveries)                            | \$ 3,393  | \$ 1,566   | \$ 571     | \$ 582     | \$ 49      | \$ 291     | \$ 389     | \$ 144     |
| Provision for loan losses                               | \$ 10,171                                       | \$ 2,399   | \$ 2,958   | \$ 1,406   | \$ 707     | \$ 1,494   | \$ 2,382   | \$ 2,253   |
| Key Ratios:   |   |            |            |            |            |            |            |            |
| Net charge-offs to average loans                        | 0.35%   | 0.17%      | 0.06%      | 0.07%      | 0.01%      | 0.04%      | 0.05%      | 0.02%      |
| Total non-performing loans to total loans               | 0.93%   | 0.77%      | 0.72%      | 0.28%      | 0.25%      | 0.06%      | 0.10%      | 0.15%      |
| Total non-performing assets to total assets             | 0.97%   | 0.80%      | 0.70%      | 0.34%      | 0.23%      | 0.06%      | 0.09%      | 0.12%      |
| Loan Loss Reserve Summary:                              |   |            |            |            |            |            |            |            |
| Balance at beginning of period                          | \$ 42,113                                       | \$ 41,280  | \$ 38,893  | \$ 38,069  | \$ 34,693  | \$ 33,490  | \$ 31,497  | \$ 29,388  |
| Provision   | 10,171  | 2,399      | 2,958      | 1,406      | 707        | 1,494      | 2,382      | 2,253      |
| Addition of The PrivateBank – Georgia loan loss reserve | —   | —          | —          | —          | 2,718      | —          | —          | —          |
| Net charge-offs (recoveries)                            | 3,393   | 1,566      | 571        | 582        | 49         | 291        | 389        | 144        |
| Ending allowance for loan losses                        | \$ 48,891                                       | \$ 42,113  | \$ 41,280  | \$ 38,893  | \$ 38,069  | \$ 34,693  | \$ 33,490  | \$ 31,497  |
| Net loan charge-offs (recoveries):                      |   |            |            |            |            |            |            |            |
| Commercial real estate                                  | \$ 1,388  | \$ 295     | \$ (1)     | \$ 236     | \$ —       | \$ —       | \$ 250     | \$ —       |
| Residential real estate                                 | —   | —          | —          | (1)        | —          | —          | —          | —          |
| Commercial  | 752   | 1,077      | 397        | 273        | 29         | 298        | 180        | 121        |
| Personal  | 247   | 99         | (1)        | 3          | 20         | (7)        | (41)       | 23         |
| Home equity   | —   | —          | —          | —          | —          | —          | —          | —          |
| Construction  | 1,006   | 95         | 176        | 71         | —          | —          | —          | —          |
| Total net loan charge-offs (recoveries)                 | \$ 3,393  | \$ 1,566   | \$ 571     | \$ 582     | \$ 49      | \$ 291     | \$ 389     | \$ 144     |

## **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 on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

PRIVATEBANCORP, INC.

By: /s/ LARRY D. RICHMAN

**Larry D. Richman,**  
**President and Chief Executive Officer**

Date: February 29, 2008

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Larry D. Richman and Christopher J. Zinski, and each of them, the true and lawful attorney-in-fact and agents of the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of the undersigned, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully as to all intents and purposes as each of the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report on Form 10-K has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| <u>Signature</u>   | <u>Title</u>                                    | <u>Date</u>       |
|--|---|-------------------|
| <u>/s/ LARRY D. RICHMAN</u><br><b>Larry D. Richman</b>           | President, Chief Executive Officer and Director | February 29, 2008 |
| <u>/s/ DENNIS L. KLAESER</u><br><b>Dennis L. Klaeser</b>         | Chief Financial Officer                         | February 29, 2008 |
| <u>/s/ RALPH B. MANDELL</u><br><b>Ralph B. Mandell</b>           | Executive Chairman and Director                 | February 29, 2008 |
| <u>/s/ DONALD L. BEAL</u><br><b>Donald L. Beal</b>               | Director  | February 29, 2008 |
| <u>/s/ WILLIAM A. CASTELLANO</u><br><b>William A. Castellano</b> | Director  | February 29, 2008 |
| <u>/s/ ROBERT F. COLEMAN</u><br><b>Robert F. Coleman</b>         | Director  | February 29, 2008 |
| <u>/s/ PATRICK F. DALY</u><br><b>Patrick F. Daly</b>             | Director  | February 29, 2008 |
| <u>/s/ WILLIAM A. GOLDSTEIN</u><br><b>William A. Goldstein</b>   | Director  | February 29, 2008 |
| <u>/s/ JAMES M. GUYETTE</u><br><b>James M. Guyette</b>           | Director  | February 29, 2008 |
| <u>/s/ RICHARD C. JENSEN</u><br><b>Richard C. Jensen</b>         | Director  | February 29, 2008 |
| <u>/s/ PHILIP M. KAYMAN</u><br><b>Philip M. Kayman</b>           | Director  | February 29, 2008 |

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| <u>Signature</u>   | <u>Title</u> | <u>Date</u>       |
|--|--------------|-------------------|
| <u>/s/ CHERYL MAYBERRY MCKISSACK</u><br><b>Cheryl Mayberry McKissack</b> | Director     | February 29, 2008 |
| <u>/s/ WILLIAM J. PODL</u><br><b>William J. Podl</b>                     | Director     | February 29, 2008 |
| <u>/s/ EDWARD W. RABIN</u><br><b>Edward W. Rabin</b>                     | Director     | February 29, 2008 |
| <u>/s/ COLLIN E. ROCHE</u><br><b>Collin E. Roche</b>                     | Director     | February 29, 2008 |
| <u>/s/ WILLIAM R. RYBAK</u><br><b>William R. Rybak</b>                   | Director     | February 29, 2008 |
| <u>/s/ ALEJANDRO SILVA</u><br><b>Alejandro Silva</b>                     | Director     | February 29, 2008 |
| <u>/s/ JAMES C. TYREE</u><br><b>James C. Tyree</b>                       | Director     | February 29, 2008 |
| <u>/s/ JOHN B. WILLIAMS</u><br><b>John B. Williams</b>                   | Director     | February 29, 2008 |

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**EXHIBIT INDEX**

| <b>EXHIBIT<br/>NO.</b> | <b>DESCRIPTION OF EXHIBITS</b>   |
|------------------------|--|
| 3.1                    | Certificate of amendment of the Amended and Restated Certificate of Incorporation of PrivateBancorp, Inc., as amended (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2004 (File No. 000-25887) and incorporated herein by reference).   |
| 3.2                    | Amended and Restated Certificate of Incorporation of PrivateBancorp, Inc., as amended (filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 000-25887) and incorporated herein by reference).  |
| 3.3                    | Amended and Restated By-laws of PrivateBancorp, Inc. (filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2007 (File No. 000-25887) and incorporated herein by reference).   |
| 3.4                    | Certificate of Designation of Series A Junior Nonvoting Preferred Stock of PrivateBancorp, Inc.(1)   |
| 4.1                    | Certain instruments defining the rights of the holders of long-term debt of the Company and certain of its subsidiaries, none of which authorize a total amount of indebtedness in excess of 10% of the total assets of the Company and its subsidiaries on a consolidated basis, have not been filed as exhibits. The Company hereby agrees to furnish a copy of any of these agreements to the SEC upon request. |
| 4.2                    | Indenture, dated March 14, 2007, between the Company and LaSalle Bank National Association, as Trustee (filed as an exhibit to the Company's Current Report on Form 8-K dated March 14, 2007 (File No. 000-25887) and incorporated herein by reference).   |
| 4.3                    | Form of 3 <sup>5</sup> / <sub>8</sub> % Contingent Convertible Senior Note due 2027 (included in Exhibit 4.2).   |
| 4.4                    | Registration Rights Agreement dated March 14, 2007 between the Company and the Initial Purchaser (filed as an exhibit to the Company's Current Report on Form 8-K dated March 14, 2007 (File No. 000-25887) and incorporated herein by reference).   |
| 4.5                    | Form of Preemptive and Registration Rights Agreement dated as of November 26, 2007 (filed as an exhibit to the Company's Current Report on Form 8-K dated November 26, 2007 (File No. 000-25887) and incorporated herein by reference).  |
| 10.1                   | Form of Stock Purchase Agreement dated as of November 26, 2007 between PrivateBancorp, Inc. and the Purchasers named therein (filed as an exhibit to the Company's Current Report on Form 8-K dated November 26, 2007 (File No. 000-25887) and incorporated herein by reference).  |
| 10.2                   | PrivateBancorp, Inc. Amended and Restated Stock Incentive Plan (filed as Appendix A to the Company's Proxy Statement for its 2000 Annual Meeting of Stockholders (File No. 000-25887) and incorporated herein by reference).*  |
| 10.3                   | PrivateBancorp, Inc. Incentive Compensation Plan, as amended (filed as Appendix A to the Company's Proxy Statement for its 2005 Annual Meeting of Stockholders (File No. 000-25887) and incorporated herein by reference).*  |
| 10.4                   | PrivateBancorp, Inc. Deferred Compensation Plan (filed as an exhibit to the Company's Form S-8 Registration Statement (File No. 333-104807) and incorporated herein by reference).*  |
| 10.5                   | PrivateBancorp, Inc. Strategic Long-Term Incentive Plan (filed as an exhibit to the Company's Form S-8 Registration Statement (File No. 333-147451) and incorporated herein by reference).*  |
| 10.6                   | Employment Term Sheet Agreement between Ralph B. Mandell and PrivateBancorp, Inc. dated December 14, 2007*(1)  |
| 10.7                   | Employment Term Sheet Agreement among Larry D. Richman, PrivateBancorp, Inc. and The PrivateBank and Trust Company dated October 31, 2007*(1)  |
| 10.8                   | Employment Term Sheet Agreement among Karen B. Case, PrivateBancorp, Inc. and The PrivateBank and Trust Company dated October 29, 2007*(1)   |

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| <b>EXHIBIT<br/>NO.</b> | <b>DESCRIPTION OF EXHIBITS</b>  |
|------------------------|---|
| 10.9                   | Employment Term Sheet Agreement among Bruce R. Hague, PrivateBancorp, Inc. and The PrivateBank and Trust Company dated October 25, 2007*(1)   |
| 10.10                  | Employment Term Sheet Agreement among Dennis L. Klaeser, PrivateBancorp, Inc. and The PrivateBank and Trust Company dated December 12, 2007*(1)   |
| 10.11                  | Employment Term Sheet Agreement among Bruce S. Lubin, PrivateBancorp, Inc. and The PrivateBank and Trust Company dated October 25, 2007*(1)   |
| 10.12                  | Employment Term Sheet Agreement among Jay B. Williams, PrivateBancorp, Inc. and The PrivateBank -Wisconsin dated December 12, 2007*(1)  |
| 10.13                  | Employment Term Sheet Agreement among Richard C. Jensen, PrivateBancorp, Inc. and The PrivateBank -St. Louis dated November 19, 2007*(1)  |
| 10.14                  | Form of Indemnification Agreement by and between PrivateBancorp, Inc. and its directors and executive officers (filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).*   |
| 10.15                  | Amended and Restated Loan and Subordinated Debenture Purchase Agreement dated as of September 29, 2005 by and between PrivateBancorp, Inc. and LaSalle Bank National Association (filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (File No. 000-25887) and incorporated herein by reference). |
| 10.16                  | First Amendment to Amended and Restated Loan and Subordinated Debenture Purchase Agreement dated December 12, 2006 (filed as an exhibit to the Company's Annual report of Form 10-K for the year ended December 31, 2006 (File No. 000-25887) and incorporated herein by reference)   |
| 10.17                  | Second Amendment to Amended and Restated Loan and Subordinated Debenture Purchase Agreement by and between PrivateBancorp, Inc. and LaSalle Bank National Association dated April 3, 2007(1)  |
| 10.18                  | Third Amendment to Amended and Restated Loan and Subordinated Debenture Purchase Agreement by and between PrivateBancorp, Inc. and LaSalle Bank National Association dated December 31, 2007(1)   |
| 10.19                  | Form of Inducement Performance Share Award Agreement pursuant to the PrivateBancorp, Inc. Strategic Long-Term Incentive Compensation Plan*(1)   |
| 10.20                  | Form of Nonqualified Inducement Performance Stock Option Agreement pursuant to the PrivateBancorp, Inc. Strategic Long-Term Incentive Compensation Plan*(1)   |
| 10.21                  | Form of Nonqualified Inducement Time-Vested Stock Option Agreement pursuant to the PrivateBancorp, Inc. Strategic Long-Term Incentive Compensation Plan*(1)   |
| 10.22                  | Form of Incentive Stock Option Agreement pursuant to the PrivateBancorp, Inc. Incentive Compensation Plan (filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 000-25887) and incorporated herein by reference).*  |
| 10.23                  | Form of Director Stock Option Agreement pursuant to the PrivateBancorp, Inc. Incentive Compensation Plan (filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 000-25887) and incorporated herein by reference).*   |
| 10.24                  | Form of Non-qualified Stock Option Agreement pursuant to the PrivateBancorp, Inc. Incentive Compensation Plan. (filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 000-25887) and incorporated herein by reference).*  |
| 10.25                  | Form of Restricted Stock Award Agreement pursuant to the PrivateBancorp, Inc. Incentive Compensation Plan. (filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 000-25887) and incorporated herein by reference).*  |
| 21.1                   | Subsidiaries of the Registrant(1)   |

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| EXHIBIT<br>NO. | DESCRIPTION OF EXHIBITS   |
|----------------|---|
| 23.1           | Consent of Ernst & Young LLP(1)   |
| 24.1           | Powers of Attorney (set forth on signature page)  |
| 31.1           | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(1)                             |
| 31.2           | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(1)                             |
| 32.1           | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(1) |

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(1) Filed herewith.

\* Indicates management contracts or compensatory plans or arrangements required to be filed as an exhibit.

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## **Section 2: EX-3.4 (CERTIFICATE OF DESIGNATION)**



**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**SERIES A JUNIOR NONVOTING PREFERRED STOCK**  
**OF**  
**PRIVATEBANCORP, INC.**

We, the undersigned, Larry D. Richman and Christopher J. Zinski, the President and Chief Executive Officer, and General Counsel and Corporate Secretary, respectively, of PrivateBancorp, Inc., a Delaware corporation (the "*Corporation*"), do hereby certify that, pursuant to authority granted to the Board of Directors by Article FOURTH of the Amended and Restated Certificate of Incorporation of the Corporation, and in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors of the Corporation has adopted the following resolutions fixing the designation and certain terms, powers, preferences and other rights of a new Series of the Corporation's Preferred Stock, without par value, and certain qualifications, limitations and restrictions thereon:

**RESOLVED**, that pursuant to authority granted to the Board of Directors by Article FOURTH of the Amended and Restated Certificate of Incorporation of the Corporation, and in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, there is hereby established from the 1,000,000 Shares of Preferred Stock, no par value, of the Corporation, authorized to be issued pursuant to the Amended and Restated Certificate of Incorporation, a series of Preferred Stock, without par value, and the designation and certain qualifications, limitations and restrictions thereon, are hereby fixed as follows:

Section 1 Designation. The distinctive serial designation of this Series shall be "Series A Junior Nonvoting Preferred Stock" (hereinafter called "Series A Stock"). Each share of Series A Stock shall be identical in all respects with the other shares of Series A Stock except the date from which dividends shall accrue, and as to the conversion rate or prices which may vary by date of issue.

Section 2 Number. The number of shares of Series A Stock will initially be One Thousand Four Hundred Twenty-Eight Point Zero Seven Four (1,428.074), which number may from time to time be increased or decreased (but not below the number then outstanding) by the Board of Directors; provided that any increase in the number of shares of Series A Stock authorized shall be approved by the holders of a majority of the Series A Stock then outstanding. Shares of Series A Stock purchased by the Corporation will be canceled and revert to authorized but unissued shares of Preferred Stock undesignated as to series. Shares of Series A Stock may be issued in fractional shares, which fractional shares will entitle the holder, in proportion to such holder's fractional share, to all rights of a holder of a whole share of Series A Stock.

Section 3 Dividends.

(a) The holders of full or fractional shares of Series A Stock will be entitled to receive, when and as declared by the Board of Directors, or a duly authorized committee

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thereof, but only out of funds legally available therefor, dividends, on each date that dividends or other distributions (other than dividends or distributions payable in Common Stock of the Corporation) are payable on or in respect of Common Stock comprising part of the Reference Package (as defined below), in an amount per whole share of Series A Stock equal to the aggregate amount of dividends or other distributions (other than dividends or distributions payable in Common Stock of the Corporation) that would be payable on such date to a holder of the Reference Package. Each such dividend will be paid, on the date such dividend is paid to the holders of Common Stock, to the holders of shares of Series A Stock as of the record date for such dividend or, if no record date is fixed, the date as to which the record holders of Common Stock entitled to such dividends are to be determined.

(b) The term "*Reference Package*" initially means 1,000 shares of Common Stock, without par value ("Common Stock"), of the Corporation. If the Corporation, at any time after the close of business on the date of filing of this Certificate of Designations, (1) declares or pays a dividend on any Common Stock payable in Common Stock, (2) subdivides any Common Stock or (3) combines any Common Stock into a smaller number of shares, then and in each such case the Reference Package after such event shall be the number of shares of Common Stock that a holder of the Reference Package immediately prior to such event would hold thereafter as a result of such event.

(c) So long as any shares of Series A Stock are outstanding, no dividend or other distribution (other than a dividend payable in shares of Common Stock or any other stock ranking junior to Series A Stock as to dividends and upon liquidation) may be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other stock ranking junior to Series A Stock as to dividends or upon liquidation, nor shall any Common Stock nor any other stock of the Corporation ranking junior to or on a parity with Series A Stock as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to Series A Stock as to dividends and upon liquidation), unless, in each case, the dividend to be due on the shares of Series A Stock upon payment of such dividend, distribution, redemption, purchase or other acquisition is contemporaneously paid on all outstanding shares of Series A Stock. Notwithstanding the foregoing, in the event such payment is not permissible under the federal banking laws and regulations applicable to the Corporation or any other laws or regulations, then at the option of the holders of such Series A Stock, such payment shall be made in the form of Series A Stock.

(d) Dividends shall be non-cumulative.

Section 4 Mergers, Consolidations, Etc. In the event of any merger, consolidation, reclassification or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, the shares of Series A Stock will at the same time be similarly exchanged or changed in an amount per whole share equal to the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, that a holder of the Reference Package would be entitled to receive as a result of such transaction. Notwithstanding the foregoing, in the event such exchange or change is not permissible under the federal banking laws and regulations applicable to the Corporation or any other laws or regulations, then at the option of the holders of a majority of the Series A Stock then outstanding, the Corporation shall make appropriate provisions (in form and substance reasonably satisfactory to the holders of a majority of the Series A Stock then outstanding) and take such other actions necessary to ensure that the holders of the Series A Stock shall retain preferred stock with substantially the same benefits as the Series A Stock (provided that such preferred stock would be convertible into the stock or securities, cash and/or other property that the Series A Stock would have been converted into pursuant to this Section if it were permissible under such laws and regulations as of the date the Common Stock was exchanged or changed). Subject to the foregoing, in the event the holders of Common Stock are provided the right to convert or exchange Common Stock for stock or securities, cash and/or any other property, then the holders of the Series A Stock shall be provided the same right based upon the number of shares of Common Stock such holders would be entitled to receive if such shares were converted into the Reference Package immediately prior to such offering. In the event that the Corporation offers to repurchase shares of Common Stock from its stockholders generally, the Corporation shall offer to repurchase Series A Stock pro rata based upon the number of shares of Common Stock such holders would be entitled to receive if such shares were converted into the Reference Package immediately prior to such offering. In the event of any *pro rata* subscription offer to holders of Common Stock, the Corporation shall provide the holders of the Series A Stock (with respect to the Series A Stock or another series of preferred stock of the Corporation with terms, conditions and provisions that shall be established upon the issuance of such preferred stock that are similar to and consistent with the terms, conditions and provisions upon which the Series A Stock was established) to participate based upon the number of shares of Common Stock such holders would be entitled to receive if such shares were converted into the Reference Package immediately prior to such offering; provided that at the election of such holder, any shares issued with respect to the Series A Stock shall be issued in the form of Series A Stock rather than Common Stock.

## Section 5 Liquidation.

(a) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of full and fractional shares of Series A Stock will be entitled, before any distribution or payment is made on any date to the holders of the Common Stock or any other stock of the Corporation ranking junior to Series A Stock upon liquidation, to receive in full an amount per share equal to the greater of (i) \$0.01 (the "*liquidation preference*") plus an amount equal to any dividends that have been declared on Series A Stock but not paid and (ii) the amount that a holder of one share of Series A Stock would be entitled to receive if such share were converted into the Reference Package immediately prior to such liquidation, dissolution or winding up, together with any declared but unpaid dividend to such distribution or payment date. If such payment has been made in full to all holders of shares of Series A Stock, the holders of shares of Series A Stock as such will have no right or claim to any of the remaining assets of the Corporation.

(b) If the assets of the Corporation available for distribution to the holders of shares of Series A Stock upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, are insufficient to pay in full all amounts to which such holders are entitled pursuant to Section 5(a), no such distribution will be made on account of any shares of any other class or Series of Preferred Stock ranking on a parity with the shares of Series A Stock upon such liquidation, dissolution or winding up unless proportionate distributive amounts are paid on account of the shares of Series A Stock, ratably in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such liquidation, dissolution or winding up.

(c) Upon the liquidation, dissolution or winding up of the Corporation, the holders of shares of Series A Stock then outstanding will be entitled to be paid out of assets of the Corporation available for distribution to its stockholders all amounts to which such holders are entitled pursuant to the first paragraph of this Section 5 before any payment is made to the holders of Common Stock or any other stock of the Corporation ranking junior upon liquidation to Series A Stock.

(d) For the purposes of this Section 5, the consolidation or merger of, or binding share exchange by, the Corporation with any other corporation will not be deemed to constitute a liquidation, dissolution or winding up of the Corporation.

Section 6 Conversion. If any holder of full or fractional shares of Series A Stock surrenders to the Corporation (at the principal office of the Corporation) a certificate or certificates representing all or part of the holder's shares of Series A Stock together with either (1) a certificate, reasonably satisfactory to the Corporation, stating that the holder has received the advice of counsel to the effect that it is permissible under the federal banking laws and regulations applicable to the Corporation that the shares of Series A Stock represented by such certificate or certificates and to be converted pursuant to this Section 6 convert as contemplated by this Section 6 or (2) a certificate, reasonably satisfactory to the Corporation, stating that the holder is transferring the holders' shares of Series A Stock or Common Stock issued upon conversion of Series A Stock in a Widely Dispersed Offering (as defined below) and

subsequently transfers the shares in a Widely Dispersed Offering or that the holder has been transferred shares in a Widely Dispersed Offering, *then* the shares of Series A Stock represented by such certificate or certificates will convert into the Reference Package (and any fractional share of such holder will convert into the same fraction of the Reference Package). Except as otherwise provided herein, each conversion of Series A Stock shall be deemed to have been effected as of the close of business on the date on which the certificate or certificates representing the Series A Stock to be converted have been surrendered for conversion at the principal office of the Corporation (which in the event of an anticipated Widely Dispersed Offering may be prior to or after any transfer of Series A Stock). Notwithstanding any other provision hereof, if a conversion of Series A Stock is to be made in connection with a merger, consolidation, reclassification or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property or any dissolution or liquidation, the conversion of any shares of Series A Stock may, at the election of the holder thereof, be conditioned upon the consummation of such event or transaction, in which case such conversion shall not be deemed to be effective until such event or transaction has been consummated.

The holder will be entitled to receive a certificate or certificates representing any capital stock comprising a part of the Reference Package and into which their shares have been converted and any cash or other property then comprising a part of the Reference Package. The term "*Widely Dispersed Offering*" means (a) a widely distributed public offering, (b) a public offering, private placement or other sale in which no one party acquires the right to purchase in excess of 2% of the voting shares of the Corporation, (c) in the case of shares of Series A Stock held by GTCR Fund IX/A, L.P., a Delaware limited partnership, GTCR Fund IX/B, L.P., a Delaware limited partnership and GTCR Co-Invest III, L.P., a Delaware limited partnership, or any of their respective affiliates, distributions to such holder's partners and their affiliates or (d) an assignment to a single party (*e.g.*, a broker or investment banker) for the purpose of conducting a widely distributed public offering on the holder's behalf.

The issuance of certificates for shares of securities or other property upon conversion of Series A Stock shall be made without charge to the holders of such Series A Stock for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such conversion and the related issuance of shares of securities or other property upon conversion of Series A Stock. Upon conversion of each share of Series A Stock, the Corporation shall take all such actions as are necessary in order to insure that the Common Stock or other securities issuable with respect to such conversion shall be validly issued, fully paid and nonassessable, free and clear of all taxes, liens, charges and encumbrances with respect to the issuance thereof. The Corporation shall not close its books against the transfer of Series A Stock or of Common Stock or other securities issued or issuable upon conversion of Series A Stock in any manner which interferes with the timely conversion of Series A Stock. The Corporation shall assist and cooperate with any holder of shares of Series A Stock or Common Stock or other securities issued or issuable upon conversion of Series A Stock required to make any governmental filings or obtain any governmental approval prior to or in connection with any conversion of shares of Series A Stock hereunder (including, without limitation, making any filings required to be made by the Corporation). The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of issuance upon the conversion of the Series A Stock, such number of shares of Common Stock issuable upon the

conversion of all outstanding Series A Stock. All shares of Common Stock which are so issuable shall, when issued, be duly and validly issued, fully paid and nonassessable and free from all taxes, liens and charges. The Corporation shall take all such actions as may be necessary to assure that all such shares of Common Stock or securities issuable upon conversion of the Series A Stock may be so issued without violation of any applicable law or governmental regulation or any requirements of any domestic securities exchange upon which shares may be listed (except for official notice of issuance which shall be immediately delivered by the Corporation upon each such issuance). The Corporation shall not take any action which would cause the number of authorized but unissued shares of Common Stock to be less than the number of such shares required to be reserved hereunder for issuance upon conversion of the Series A Stock.

Section 7 Redemption. Without limiting the holder's right of conversion, the shares of Series A Stock are not redeemable by the Corporation or the holder and shall be perpetual.

Section 8 Voting. Except as required by law or as expressly provided herein, the shares of Series A Stock are not entitled to vote on any matter.

Section 9 Notices.

(a) Immediately upon any adjustment of the Reference Package, the Corporation shall give written notice thereof to all holders of Series A Stock, setting forth in reasonable detail and certifying the calculation of such adjustment.

(b) At any time notice is provided to the holders of Common Stock, the Corporation shall give written notice to all holders of Series A Stock at or prior to such time; provided that the Corporation shall provide the holders of Series A Stock any such notice at least 5 business days prior to the date such holders would be required to take any action to convert Series A Stock prior to any merger, consolidation, reclassification or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property or any dissolution or liquidation.

Section 10 Additional Series. Notwithstanding any other provision of this Certificate of Designations to the contrary, the Corporation may, without obtaining the consent of holders of the Series A Stock, issue one or more additional series of the Corporation's preferred stock having rights, designations, powers, and preferences equal or superior to the Series A Stock and having such other designations, rights, preferences, terms and conditions, as determined by the Board of Directors of the Corporation in its sole discretion.

Section 11 Amendment. No amendment, modification or waiver shall be binding or effective with respect to any provision of this Certificate of Designation without the prior written consent of the holders of a majority of the Series A Stock outstanding as of the time such action is taken; provided that no change in the terms hereof may be accomplished by merger or consolidation of the Corporation with another corporation or entity unless the Corporation has obtained the prior written consent of the holders of a majority of the Series A Stock then outstanding. No other course of dealing between the Corporation and the holder of any Series A

Stock or any delay in exercising any rights hereunder shall operate as a waiver of any rights of any such holders.

**IN WITNESS WHEREOF**, the undersigned have signed and attested this certificate on the 26th day of November, 2007.

**PRIVATEBANCORP, INC.**

By /s/ Larry D. Richman

\_\_\_\_\_  
Larry D. Richman  
President and Chief Executive Officer

By /s/ Christopher J. Zinski

\_\_\_\_\_  
Christopher J. Zinski  
General Counsel and Corporate Secretary

ATTEST /s/ Dennis L. Klaeser

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### **Section 3: EX-10.6 (EMPLOYMENT TERM SHEET AGREEMENT)**



December 14, 2007

Mr. Ralph B. Mandell  
70 West Madison Street  
Suite 200  
Chicago, Illinois 60602

Dear Ralph:

Please find enclosed a term sheet agreement setting forth the terms of your employment and going forward compensation with PrivateBancorp, Inc. ("PrivateBancorp"). This term sheet agreement will replace your existing employment agreement with PrivateBancorp, dated July 1, 2001 upon your acceptance by signature below. As we discussed, your future compensation includes certain significant equity awards.

This offer has been approved by the Board of PrivateBancorp and will remain open for your acceptance until 5:00 p.m. (C.S.T.) December 28, 2007. Please signify your acceptance of this offer by signing as indicated below. If you do not sign and return your acceptance of the term sheet agreement by such date and time, the special retention performance share unit award that was granted on November 1, 2007 will be forfeited and you will not be entitled to enhanced vesting and exercise protections under the special retention performance stock option and time-vested stock option awards; your 37,500 share succession restricted stock unit award is not subject to that condition. You may return this offer letter to the following confidential fax (ATT: Chris Zinski, General Counsel) at 312.683.1493.

Sincerely,

/s/ James M. Guyette  
James M. Guyette  
Chairman, Compensation Committee

Accepted: /s/ Ralph B. Mandell  
Ralph B. Mandell

Date: December 14, 2007

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**RALPH B. MANDELL****Term; Position;  
Reporting  
Relationship**

For the term ending December 31, 2012, you will be employed as Chairman of PrivateBancorp, Inc. ("PrivateBancorp"), unless sooner terminated as provided below.

During the term, you will be renominated as a member of the Board of Directors of PrivateBancorp ("Board") and the Board of Directors of The PrivateBank and Trust Company (the "Bank"), at such time and from time to time as your Board term may expire; and

During the term, you will report to the Board.

**Base Salary**

During your employment, \$660,000 per year, effective as of January 1, 2007, increasing to not less than \$710,000 per year on January 1, 2008, to not less than \$760,000 per year on January 1, 2009, to \$2,000,000 on January 1, 2010, and decreasing to \$1,000,000 on January 1, 2011, provided you are employed on such dates, subject to increase, but not decrease, from time to time (other than permitted proportionate reductions applicable to all similarly situated senior executives of the Bank, unless such reduction occurs during the two-year period commencing upon the occurrence of a Change in Control), in the sole discretion of the Compensation Committee of the Board, and any such increased (or decreased) amount shall mean "Base Salary" for purposes of this term sheet agreement.

**Annual Bonus**

During your employment during fiscal years 2007, 2008 and 2009: 185% of Base Salary at target, in accordance with the annual bonus plan applicable to senior executives as in effect from time to time (subject to Section 162(m) of the Internal Revenue Code ("Code") while applicable to you).

**Annual Equity  
Awards**

During your employment, you will receive annual equity awards under the PrivateBancorp 2007 Long-Term Incentive Compensation Plan approved by the Board on October 31, 2007 ("Plan"), at the same time as annual equity awards are granted to senior executives (but not later than December 31 of each such fiscal year), for each of the 2007, 2008 and 2009 fiscal years, having a value of \$600,000 per year (based on the FAS 123R value assigned to such award by PrivateBancorp) ("Annual Equity Awards").

Your Annual Equity Awards will be granted one-half as time-vested stock options and one-half as time-vested restricted stock. It is anticipated that the Plan will be submitted to the shareholders for approval at the 2008 annual meeting. If the Plan is not approved by shareholders, your Annual Equity Awards will be granted in unit form payable in cash (or in shares in the event such approval is thereafter obtained). Your Annual Equity Awards will have the same terms as apply to annual equity awards of such type (restricted stock or options, as the case may be) awarded to other executives;

provided, your Annual Equity Awards will fully vest (and stock options will be exercisable and any restricted stock units will be payable, subject to compliance with Section 409A of the Code) on the first anniversary of the grant date or as further provided below.

The treatment of your Annual Equity Awards upon a termination of your employment is governed by the terms under Attachment A.

You will be eligible for any additional future equity awards from time to time, in accordance with the terms of PrivateBancorp's incentive plans as then in effect, in such amount, if any, and on such terms as is determined in the sole discretion of the Compensation Committee.

#### Special Retention Equity Award

On November 1, 2007, you received an award of 112,500 stock options and 45,000 performance share units (each such unit representing one share of PrivateBancorp common stock) under the Plan ("Special Retention Equity Award"). The stock options have an exercise price of \$26.10 and a 10-year term. Vested performance share units will be payable in shares of PrivateBancorp common stock within 30 days after the date on which such performance share units vest; provided, the vested units and any exercise of vested stock options will be payable in cash if the Plan is not approved by shareholders. The award of performance share units and one-half of the stock options ("performance stock options") are subject to performance vesting requirements and continued service during the performance period generally applicable to such awards, and the other one-half of the stock options ("time-vesting stock options") are subject to time vesting requirements only, all as more particularly described on Attachment B hereto.

The treatment of your Special Retention Equity Award upon a termination of your employment is governed by the terms under Attachment A.

Upon the occurrence of a Change of Control during your employment, you will become fully vested in your Special Retention Equity Award, the vested performance share units thereunder will be immediately payable and the stock options thereunder will be fully exercisable (except, as may apply, such payment or exercise will be postponed until the earliest date permitted under Section 409A of the Code).

To the extent that PrivateBancorp has or hereafter enters into a broker-assisted (FRB Reg. T) cashless exercise program for stock option awards to employees of the Bank, the stock options under the Special Retention Equity Award will be included in such program.

The performance share units and stock options under the Special Retention Equity Award are otherwise subject to the terms and conditions of the Plan.

If you have not entered into this term sheet agreement within 30 days after the date irrevocably offered to you, (i) the performance share units under the Special Retention Equity Award will be immediately forfeited and (ii) you

will not be entitled to post-termination vesting and an extended exercise period for your performance-vesting and time-vesting stock options under the Special Retention Equity Award, provided in each case under Attachment A.

“Change of Control” is defined on Attachment C.

Succession Equity  
Award

On November 1, 2007, you were granted a time-vesting equity award for 37,500 restricted stock units pursuant to the Plan, each such unit representing one share of PrivateBancorp common stock, vesting at the rate of 12,500 restricted stock units on each of December 31, 2007, December 31, 2008 and December 31, 2009, provided you are employed on such date for such units to so vest (“Succession Equity Award”). Vested restricted stock units under your Succession Equity Award will be payable to you in shares of PrivateBancorp common stock (or in cash if the Plan is not approved by shareholders prior to the date on which payment is due to you) on the payroll payment date for the second complete payroll occurring in the fiscal year following the date of vesting, and having such other terms and conditions as are set forth in the restricted stock unit award agreement delivered to you; provided, (x) in the case of any vesting occurring as a result of the termination of your employment, payment will be postponed beyond the above payment date, to the extent necessary to satisfy Section 409A(a)(1)(B)(i) of the Code because you are a “specified employee” (within the meaning of Treasury Regulation Section 1.409A-1(i)) on the date of such termination, until the earlier of (i) the date that is six months following your termination of employment or (ii) the date of your death following such employment termination, or, if applicable, until such later date that is not earlier than six months following a later date constituting a “separation from service” under Treasury Regulation Section 1.409A-1(h), and (y) in the case of any vesting occurring as a result of the occurrence of a Change of Control, payment will be made in such event as provided below.

The treatment of your Succession Equity Award upon a termination of your employment is governed by the terms under Attachment A.

Your Succession Equity Award will become fully vested and payable upon a Change of Control during your employment (except, as may apply, such payment will be postponed until the earliest date permitted under Section 409A of the Code).

Benefits; Perquisites

During your employment, you will continue to be eligible to participate in the Bank’s medical and dental insurance plans, participate in the flexible benefits plan and the PrivateBancorp, Inc. Savings, Retirement and Employee Stock Ownership Plan (KSOP), and be eligible for life insurance, accidental death and dismemberment insurance and long term disability insurance benefits provided to senior executives of PrivateBancorp as in effect from time to time.

During your employment, you will also be furnished with such perquisites which may from time to time be provided by PrivateBancorp and the Bank which are suitable to your position and adequate for the performance of your duties hereunder and reasonable in the circumstances. Such perquisites include, but are not limited to, reimbursement for dues at one approved country club and one approved luncheon club in the Chicago Metropolitan area.

Vacation

During your employment, you will be eligible for vacation consistent with recent past practice.

Severance Benefits

During your employment, upon an involuntary termination of your employment by PrivateBancorp without Cause or a voluntary termination of employment by you for Good Reason prior to December 31, 2012 (except as provided under Change of Control Severance, below), you will receive:

- (i) A pro rata bonus based on your prior year's earned bonus (if any) and the number of days elapsed during the year in which the date of termination occurs (the "Pro Rata Bonus");
- (ii) If such termination occurs prior to January 1, 2010, severance payments equal to 150% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years immediately preceding the calendar year in which your date of termination occurs, payable in substantially equal monthly installments for a period of 18 months in accordance with regular payroll practices; provided, such amount under this clause (ii) will not be less than \$3,000,000. If such termination occurs on or after January 1, 2010 and prior to July 1, 2010, severance payments equal to \$3,000,000 payable in substantially equal monthly installments until December 31, 2012 in accordance with regular payroll practices. If such termination occurs on or after July 1, 2010, severance payments equal to the product of (x) \$3,000,000 multiplied by (y) the fraction the numerator of which is the number of days from and after the date of termination through December 31, 2012 and the denominator of which is 915, payable in substantially equal monthly installments until December 31, 2012 in accordance with regular payroll practices.
- (iii) Continuation for 18 months, but not later than December 31, 2012, of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same "cost-sharing" percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination; and
- (iv) Base Salary earned but not paid and vacation accrued and unused through your termination date, any annual bonus that is earned in a fiscal

year preceding the fiscal year of your termination but not paid as of the termination date, and such other earned but unpaid amounts under the employee benefit plans in which you participate as of the termination date that are payable to you in accordance with the terms thereof, (collectively "Accrued Obligations").

Any payments and benefits to you under this Severance Benefits section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

If you are a "specified employee" of PrivateBancorp and its affiliates (as defined in Treasury Regulation Section 1.409A-1 (i)), then you shall receive payments during the 6 month period immediately following your date of termination equal to the lesser of (x) the amount payable under this severance provision or (y) two (2) times the compensation limit in effect under Code Section 401(a)(17) for the calendar year in which your date of termination occurs (with any amounts that otherwise would have been payable under this severance provision during such 6 month period being paid on the first regular payroll date following the 6 month anniversary of the date of termination). Additionally, each installment payment under this section is intended to be treated as one of a series of separate payments for purposes of Section 409A of the Code and Treasury Regulation Section 1.409A-2(b)(2)(iii).

As a condition to a right to any payment or benefit under this Severance Benefits section, such termination of employment must constitute a "separation from service" under Treasury Regulation Section 1.409A-1(h).

Change of Control  
Severance

Upon an involuntary termination of your employment by PrivateBancorp without Cause or a voluntary termination of your employment by you for Good Reason occurring within six months prior to, or two years after, a Change of Control, and that also is prior to December 31, 2009, you will receive:

(i) The Pro Rata Bonus;

(ii) Severance equal to 300% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the greater of (x) your prior year's bonus or (y) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years immediately preceding the calendar year in which your date of termination occurs, payable in a single lump sum payment within 30 days after the date of termination, or if your termination of employment occurs within six months prior to a Change of Control, then within 5 business days after the Change of Control you will receive a single lump sum payment equal to (p) the amounts due you under this clause (ii) reduced by (q) the sum of all amounts paid to you under clause (ii) of the Severance Benefits

section of this term sheet agreement, so that no amount of the lump sum payment under this clause (ii) is duplicative; provided, such amount under this clause (ii) (and for a termination within six months prior to a Change of Control, the sum of amounts under this clause (ii) and clause (ii) of the Separation Benefits section of this term sheet agreement will not be less than \$3,000,000.

(iii) Continuation for 36 months of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same “cost-sharing” percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination;

(iv) Outplacement for 24 months; and

(v) The Accrued Obligations.

Any payments and benefits to you under this Change of Control Severance section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

As a condition to a right to any payment or benefit under this Change of Control Severance section, such termination of employment must constitute a “separation from service” under Treasury Regulation Section 1.409A-1(h).

Code Section 280G

During your employment and thereafter, if any payments or benefits constitute “excess parachute payments” (as defined in Code Section 280G), you will be fully grossed up.

Full Satisfaction;  
Release of Claims

Any employment termination payments made and benefits provided to you under this term sheet agreement shall be in lieu of any employment termination or severance payments or benefits for which you may be eligible under any of the employee benefit plans, policies or programs of PrivateBancorp or its affiliates.

As a condition precedent to the payment of all amounts, benefits and vesting of your Annual Equity Awards, Special Retention Equity Award and Succession Equity Award, other than your Accrued Obligations, pursuant to PrivateBancorp’s involuntary termination of your employment without Cause or your voluntary termination of your employment for Good Reason at any time, you shall execute a waiver and general release of claims, substantially in the form customarily obtained by the Bank from its terminating executive employees, which waiver and general release of claims is not revoked during any applicable seven (7) day revocation period. For the avoidance of doubt, such waiver and general release will not adversely affect your ability to enforce the terms of this term sheet



agreement, your indemnification rights under PrivateBancorp's by-laws and this term sheet agreement, your rights to coverage under the PrivateBancorp's directors and officers liability insurance; your and your covered dependents' rights to COBRA continuation coverage, your rights to vested employee benefits, and other rights that cannot be waived by operation of law.

Restrictive  
Covenants  
(confidentiality,  
non-competition,  
non-solicitation)

You will not at any time during or following your employment with PrivateBancorp, directly or indirectly, disclose or use on your behalf or another's behalf, publish or communicate, except in the course of your employment and in the pursuit of the business of PrivateBancorp and the Bank or any of its subsidiaries or affiliates, any proprietary information or data of PrivateBancorp and the Bank or any of its subsidiaries or affiliates, which is not generally known to the public or which could not be recreated through public means and which PrivateBancorp and the Bank may reasonably regard as confidential and proprietary. You recognize and acknowledge that all knowledge and information which you have or may acquire in the course of your employment, such as, but not limited to, the business, developments, procedures, techniques, activities or services of PrivateBancorp or the Bank or the business affairs and activities of any customer, prospective customer, individual firm or entity doing business with PrivateBancorp or the Bank are their sole valuable property, and shall be held by you in confidence and in trust for their sole benefit. All records of every nature and description which come into your possession, whether prepared by you, or otherwise, shall remain the sole property of PrivateBancorp or the Bank and upon termination of your employment, as the case may be, for any reason, said records shall be left with PrivateBancorp or the Bank as part of its property.

During the period of your employment and for a period of 1 year after your termination of employment for any reason, you will not (except in your capacity as an employee) directly or indirectly, for your own account, or as an agent, employee, director, owner, partner, or consultant of any corporation, firm, partnership, joint venture, syndicate, sole proprietorship or other entity:

(i) engage, directly or indirectly, in any business which has a place of business (whether as a principal, division, subsidiary, affiliate, related entity, or otherwise) located within the area encompassed within a 50 mile radius surrounding your office, as of the date of termination of your employment, that provides banking products, or that provides non-banking products or services of a type that accounted for more than 10% of PrivateBancorp's gross revenues for the fiscal year immediately preceding such date of termination, that PrivateBancorp or the Bank or any of their subsidiaries or affiliates provide as of such date of termination;

(ii) solicit or induce, or attempt to solicit or induce any client or customer of

PrivateBancorp or the Bank or any of their subsidiaries or affiliates not to do business with PrivateBancorp or the Bank or any of its subsidiaries or affiliates; or

(iii) solicit or induce, or attempt to solicit or induce, any employee or agent of PrivateBancorp or the Bank or any of their subsidiaries or affiliates to terminate his or her relationship with PrivateBancorp or the Bank or any of their subsidiaries or affiliates.

The foregoing provisions shall not be deemed to prohibit your ownership, not to exceed 5% of the outstanding shares, of capital stock of any corporation whose securities are publicly traded on a national or regional securities exchange or in the over-the-counter market.

You agree that, as PrivateBancorp's and the Bank's sole remedy for any breach (or threatened breach) of the non-competition covenant at subparagraph (i) above, respecting your performance share units and stock options under your Special Retention Equity Award above:

(x) you will immediately forfeit all unexercised stock options and unpaid performance share units (whether then vested or unvested) then held by you and all shares of stock of PrivateBancorp (or any successor) acquired upon the exercise of vested stock options and payment of performance share units and then held by you;

(y) you will immediately repay to PrivateBancorp a cash sum in the principal amount equal to all gross proceeds (before-tax) realized by you upon the sale or other disposition of shares of stock of PrivateBancorp (other than shares relating to open market purchases by you) occurring at any time during the period commencing on the date that is three years before the date of termination of your employment and ending on the date that the noncompetition covenant lapses ("Refund Period"), together with interest accrued thereon, from the date of such breach or threatened breach, at the prime rate (compounded calendar monthly) as published from time to time in The Wall Street Journal, electronic edition ("Interest"); and

(z) you will repay to PrivateBancorp a cash sum equal to fair market value of all shares of stock of PrivateBancorp (other than shares relating to open market purchases by you) and all stock options transferred by you as gifts at any time during the Refund Period, together with Interest, and for which purpose, "fair market value" per share of stock shall be the closing price of one share of PrivateBancorp common stock on the date such gift occurs and per stock option shall be the positive difference, if any, between the fair market value of a share of stock, above, and the stock option exercise price.

You further agree that a breach (or threatened breach) of the confidentiality and/or non-solicitation covenants in subparagraphs (ii) and (iii) above will

result in irreparable harm to the business of PrivateBancorp and the Bank, a remedy at law in the form of monetary damages for any breach (or threatened breach) by you of these covenants is inadequate, in addition to any remedy at law or equity for such breach, PrivateBancorp and the Bank shall be entitled to institute and maintain appropriate proceedings in equity, including a suit for injunction to enforce the specific performance by you of such obligations and to enjoin you from engaging in any activity in violation thereof, and the covenants on your part contained above shall be construed as agreements independent of any other provisions in this term sheet agreement, and the existence of any claim, setoff or cause of action by you against PrivateBancorp or the Bank, whether predicated on this term sheet or otherwise, shall not constitute a defense or bar to the specific enforcement by PrivateBancorp or the Bank of said covenants.

In the event of a breach or a violation by you of any of the covenants and provisions above, the running of the non-compete period (but not your obligations thereunder) shall be tolled during the period of the continuance of any actual breach or violation.

You agree that the covenants above are reasonable with respect to their duration, geographical area and scope. If the final judgment of a court of competent jurisdiction declares that any term or provision above is invalid or unenforceable, you agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace an invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this term sheet agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

|                   |   |
|-------------------|---|
| Indemnification   | You will continue to be indemnified in accordance with PrivateBancorp's and the Bank's bylaws during your employment and thereafter respecting your acts or omissions occurring during your employment. You will also continue to be covered by PrivateBancorp's and the Bank's directors and officers liability insurance coverage as in effect from time to time.   |
| Fee Reimbursement | You will be reimbursed for reasonable additional professional fees incurred by you to review this term sheet agreement.   |
| Code Section 409A | It is intended that any amounts payable under this term sheet agreement and PrivateBancorp's, the Bank's and your exercise of authority or discretion hereunder shall comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) so as not to subject you to the payment of any interest or additional tax imposed under Section 409A of the Code. To the extent any amount payable under this term sheet agreement would trigger the additional tax imposed by Code |

Section 409A, this term sheet agreement shall be modified to avoid such additional tax.

|   |   |
|---|---|
| Board Approval                              | PrivateBancorp represents and warrants to you that it has taken all corporate action necessary to authorize and to enter into this term sheet agreement.  |
| Amendment                                   | This term sheet agreement shall not be amended or modified except by written instrument executed by PrivateBancorp and you.   |
| Entire Understanding; Amendment             | This term sheet agreement constitutes the entire understanding between PrivateBancorp, the Bank, and you relating to your employment hereunder and supersedes and cancels all prior written and oral understandings and agreements with respect to such matters entered into prior to the date of your acceptance of this term sheet agreement, including, for the avoidance of doubt, your current employment agreement with Private Bancorp dated as of July 1, 2001, and except for the terms and provisions of any employee benefit or other compensation plans (or any agreements or awards thereunder), referred to in this term sheet agreement or as otherwise expressly contemplated by this term sheet agreement.                                       |
| Binding Agreement                           | This term sheet agreement shall be binding upon and inure to the benefit of the heirs and representatives of you and the successors and assigns of PrivateBancorp and the Bank.   |
| Governing Law                               | Illinois.   |
| Recapture of Certain Incentive Compensation | If PrivateBancorp is required to prepare an accounting restatement due to the material noncompliance of PrivateBancorp, during your employment, as a result of misconduct, with any financial reporting requirement under the securities laws, you shall reimburse PrivateBancorp, promptly upon notice and demand, for (i) any bonus or other incentive-based or equity-based compensation received from PrivateBancorp during the twelve month period following the first public issuance or filing with the Securities and Exchange Commission, whichever occurs first, of the financial document embodying such financial reporting requirement; and (ii) any profits realized from the sale of securities of PrivateBancorp during that twelve month period. |

## ATTACHMENT A

### EQUITY TREATMENT UPON TERMINATION

Anything in this term sheet agreement to the contrary notwithstanding, the following terms govern the treatment of your Annual Equity Awards, Special Retention Equity Award and Succession Equity Award (collectively, "Equity Awards"):

#### 1. "Good Leaver" Termination.

(a) If, prior to the date on which all of the Equity Awards are fully vested, your employment terminates due to your death or Disability (as defined in the applicable Equity Award agreement), involuntary termination by PrivateBancorp without Cause, or voluntary termination by you for Good Reason or due to your Retirement, the unvested Equity Awards, other than the time-vesting portion of the stock option under your Special Retention Equity Award, will continue to vest through the first vesting date occurring on or following the date of such termination, subject to the applicable terms of each such Equity Award, as if your employment had continued until such vesting date. The foregoing to the contrary notwithstanding, respecting your Succession Equity Award, if you cease to be Retired, the continued vesting of that Award will cease and you will forfeit any then-unvested restricted stock units under that Award.

(b) In the event of such termination of employment, other than due to Retirement, the time-vesting portion of the stock option under your Special Retention Equity Award will immediately fully vest.

(c) In the event of a termination of employment due to Retirement, you will become vested in a pro rata portion of the time-vesting portion of the stock option under your Special Retention Equity Award then outstanding equal to the number of completed months during the vesting period divided by the number of full months necessary to achieve full vesting of such stock option.

(d) Upon such termination of employment, your vested Equity Awards granted as stock options will be exercisable for one year after your date of termination or, if later, one year after the date on which such stock options become vested after your date of termination (but not beyond the last day of the stock option term).

2. For Cause Termination. If, prior to the date on which all of the Equity Awards are fully vested, your employment is involuntarily terminated by PrivateBancorp due to Cause, you will immediately forfeit upon such termination (i) all unexercised vested and unvested Equity Awards granted as stock options, (ii) all unpaid vested and unvested Equity Awards granted as restricted stock units or performance share units, and (iii) all unvested other Equity Awards.

3. Resignation Without Good Reason or Retirement. If, prior to the date on which all of the Equity Awards are fully vested, your employment is voluntarily terminated by you other than for Good Reason and other than due to your Retirement, (i) you will immediately forfeit upon such termination all unvested Equity Awards and (ii) all vested Equity Awards granted as stock options will be exercisable for 90 days following such termination.

4. Other Awards. Any equity or other long-term incentive award, granted to you before or after the date of this term sheet agreement, not constituting an Equity Award will be governed by the terms of such award.

5. Definitions. “Cause,” “Good Reason,” “Retirement” and “Retired” are defined on Attachment C.

## ATTACHMENT B

### PRIVATEBANCORP, INC. RETENTION EQUITY DESIGN PROPOSAL

| <u>EQUITY GRANT FEATURE</u>              | <u>PERFORMANCE SHARES</u>  | <u>PERFORMANCE STOCK OPTIONS</u>   | <u>TIME-VESTING STOCK OPTIONS</u>  |                   |                 |     |                 |     |                 |      |   |
|--|--|--|--|-------------------|-----------------|-----|-----------------|-----|-----------------|------|---|
| <b>1. Allocation of Total Award</b>      | <ul style="list-style-type: none"><li>• 50% of value of the Awards.</li></ul>  | <ul style="list-style-type: none"><li>• 25% of value of the Awards.</li></ul>  | <ul style="list-style-type: none"><li>• 25% of value of the Awards.</li></ul>                          |                   |                 |     |                 |     |                 |      |   |
| <b>2. Time Vesting</b>                   | <ul style="list-style-type: none"><li>• N/A</li></ul>  | <ul style="list-style-type: none"><li>• N/A</li></ul>  | <ul style="list-style-type: none"><li>• 20% per fiscal year of service, 1/1/2008-12/31/2012.</li></ul> |                   |                 |     |                 |     |                 |      |   |
| <b>3. Performance Vesting</b>            | <ul style="list-style-type: none"><li>• Based on stock price performance objectives: 20% compound annual stock price growth 2008-2012.</li><li>• Stock price base is \$27.91.</li><li>• 20% of the Award vests per year, based on attainment of stock price objective for that year. Objective must be met for 20 consecutive trading days during that fiscal year to vest.</li><li>• Employed on 12/31 of performance year.</li><li>• If the PIPE (or other investment) does not close by 3/31/08 for at least \$150 million capital gross proceeds, the performance restrictions will lapse as to 25% of the Performance Shares and such shares shall be time-vested restricted stock vesting at the rate of 20% per fiscal year of service.</li></ul> | <ul style="list-style-type: none"><li>• Based on EPS performance objectives: 20% compound annual EPS growth 2008 — 2012.</li><li>• Earnings base is \$1.65.</li><li>• 20% of the Award vests per year, based on attainment of EPS objective for that year.</li><li>• Employed on 12/31 of performance year.</li></ul>  | <ul style="list-style-type: none"><li>• None</li></ul>   |                   |                 |     |                 |     |                 |      |   |
| <b>4. “Catch-Up” Performance Vesting</b> | <ul style="list-style-type: none"><li>• As of 12/31 each year: To extent not vested, Award will vest for prior years if later year stock price objective is attained. • Must be employed on 12/31 of year objective is attained.</li></ul>   | <ul style="list-style-type: none"><li>• As of 12/31/2012: To extent not vested, Award will vest:<table><tr><th>Cum. Cmpd. Growth</th><th>Vested % of Award</th></tr><tr><td>15.0% (\$12.80)</td><td>50%</td></tr><tr><td>17.5% (\$13.75)</td><td>75%</td></tr><tr><td>20.0% (\$14.74)</td><td>100%</td></tr></table></li><li>• Must be employed on 12/31/2012.</li></ul> | Cum. Cmpd. Growth  | Vested % of Award | 15.0% (\$12.80) | 50% | 17.5% (\$13.75) | 75% | 20.0% (\$14.74) | 100% | <ul style="list-style-type: none"><li>• N/A</li></ul> |
| Cum. Cmpd. Growth                        | Vested % of Award  |  |  |                   |                 |     |                 |     |                 |      |   |
| 15.0% (\$12.80)                          | 50%  |  |  |                   |                 |     |                 |     |                 |      |   |
| 17.5% (\$13.75)                          | 75%  |  |  |                   |                 |     |                 |     |                 |      |   |
| 20.0% (\$14.74)                          | 100%   |  |  |                   |                 |     |                 |     |                 |      |   |

**EQUITY GRANT FEATURE****5. Minimum 25% Vesting****PERFORMANCE SHARES**

- As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested shares).
- Must be employed on 12/31/2012.

**PERFORMANCE STOCK OPTIONS TIME-VESTING STOCK OPTIONS**

- As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested options).
- Must be employed on 12/31/2012.
- N/A

**6. “Good Leaver” Treatment**

- See Attachment A.
- See Attachment A.
- See Attachment A.



## ATTACHMENT C

### DEFINITIONS

“Cause” shall mean (A) your willful and continued (for a period of not less than ten (10) business days after written notice thereof during which you may remedy such failure if capable of remedy) failure to perform substantially the duties of your employment (other than as a result of physical or mental incapacity, or while on vacation or other approved absence) which are within your control (mere inability to achieve financial or other performance targets or objectives, alone, shall not constitute such a willful and continued failure); or (B) your willful engaging in illegal conduct or gross misconduct which is materially and demonstrably injurious to PrivateBancorp or the Bank; or (C) your conviction of a felony involving moral turpitude, but specifically excluding any conviction based entirely on vicarious liability (with “vicarious liability” meaning liability based on acts of PrivateBancorp or the Bank for which you are charged solely as a result of your offices with PrivateBancorp or the Bank and in which you were not directly involved and did not have prior knowledge of such actions or intended actions); provided, however, that no act or failure to act, on your part, shall be considered “willful” unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of PrivateBancorp or the Bank; and provided further that no act or omission by you shall constitute Cause hereunder unless PrivateBancorp or the Bank has given detailed written notice thereof to you, and you have failed to remedy such act or omission.

“Good Reason” shall mean the occurrence, other than in connection with a discharge, of any of the following without your consent: (A) you are not re-elected or are removed from the positions with PrivateBancorp set forth in the subsection relating to Position, other than as a result of your election or appointment to positions of equal or superior scope and responsibility; or (B) you shall fail to be vested by PrivateBancorp with the power and authority of any of said positions, excluding for this purpose any isolated action not taken in bad faith and which is remedied by PrivateBancorp promptly after receipt of written notice thereof given by you; or (C) any failure by PrivateBancorp to comply with any of the provisions of this Agreement, other than any isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by PrivateBancorp promptly after receipt of written notice thereof given by you; or (D) PrivateBancorp requiring you to be based at an office or location which is more than 50 miles from your offices as of November 1, 2007.

“Retirement” and “Retired” means your voluntary termination of employment prior to December 31, 2012 other than for Good Reason and in which you fully retire from the banking industry and all other businesses the performance of services for which would violate your noncompetition covenant (determined without regard for the one-year restriction period under such noncompetition covenant).

“Change of Control” shall be deemed to have occurred upon the happening of any of the following events:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (“Exchange Act”)), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan of PrivateBancorp or any of its subsidiaries, or (B) a corporation owned directly or indirectly by the stockholders of

PrivateBancorp in substantially the same proportions as their ownership of stock of PrivateBancorp, is or becomes the “beneficial owner” (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of PrivateBancorp representing 30% or more of the total voting power of the then outstanding shares of capital stock of PrivateBancorp entitled to vote generally in the election of directors (the “Voting Stock”), provided, however, that the following shall not constitute a change in control: (1) such person becomes a beneficial owner of 30% or more of the Voting Stock as the result of an acquisition of such Voting Stock directly from PrivateBancorp, or (2) such person becomes a beneficial owner of 30% or more of the Voting Stock as a result of the decrease in the number of outstanding shares of Voting Stock caused by the repurchase of shares by PrivateBancorp; provided, further, that in the event a person described in clause (1) or (2) shall thereafter increase (other than in circumstances described in clause (1) or (2)) beneficial ownership of stock representing more than 1% of the Voting Stock, such person shall be deemed to become a beneficial owner of 30% or more of the Voting Stock for purposes of this paragraph (i), provided such person continues to beneficially own 30% or more of the Voting Stock after such subsequent increase in beneficial ownership, or

(ii) Individuals who, as of October 31, 2007, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director, whose election or nomination for election by PrivateBancorp’s stockholders was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered as through such individual were a member of the Incumbent Board, but excluding for this purpose, any individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of PrivateBancorp (as such terms are used in Rule 14a-11 promulgated under the Exchange Act); or

(iii) Consummation of a reorganization, merger or consolidation or the sale or other disposition of all or substantially all of the assets of PrivateBancorp (a “Business Combination”), in each case, unless (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the total voting power represented by the voting securities entitled to vote generally in the election of directors of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of the Business Combination owns PrivateBancorp or all or substantially all of PrivateBancorp’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to the Business Combination of the Voting Stock of PrivateBancorp, and (2) at least a majority of the members of the board of directors of the corporation resulting from the Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Incumbent Board, providing for such Business Combination; or

(iv) Approval by the stockholders of PrivateBancorp of a plan of complete liquidation or dissolution of PrivateBancorp; or

(v) (I) a sale or other transfer of the voting securities of the Bank, whether by stock, merger, joint venture, consolidation or otherwise, such that following said transaction

PrivateBancorp does not directly, or indirectly through majority owned subsidiaries, retain more than 50% of the total voting power of the Bank represented by the voting securities of the Bank entitled to vote generally in the election of the Bank's directors; or (II) a sale of all or substantially all of the assets of the Bank other than to PrivateBancorp or any subsidiary of PrivateBancorp.

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## **Section 4: EX-10.7 (EMPLOYMENT TERM SHEET AGREEMENT)**

October 30, 2007

Mr. Larry Richman  
1021 E. Olive Street  
Arlington Heights, IL 60004

Dear Mr. Richman:

It is my pleasure to extend to you an offer of employment as President and Chief Executive Officer of PrivateBancorp, Inc. and Chairman, President and Chief Executive Officer of The PrivateBank and Trust Company upon the terms set forth in the attached term sheet agreement. As we discussed, your compensation includes a significant equity award in order to induce you to join the bank and forego other employment opportunities. We are very excited about the prospect of having you join our team. We would like you to start as soon as possible, but in no event later than November 15, 2007.

To the extent that we enter into employment arrangements with any of your direct reports having terms and conditions (other than base salary, target bonus, any buy-out of forfeitures, and benefits and perquisites directly relating to the level of your compensation) that are more favorable than the terms and conditions in this term sheet agreement, we will update your term sheet agreement to reflect those more favorable terms. In this regard, Joan Schellhorn, our Chief Human Resources Officer, will follow-up with you as appropriate.

This offer has been approved by the Board of PrivateBancorp, Inc. and will remain open for your acceptance until 5:00 p.m. (Central time) on November 15, 2007. If you accept this offer prior to November 5, 2007, you will not commence your duties as Chief Executive Officer until that date. Please signify your acceptance of this offer by signing as indicated below. You may return this offer letter to the following confidential fax 312.683.1493.

Sincerely,

/s/ Ralph B. Mandell  
Ralph B. Mandell  
Chairman of the Board  
President and Chief Executive Officer

Accepted: /s/ Larry Richman  
Larry Richman

Date: October 31, 2007

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**LARRY RICHMAN****Position; Reporting Relationship**

President and Chief Executive Officer of PrivateBancorp, Inc. (the "Holding Company") and Chairman, President and Chief Executive Officer of The PrivateBank and Trust Company (the "Bank"). You will also be appointed to be a member of the Boards of the Holding Company and of the Bank.

You will initially report to Ralph Mandell and the Special Committee appointed by the Holding Company Board. On or before the annual shareholders meeting in April 2008 you will begin reporting solely to the respective Boards.

**Base Salary**

\$785,000 per year subject to increase, but not decrease from time to time (other than permitted proportionate reductions applicable to all similarly situated senior executives of the Bank, unless such reduction occurs during the two-year period commencing upon the occurrence of a Change in Control), in the sole discretion of the Bank, and any such increased (or decreased) amount shall mean "Base Salary" for purposes of this term sheet agreement. Your initial Base Salary reflects your base salary with your immediate predecessor employer of \$775,000, plus \$10,000 to reflect that the Bank does not provide cars or car allowances to its employees.

**Annual Bonus**

125% of base salary at target.

The Compensation Committee does not intend to propose a 2008 annual bonus plan that will limit the bonus payable to the target amount.

**Inducement Equity Award**

As a material inducement for you to join the Holding Company and the Bank, you will receive an initial award of 375,000 stock options and 150,000 shares of restricted stock with an estimated combined value of approximately \$9,200,000 (based on the FAS 123R value assigned to such award by the Holding Company) that is expected to be granted during November 2007, but in no event later than December 31, 2007. The stock options will have a 10-year term. The award of restricted stock and one-half of the stock options ("performance stock options") will be subject to performance vesting requirements and continued service during the performance period generally applicable to such awards, and the other one-half of the stock options ("time-vesting stock options") will be subject to time vesting requirements only, all as more particularly described on Attachment A hereto.

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If, prior to the date on which your initial equity award is fully vested, your employment is terminated due to your death or Disability (as defined in the award agreement), your employment is involuntarily terminated by the Bank without Cause or voluntarily terminated by you for Good Reason, the unvested portion of the restricted stock and the stock options will become immediately fully vested and the stock options will become exercisable. Upon such termination of employment, the vested stock options will be exercisable for 1 year after the date of termination (but not beyond the last day of the stock option term).

You will become fully vested in your initial equity award upon the occurrence of a Change of Control.

To the extent that the Bank has or hereafter enters into a broker-assisted (FRB Reg. T) cashless exercise program for stock option awards to employees of the Bank, the initial stock option award will be included in such program.

The restricted shares and stock options will be subject to the terms and conditions of an equity incentive plan and award agreements to be adopted by the Board of Directors of the Holding Company; provided, however, that with respect to the terms and conditions described above, if there is a conflict between this term sheet agreement and the equity incentive plan and/or an award agreement thereunder, the document that is more favorable to you will control.

You will be eligible for future equity awards from time to time, in accordance with the terms of the Holding Company's incentive plans as then in effect, in such amount, if any, as is determined in the sole discretion of the Compensation Committee.

"Cause," "Good Reason" and "Change of Control" are defined on Attachment B.

#### Buy-Out

You have advised the Holding Company and the Bank that your previous employer owes you \$2,500,000 in respect of long-term incentive plan units that are fully vested and payable to you on January 2, 2008. To the extent that you substantiate such obligation to you and your previous employer does not pay that amount to you by January 31, 2008, on February 1, 2008 the Bank will pay such amount to you to make you whole; provided, that you will refund to the Bank all amounts you thereafter recover from your previous employer, you will exercise all reasonable efforts to collect such amount from your previous employer (provided that the Bank reimburses you for the expenses you incur in connection with such collection efforts), and in all events the Bank will be subrogated to all rights you have in such amount payable by your previous employer and the Bank will have a right to offset other compensation payable to

you by the amount you recover from your previous employer in such circumstances.

#### Benefits; Perquisites

On the first of the month after your start date, you are eligible to participate in the Bank's medical and dental insurance plans as well as participate in the flexible benefits plan and the PrivateBancorp, Inc. Savings, Retirement and Employee Stock Ownership Plan (KSOP). Our KSOP currently provides the additional benefit after a year of service of a company match of \$.50 on the dollar on your elected contributions of up to the first 6% of compensation. Life insurance and accidental death and dismemberment insurance (both at two times your Base Salary, subject to applicable maximum coverage provisions) are provided by the Bank. The long term disability insurance is also provided by the Bank.

You will also be furnished with such perquisites which may from time to time be provided by the Holding Company and the Bank which are suitable to your position and adequate for the performance of your duties hereunder and reasonable in the circumstances. Such perquisites include, but are not limited to, reimbursement for dues at one approved country club and one approved luncheon club in the Chicago Metropolitan area.

#### Vacation

Standard Bank vacation policy, but not less than 4 weeks per calendar year.

#### Severance Benefits (Termination without Cause or for Good Reason) (prior to, or more than 2 years after, a Change of Control)

Upon an involuntary termination of your employment by the Bank without Cause or voluntary termination of employment by you for Good Reason, you will receive:

(i) A pro rata bonus based on your prior year's bonus (if any) (assumed to be the target bonus until the 2008 bonus, if any, is payable) and the number of days elapsed during the year in which the date of termination occurs (the "Pro Rata Bonus");

(ii) Severance payments equal to 150% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years (or such fewer number of years as you have been employed — assuming target bonus until the 2008 bonus, if any, is payable) immediately preceding the calendar year in which your date of termination occurs, payable in substantially equal monthly installments for a period of 18 months in accordance with the Bank's regular payroll practices;

(iii) Continuation for 18 months of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same “cost-sharing” percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination;

(iv) Payment of all Buy-Out amounts, in the manner and at the time provided in this term sheet agreement, that remain unpaid as of your termination date; and

(v) Base Salary earned but not paid and vacation accrued and unused through your termination date, any annual bonus that is earned in a fiscal year preceding the fiscal year of your termination but not paid as of the termination date, and such other earned but unpaid amounts under the employee benefit plans in which you participate as of the termination date that are payable to you in accordance with the terms thereof, (collectively “Accrued Obligations”).

Any payments and benefits to you under this Severance Benefits section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

If you are a “specified employee” of the Holding Company and its affiliates (as defined in Treasury Regulation Section 1.409A-1(i)), then you shall receive payments during the 6 month period immediately following your date of termination equal to the lesser of (x) the amount payable under this severance provision or (y) two (2) times the compensation limit in effect under Code Section 401(a)(17) for the calendar year in which your date of termination occurs (with any amounts that otherwise would have been payable under this severance provision during such 6 month period being paid on the first regular payroll date following the 6 month anniversary of the date of termination).

#### Change of Control Severance

For the period commencing six months prior to a Change of Control and ending on the second anniversary of such Change of Control that occurs on or before that date, upon an involuntary termination of your employment by the Bank without Cause or voluntary termination of employment by you for Good Reason at or after a Change of Control, you will receive:

(i) The Pro Rata Bonus;

(ii) Severance equal to 300% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting



Good Reason), plus (B) the greater of (x) your prior year's bonus or (y) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years (or such fewer number of years as you have been employed — assuming target bonus until your first annual bonus has been paid) immediately preceding the calendar year in which your date of termination occurs, payable in a single lump sum payment within 30 days after the date of termination, or if your termination of employment occurs within six months prior to a Change of Control, then within 5 business days after the Change of Control you will receive a single lump sum payment equal to (p) the amounts due you under this clause (ii) reduced by (q) the sum of all amounts paid to you under clause (ii) of Severance Benefits (above in this term sheet agreement), so that no amount of the lump sum payment under this clause (ii) is duplicative;

(iii) Continuation for 36 months of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same "cost-sharing" percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination;

(iv) Payment of all Buy-Out amounts in a single lump sum within 30 days after the date of termination and otherwise in the manner provided in this term sheet agreement, that remain unpaid as of your termination date;

(v) Outplacement for 24 months; and

(vi) The Accrued Obligations. Any payments and benefits to you under this Change of Control Severance section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

Code Section 280G

If any payments or benefits constitute "excess parachute payments" (as defined in Code Section 280G), you will be fully grossed up.

Full Satisfaction; Release of Claims

Any termination payments made and benefits provided to you under this term sheet agreement shall be in lieu of any termination or severance payments or benefits for which you may be eligible under any of the plans, policies or programs of the Bank or its affiliates.

As a condition precedent to the payment of all amounts, benefits and vesting of your initial equity award, other than your Accrued Obligations, pursuant to your involuntary termination of employment without Cause or your voluntary termination of employment for Good Reason at any time, you shall execute a waiver and general release of claims, substantially in the form customarily obtained by the Bank from its terminating executive employees, which waiver and general release of claims is not revoked during any applicable seven (7) day revocation period. For the avoidance of doubt, such waiver and general release will not adversely affect your ability to enforce the terms of this term sheet agreement, your indemnification rights under the Bank's by-laws and this term sheet agreement, your rights to coverage under the Bank's directors and officers liability insurance; your and your covered dependents' rights to COBRA continuation coverage, your rights to vested employee benefits, and other rights that cannot be waived by operation of law.

Restrictive Covenants  
(confidentiality,  
non-competition,  
non-solicitation)

You will not at any time during or following your employment with the Holding Company and the Bank, directly or indirectly, disclose or use on your behalf or another's behalf, publish or communicate, except in the course of your employment and in the pursuit of the business of the Holding Company and the Bank or any of its subsidiaries or affiliates, any proprietary information or data of the Holding Company and the Bank or any of its subsidiaries or affiliates, which is not generally known to the public or which could not be recreated through public means and which the Holding Company and the Bank may reasonably regard as confidential and proprietary. You recognize and acknowledge that all knowledge and information which you have or may acquire in the course of your employment, such as, but not limited to, the business, developments, procedures, techniques, activities or services of the Holding Company or the Bank or the business affairs and activities of any customer, prospective customer, individual firm or entity doing business with the Holding Company or the Bank are their sole valuable property, and shall be held by you in confidence and in trust for their sole benefit. All records of every nature and description which come into your possession, whether prepared by you, or otherwise, shall remain the sole property of the Holding Company or the Bank and upon termination of your employment for any reason, said records shall be left with the Holding Company or the Bank as part of its property.

During the period of your employment with the Holding Company and the Bank and for a period of 1 year after termination of your employment for any reason, you will not

(except in your capacity as an employee of the Holding Company and the Bank) directly or indirectly, for your own account, or as an agent, employee, director, owner, partner, or consultant of any corporation, firm, partnership, joint venture, syndicate, sole proprietorship or other entity:

(i) engage, directly or indirectly, in any business which has a place of business (whether as a principal, division, subsidiary, affiliate, related entity, or otherwise) located within the area encompassed within a 50 mile radius surrounding your office as of your date of termination that provides that provides banking products, or that provides non-banking products or services of a type that accounted for more than 10% of the Holding Company's gross revenues for the fiscal year immediately preceding your date of termination, that the Holding Company or the Bank or any of their subsidiaries or affiliates provide as of your date of termination, provided that this subsection (i) shall not become applicable unless you are employed by the Bank at any time on December 31, 2008;

(ii) solicit or induce, or attempt to solicit or induce any client or customer of the Holding Company or the Bank or any of their subsidiaries or affiliates not to do business with the Bank or Holding Company or any of its subsidiaries or affiliates; provided that, respecting any such client or customer of the Holding Company or the Bank that was a client or customer of your immediate prior employer on the date hereof, and for which you or one of your direct or indirect reports were the primary relationship manager, this subsection (ii) shall not become applicable unless you are employed by the Holding Company or the Bank at any time on December 31, 2008; or

(iii) solicit or induce, or attempt to solicit or induce, any employee or agent of the Holding Company or the Bank or any of their subsidiaries or affiliates to terminate his or her relationship with the Holding Company or the Bank or any of their subsidiaries or affiliates.

The foregoing provisions shall not be deemed to prohibit your ownership, not to exceed 5% of the outstanding shares, of capital stock of any corporation whose securities are publicly traded on a national or regional securities exchange or in the over-the-counter market.

You agree that, as the Holding Company's and the Bank's sole remedy for any breach (or threatened breach) of the non- competition covenant at subparagraph (i) above, respecting your

initial restricted stock and stock option award above:

(x) you will immediately forfeit all unexercised stock options (whether then vested or unvested) then held by you, all shares of stock of the Holding Company (or any successor) acquired upon the exercise of vested stock options and then held by you, and all shares of restricted stock (whether vested or unvested, restricted or unrestricted) then held by you;

(y) you will immediately repay to the Holding Company a cash sum in the principal amount equal to all gross proceeds (before-tax) realized by you upon the sale or other disposition of shares of stock of the Holding Company (other than shares relating to open market purchases by you) occurring at any time during the period commencing on the date that is three years before the date of termination of your employment and ending on the date that the noncompetition covenant lapses ("Refund Period"), together with interest accrued thereon, from the date of such breach or threatened breach, at the prime rate (compounded calendar monthly) as published from time to time in The Wall Street Journal, electronic edition ("Interest"); and

(z) you will repay to the Holding Company a cash sum equal to fair market value of all shares of stock of the Holding Company (other than shares relating to open market purchases by you) and all stock options transferred by you as gifts at any time during the Refund Period, together with Interest, and for which purpose, "fair market value" per share of stock shall be the closing price of one share of Holding Company common stock on the date such gift occurs and per stock option shall be the positive difference, if any, between the fair market value of a share of stock, above, and the stock option exercise price.

You further agree that a breach (or threatened breach) of the confidentiality and/or non-solicitation covenants in subparagraphs (ii) and (iii) above will result in irreparable harm to the business of the Holding Company and the Bank, a remedy at law in the form of monetary damages for any breach (or threatened breach) by you of these covenants is inadequate, in addition to any remedy at law or equity for such breach, the Holding Company and the Bank shall be entitled to institute and maintain appropriate proceedings in equity, including a suit for injunction to enforce the specific performance by you of such obligations and to enjoin you from engaging in any activity in violation thereof, and the covenants on your part contained above shall be construed as agreements independent of any other provisions in this term sheet agreement, and the existence of any

claim, setoff or cause of action by you against the Holding Company or the Bank, whether predicated on this term sheet or otherwise, shall not constitute a defense or bar to the specific enforcement by the Holding Company or the Bank of said covenants.

In the event of a breach or a violation by you of any of the covenants and provisions above, the running of the non-compete period (but not your obligations thereunder) shall be tolled during the period of the continuance of any actual breach or violation.

You agree that the covenants above are reasonable with respect to their duration, geographical area and scope. If the final judgment of a court of competent jurisdiction declares that any term or provision above is invalid or unenforceable, you agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace an invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this term sheet agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

#### Your Representations

You represent that except as otherwise previously disclosed to the Company in writing, you are not a party to any confidentiality, non-competition or non-solicitation agreement or understanding, whether written or oral, with any prior employer that would prevent you from entering into an employment relationship with the Holding Company or the Bank, or prevent or restrict your ability to fulfill your obligations as an employee of the Holding Company or the Bank. You further represent that you have not and will not take or retain any confidential information or trade secrets (whether in hard copy or electronic format) from any previous or current employer prior to assuming your position at the Holding Company and the Bank.

#### Indemnification

You will be indemnified in accordance with the Company's bylaws. You will be indemnified for any claims that might be brought by your prior employer (or any successor and/or any affiliate thereof) relating to your negotiation or acceptance of employment with the Holding Company and the Bank (including any alleged conflict of interest created by such negotiation or acceptance) or the performance of your duties for the Holding Company and the Bank. You will also be covered by the Holding Company and the Bank's directors and officers liability insurance

coverage as in effect from time to time.

Fee Reimbursement

You will be reimbursed for up to \$10,000 of the professional fees incurred by you relating to the negotiation and documentation of your employment arrangements.

Code Section 409A

It is intended that any amounts payable under this term sheet agreement and the Holding Company's, the Bank's and your exercise of authority or discretion hereunder shall comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) so as not to subject you to the payment of any interest or additional tax imposed under Section 409A of the Code. To the extent any amount payable under this term sheet agreement would trigger the additional tax imposed by Code Section 409A, this term sheet agreement shall be modified to avoid such additional tax.

Board Approval

The Holding Company and the Bank represent and warrant to you that they have taken all corporate action necessary to authorize and to enter into this term sheet agreement.

Amendment

This term sheet agreement shall not be amended or modified except by written instrument executed by the Bank and you.

Binding Agreement

This term sheet agreement shall be binding upon and inure to the benefit of the heirs and representatives of you and the successors and assigns of the Holding Company and the Bank.

Governing Law

Illinois.

# ATTACHMENT A

## PRIVATEBANCORP, INC. INDUCEMENT EQUITY DESIGN PROPOSAL

| <u>EQUITY GRANT FEATURE</u>              | <u>PERFORMANCE SHARES</u>  | <u>PERFORMANCE STOCK OPTIONS</u>  | <u>TIME-VESTING STOCK OPTIONS</u>  |                   |                 |     |                 |     |                 |      |   |
|--|--|---|--|-------------------|-----------------|-----|-----------------|-----|-----------------|------|---|
| <b>1. Allocation of Total Award</b>      | <ul style="list-style-type: none"><li>• 50% of value of the Awards.</li></ul>  | <ul style="list-style-type: none"><li>• 25% of value of the Awards.</li></ul>   | <ul style="list-style-type: none"><li>• 25% of value of the Awards.</li></ul>                          |                   |                 |     |                 |     |                 |      |   |
| <b>2. Time Vesting</b>                   | <ul style="list-style-type: none"><li>• N/A</li></ul>  | <ul style="list-style-type: none"><li>• N/A</li></ul>   | <ul style="list-style-type: none"><li>• 20% per fiscal year of service, 1/1/2008-12/31/2012.</li></ul> |                   |                 |     |                 |     |                 |      |   |
| <b>3. Performance Vesting</b>            | <ul style="list-style-type: none"><li>• Based on stock price performance objectives: 20% compound annual stock price growth 2008-2012.</li><li>• Stock price base is 10-day average price prior to date of Award.</li><li>• 20% of the Award vests per year, based on attainment of stock price objective for that year. Objective must be met for 20 consecutive trading days during that fiscal year to vest.</li><li>• Employed on 12/31 of performance year.</li><li>• If the PIPE (or other investment) does not close by 3/31/08 for at least \$150 million capital gross proceeds, the performance restrictions will lapse as to 25% of the Performance Shares and such shares shall be time-vested restricted stock vesting at the rate of 20% per fiscal year of service.</li></ul> | <ul style="list-style-type: none"><li>• Based on EPS performance objectives: 20% compound annual EPS growth 2008 — 2012.</li><li>• Earnings base is the sum of EPS for 4 quarters 12/06 — 9/07.</li><li>• 20% of the Award vests per year, based on attainment of EPS objective for that year.</li><li>• Employed on 12/31 of performance year.</li></ul>   | <ul style="list-style-type: none"><li>• None</li></ul>   |                   |                 |     |                 |     |                 |      |   |
| <b>4. “Catch-Up” Performance Vesting</b> | <ul style="list-style-type: none"><li>• As of 12/31 each year: To extent not vested, Award will vest for prior years if later year stock price objective is attained.</li><li>• Must be employed on 12/31 of year objective is attained.</li></ul>   | <ul style="list-style-type: none"><li>• As of 12/31/2012: To extent not vested, Award will vest:<table><tr><th>Cum. Cmpd. Growth *</th><th>Vested % of Award</th></tr><tr><td>15.0% (\$12.87)</td><td>50%</td></tr><tr><td>17.5% (\$13.82)</td><td>75%</td></tr><tr><td>20.0% (\$14.82)</td><td>100%</td></tr></table></li></ul> <div><div></div><div>* Estimated EPS targets</div></div> <ul style="list-style-type: none"><li>• Must be employed on 12/31/2012.</li></ul> | Cum. Cmpd. Growth *  | Vested % of Award | 15.0% (\$12.87) | 50% | 17.5% (\$13.82) | 75% | 20.0% (\$14.82) | 100% | <ul style="list-style-type: none"><li>• N/A</li></ul> |
| Cum. Cmpd. Growth *                      | Vested % of Award  |   |  |                   |                 |     |                 |     |                 |      |   |
| 15.0% (\$12.87)                          | 50%  |   |  |                   |                 |     |                 |     |                 |      |   |
| 17.5% (\$13.82)                          | 75%  |   |  |                   |                 |     |                 |     |                 |      |   |
| 20.0% (\$14.82)                          | 100%   |   |  |                   |                 |     |                 |     |                 |      |   |

**EQUITY GRANT FEATURE**  
**5. Minimum 25% Vesting**

**PERFORMANCE SHARES**

- As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested shares).
- Must be employed on 12/31/2012.

**PERFORMANCE STOCK OPTIONS** **TIME-VESTING STOCK OPTIONS**

- As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested options).
  - Must be employed on 12/31/2012.
  - N/A
- 6. “Good Leaver” Treatment**
- Full accelerated vesting.
  - Full accelerated vesting.
  - Full accelerated vesting.
  - 1 year to exercise from date of termination.
  - 1 year to exercise from date of termination.



## ATTACHMENT B

### DEFINITIONS

“**Cause**” shall mean (A) your willful and continued (for a period of not less than ten (10) business days after written notice thereof during which you may remedy such failure if capable of remedy) failure to perform substantially the duties of your employment (other than as a result of physical or mental incapacity, or while on vacation or other approved absence) which are within your control (mere inability to achieve financial or other performance targets or objectives, alone, shall not constitute such a willful and continued failure); or (B) your willful engaging in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Holding Company or the Bank; or (C) your conviction of a felony involving moral turpitude, but specifically excluding any conviction based entirely on vicarious liability (with “vicarious liability” meaning liability based on acts of the Holding Company or the Bank for which you are charged solely as a result of your offices with the Holding Company or the Bank and in which you were not directly involved and did not have prior knowledge of such actions or intended actions); provided, however, that no act or failure to act, on your part, shall be considered “willful” unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of the Holding Company or the Bank; and provided further that no act or omission by you shall constitute Cause hereunder unless the Holding Company or the Bank has given detailed written notice thereof to you, and you have failed to remedy such act or omission.

“**Good Reason**” shall mean the occurrence, other than in connection with a discharge, of any of the following without your consent: (A) you are not re-elected or are removed from the positions with the Holding Company or the Bank set forth in the subsection relating to Position, other than as a result of your election or appointment to positions of equal or superior scope and responsibility; or (B) you shall fail to be vested by the Holding Company or the Bank with the power and authority of any of said positions, excluding for this purpose any isolated action not taken in bad faith and which is remedied by the Holding Company or the Bank promptly after receipt of written notice thereof given by you; or (C) any failure by the Holding Company or the Bank to comply with any of the provisions of this Agreement, other than any isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Holding Company or the Bank promptly after receipt of written notice thereof given by you; or (D) the Holding Company or the Bank requiring you to be based at an office or location which is more than 50 miles from your offices as of the Effective Date. In addition, any termination by you during the ninety (90) day period beginning on the first anniversary of the date of a Change in Control shall be deemed to be for “Good Reason.”

“**Change of Control**”<sup>1</sup> shall be deemed to have occurred upon the happening of any of the following events:

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<sup>1</sup> This definition is based on the existing stock incentive plan’s definition. It remains subject to review and approval by the Board.

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (“**Exchange Act**”)), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan of PrivateBancorp, Inc. (the “**Company**”) or any of its subsidiaries, or (B) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the “**beneficial owner**” (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 30% or more of the total voting power of the then outstanding shares of capital stock of the Company entitled to vote generally in the election of directors (the “**Voting Stock**”), provided, however, that the following shall not constitute a change in control: (1) such person becomes a beneficial owner of 30% or more of the Voting Stock as the result of an acquisition of such Voting Stock directly from the Company, or (2) such person becomes a beneficial owner of 30% or more of the Voting Stock as a result of the decrease in the number of outstanding shares of Voting Stock caused by the repurchase of shares by the Company; provided, further, that in the event a person described in clause (1) or (2) shall thereafter increase (other than in circumstances described in clause (1) or (2)) beneficial ownership of stock representing more than 1% of the Voting Stock, such person shall be deemed to become a beneficial owner of 30% or more of the Voting Stock for purposes of this paragraph (i), provided such person continues to beneficially own 30% or more of the Voting Stock after such subsequent increase in beneficial ownership, or

(ii) Individuals who, as of the [date of the award], constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director, whose election or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered as through such individual were a member of the Incumbent Board, but excluding for this purpose, any individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 promulgated under the Exchange Act); or

(iii) Consummation of a reorganization, merger or consolidation or the sale or other disposition of all or substantially all of the assets of the Company (a “**Business Combination**”), in each case, unless (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the total voting power represented by the voting securities entitled to vote generally in the election of directors of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of the Business Combination owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to the Business Combination of the Voting Stock of the Company, and (2) at least a majority of the members of the board of directors of the corporation resulting from the Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Incumbent Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a plan of complete liquidation or dissolution of the Company; or

(v) (I) a sale or other transfer of the voting securities of the Bank, whether by stock, merger, joint venture, consolidation or otherwise, such that following said transaction the Company

does not directly, or indirectly through majority owned subsidiaries, retain more than 50% of the total voting power of the Bank represented by the voting securities of the Bank entitled to vote generally in the election of the Bank's directors; or (II) a sale of all or substantially all of the assets of the Bank other than to the Company or any subsidiary of the Company.

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## **Section 5: EX-10.8 (EMPLOYMENT TERM SHEET AGREEMENT)**

October 25, 2007

Ms. Karen Case  
2431 North Burling  
Chicago, IL 60614

Dear Ms. Case:

It is my pleasure to extend to you an offer of employment as President of Commercial Real Estate Banking of The PrivateBank and Trust Company upon the terms set forth in the attached term sheet agreement. As we discussed, your compensation includes a significant equity award in order to induce you to join the bank and forego other employment opportunities. We are very excited about the prospect of having you join our team. We would like you to start as soon as possible, but in no event later than October 31, 2007.

The Bank acknowledges that you currently have vacation plans from December 21, 2007 through January 4, 2008 and that you will receive vacation pay for such time that will not diminish your vacation pay for 2008 as set forth in the term sheet.

To the extent that we enter into employment arrangements with another president of the Bank having terms and conditions (other than base salary, target bonus, any buy-out of forfeitures, and benefits and perquisites directly relating to the level of your compensation) that are more favorable than the terms and conditions in this term sheet agreement, we will update your term sheet agreement to reflect those more favorable terms. In this regard, Joan Schellhorn, our Chief Human Resources Officer, will follow-up with you as appropriate.

This offer will remain open for your acceptance until 5:00 p.m. (C.D.T.) October 29, 2007. Please signify your acceptance of this offer by signing as indicated below. You may return this offer letter to the following confidential fax 312.683.1493.

Sincerely,

/s/ Ralph B. Mandell  
Ralph B. Mandell  
Chairman of the Board  
President and Chief Executive Officer

Accepted:

/s/ Karen Case  
Karen Case

Date: October 29, 2007

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**KAREN CASE****EXECUTION VERSION**

|                         |   |
|-------------------------|---|
| Position                | President of Commercial Real Estate Banking of The PrivateBank and Trust Company (the "Bank"), reporting to the Chief Executive Officer. You will be a member of the most senior management council of the Bank and the senior loan committee, if such council or committee are established by the Chief Executive Officer (in his sole discretion) and while such council or committee (or both) is in existence.  |
| Base Salary             | \$310,000 per year subject to increase, but not decrease from time to time (other than permitted proportionate reductions applicable to all similarly situated senior executives of the Bank, unless such reduction occurs during the two-year period commencing upon the occurrence of a Change of Control), in the sole discretion of the Bank, and any such increased (or decreased) amount shall mean "Base Salary" for purposes of this term sheet agreement. Your initial Base Salary reflects an increase in your base salary with your current employer from \$260,000 to \$300,000, plus \$10,000 to reflect that the Bank does not provide cars or car allowances to its employees.   |
| Annual Bonus            | 90% of Base Salary at target.   |
| Annual Bonus            | The Compensation Committee does not intend to propose a 2008 annual bonus plan that will limit the bonus payable to the target amount.  |
| Inducement Equity Award | <p>As a material inducement for you to join the Bank, you will receive an initial equity award of 125,000 stock options and 50,000 shares of restricted stock with an estimated combined value of \$3,050,000 (based on the FAS 123R value assigned to such award by PrivateBancorp, Inc. (the "Holding Company")) that is expected to be granted during November 2007, but in no event later than December 31, 2007. The stock options will have a 10-year term. The award of restricted stock and one-half of the stock options ("performance stock options") will be subject to performance vesting requirements and continued service during the performance period generally applicable to such awards, and the other one-half of the stock options ("time-vesting stock options") will be subject to time vesting requirements only, all as more particularly described on Attachment A hereto.</p> <p>If, prior to the date on which your initial equity award is fully vested, your employment is terminated due to your death or Disability (as defined in the award agreement), your employment is involuntarily terminated by the Bank without Cause or voluntarily terminated by you for Good Reason, (i) the unvested portion of the time-vesting stock options will become fully vested</p> |

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and exercisable and (ii) you will continue to vest through December 31 of the fiscal year of your termination in the unvested portion of the restricted stock and performance stock options and such previously unvested performance stock options will become exercisable if the performance vesting conditions relating to the award are satisfied on the performance vesting date that next follows your date of termination; provided, you will be vested in a minimum number of each of shares of restricted stock and performance stock options as equals the product of (x) 5% multiplied by (y) the number of whole or partial years of employment with the Bank from January 1, 2008 through the date of termination, to the extent you had not previously become vested in at least such number of shares of restricted stock and performance stock options, respectively. Upon such termination of employment, vested time-vesting stock options (including time-vesting stock options that become vested on the date of termination) and then-vested performance stock options will be exercisable for 1 year after your date of termination (but not beyond the last day of the stock option term). Upon such termination of employment, performance stock options that become vested upon attainment of the performance objective for the year of termination will be exercisable for 1 year after the performance vesting date that next follows your date of termination (but not beyond the last day of the stock option term).

You will become fully vested in your initial equity award upon the occurrence of a Change of Control.

To the extent that the Bank has or hereafter enters into a broker-assisted (FRB Reg. T) cashless exercise program for stock option awards to employees of the Bank, the initial stock option award will be included in such program.

The restricted shares and stock options will be subject to the terms and conditions of an equity incentive plan and award agreements to be adopted by the Board of Directors of the Holding Company; provided, however, that with respect to the terms and conditions described above, if there is a conflict between this term sheet agreement and the equity incentive plan and/or an award agreement thereunder, the document that is more favorable to you will control.

You will be eligible for future equity awards from time to time, in accordance with the terms of the Holding Company's incentive plans as then in effect, in such amount, if any, as is determined in the sole discretion of the Compensation Committee.

"Cause," "Good Reason" and "Change of Control" are defined on Attachment B.

## Buy-Out

You will receive appropriate cash amounts to compensate you for any forfeited compensation that otherwise would have been earned as of December 31, 2007, at your current employer, including the loss of accrued bonus, LTIP and equity awards:

Bonus: Full (i.e., non-pro rated) 2007 bonus will be paid to you in the amount of 150% of the target amount (\$351,000), payable under your current employer annual bonus award, on the Bank's first payroll date in January 2008.

Retention Bonus: You will receive a make whole payment for the second one-half of your retention bonus on or about February 15, 2008. Any forfeiture of the first one-half of your retention bonus will be made whole on or about November 5, 2007 or, if later, commencement of employment.

LTIP: All or a portion of the 2005-2007, 2006-2008 and 2007-2009 open LTIP cycles will be paid to you in the amount, in either case at the rate of \$200 per LTIP unit, as you may elect in writing within 10 business days after commencing your employment, of either:

(x) a pro rata make whole payment for those open LTIP cycles on or about February 15, 2008 (provided you are employed on that date) of 3/3 of your award under the 2005-2007 cycle, 2/3 of your award under the 2006-2008 cycle, and 1/3 of your award under the 2007-2009 cycle; or

(y) (i) the full amount of the 2005-2007 cycle if you remain employed until December 31, 2007 (payable in January 2008), (ii) the full amount of the 2006-2008 cycle if you remain employed until December 31, 2008 (payable in January 2009), and (iii) the full amount of the 2007-2009 cycle if you remain employed until December 31, 2009 (payable in January 2010). If, prior to the end of a particular cycle, your employment is terminated due to your death or Disability (as defined in the Inducement Equity Award agreement), your employment is involuntarily terminated by the Bank without Cause or voluntarily terminated by you for Good Reason, you will receive a pro rata portion of the payout relating to such cycle equal to the full amount payable under such cycle multiplied by a fraction, the numerator of which is the number of days you were employed by your prior employer and then by the Bank during such cycle and the denominator of which is 1095. If your employment is terminated for any other reason prior to the last day of a particular cycle, you will forfeit any amounts relating to that cycle.

If you fail to make such election, you will be deemed to have elected "(x)."

Equity: Cash payment consistent with the treatment by your prior employer's parent company of outstanding equity awards

for individuals who remain employed by your prior employer on December 31, 2007.

All of the above Buy-Out amounts actually paid to you by the Bank will be reduced (if not paid), or offset by future cash compensation (if paid), by the amount of any payment received from your prior employer, so as to avoid any duplication of payment of those amounts.

#### Benefits; Perquisites

On the first of the month after your start date, you are eligible to participate in the Bank's medical and dental insurance plans as well as participate in the flexible benefits plan and the PrivateBancorp, Inc. Savings, Retirement and Employee Stock Ownership Plan (KSOP). Our KSOP currently provides the additional benefit after a year of service of a company match of \$.50 on the dollar on your elected contributions of up to the first 6% of compensation. Life insurance and accidental death and dismemberment insurance (both at two times your Base Salary, subject to applicable maximum coverage provisions) are provided by the Bank. The long term disability insurance is also provided by the Bank.

You will also be furnished with such perquisites which may from time to time be provided by the Holding Company and the Bank which are suitable to your position and adequate for the performance of your duties hereunder and reasonable in the circumstances. Such perquisites include, but are not limited to, reimbursement for dues at one approved country club and one approved luncheon club in the Chicago Metropolitan area.

#### Vacation

Standard Bank vacation policy, but not less than 4 weeks per calendar year.

#### Severance Benefits (Termination without Cause or for Good Reason) (prior to, or more than 2 years after, a Change of Control)

Upon an involuntary termination of your employment by the Bank without Cause or voluntary termination of employment by you for Good Reason, you will receive:

(i) A pro rata bonus based on your prior year's bonus (if any) (assumed to be the target bonus until the 2008 bonus, if any, is payable) and the number of days elapsed during the year in which the date of termination occurs (the "Pro Rata Bonus"); and

(ii) Severance payments equal to 100% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years (or such fewer number of years as you have been employed – assuming target bonus until the 2008 bonus, if any, is payable) immediately preceding the calendar year in which your date of



termination occurs, payable in substantially equal monthly installments for a period of 12 months in accordance with the Bank's regular payroll practices;

(iii) Continuation for 12 months of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same "cost-sharing" percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination;

(iv) Payment of all Buy-Out amounts, in the manner and at the time provided in this term sheet agreement, that remain unpaid as of your termination date; and

(v) Base Salary earned but not paid and vacation accrued and unused through your termination date, any annual bonus that is earned in a fiscal year preceding the fiscal year of your termination but not paid as of the termination date, and such other earned but unpaid amounts under the employee benefit plans in which you participate as of the termination date that are payable to you in accordance with the terms thereof, (collectively "Accrued Obligations").

Any payments and benefits to you under this Severance Benefits section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

If you are a "specified employee" of the Holding Company and its affiliates (as defined in Treasury Regulation Section 1.409A-1(i)), then you shall receive payments during the 6 month period immediately following your date of termination equal to the lesser of (x) the amount payable under this severance provision or (y) two (2) times the compensation limit in effect under Code Section 401(a)(17) for the calendar year in which your date of termination occurs (with any amounts that otherwise would have been payable under this severance provision during such 6 month period being paid on the first regular payroll date following the 6 month anniversary of the date of termination).

For the period commencing six months prior to a Change of Control and ending on the second anniversary of such Change of Control that occurs on or before that date, upon an involuntary termination of your employment by the Bank without Cause or voluntary termination of employment by you for Good Reason at or after a Change of Control, you will receive:

Change of Control Severance (during two years upon and following a Change of Control)

(i) The Pro Rata Bonus;

(ii) Severance equal to 200% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the greater of (x) your prior year's bonus or (y) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years (or such fewer number of years as you have been employed – assuming target bonus until your first annual bonus has been paid) immediately preceding the calendar year in which your date of termination occurs, payable in a single lump sum payment within 30 days after the date of termination, or if your termination of employment occurs within six months prior to a Change of Control, then within 5 business days after the Change of Control you will receive a single lump sum payment equal to (p) the amounts due you under this clause (ii) reduced by (q) the sum of all amounts paid to you under clause (ii) of Severance Benefits (above in this term sheet agreement), so that no amount of the lump sum payment under this clause (ii) is duplicative;

(iii) Continuation for 24 months of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same "cost-sharing" percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination;

(iv) Payment of all Buy-Out amounts in a single lump sum within 30 days after the date of termination and otherwise in the manner provided in this term sheet agreement, that remain unpaid as of your termination date;

(v) Outplacement for 12 months; and

(vi) The Accrued Obligations.

Any payments and benefits to you under this Change of Control Severance section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

If any payments or benefits constitute "excess parachute payments" (as defined in Code Section 280G), you will be fully grossed up if such payments and benefits exceed 330% of your "base amount" (as defined in Code Section 280G). If such payments and benefits equal 330% or less of your base amount, payments will be reduced so that you do not receive any excess parachute payments.

Code Section 280G

#### Full Satisfaction; Release of Claims

Any termination payments made and benefits provided to you under this term sheet agreement shall be in lieu of any termination or severance payments or benefits for which you may be eligible under any of the plans, policies or programs of the Bank or its affiliates.

As a condition precedent to the payment of all amounts, benefits and vesting of your initial equity award, other than your Accrued Obligations, pursuant to your involuntary termination of employment without Cause or your voluntary termination of employment for Good Reason at any time, you shall execute a waiver and general release of claims, substantially in the form customarily obtained by the Bank from its terminating executive employees, which waiver and general release of claims is not revoked during any applicable seven (7) day revocation period. For the avoidance of doubt, such waiver and general release will not adversely affect your ability to enforce the terms of this term sheet agreement, your indemnification rights under the Bank's by-laws and this term sheet agreement, your rights to coverage under the Bank's directors and officers liability insurance; your and your covered dependents' rights to COBRA continuation coverage, your rights to vested employee benefits, and other rights that cannot be waived by operation of law.

#### Restrictive Covenants (confidentiality, non-competition, non-solicitation)

You will not at any time during or following your employment with the Bank, directly or indirectly, disclose or use on your behalf or another's behalf, publish or communicate, except in the course of your employment and in the pursuit of the business of the Holding Company and the Bank or any of its subsidiaries or affiliates, any proprietary information or data of the Holding Company and the Bank or any of its subsidiaries or affiliates, which is not generally known to the public or which could not be recreated through public means and which the Holding Company and the Bank may reasonably regard as confidential and proprietary. You recognize and acknowledge that all knowledge and information which you have or may acquire in the course of your employment, such as, but not limited to, the business, developments, procedures, techniques, activities or services of the Holding Company or the Bank or the business affairs and activities of any customer, prospective customer, individual firm or entity doing business with the Holding Company or the Bank are their sole valuable property, and shall be held by you in confidence and in trust for their sole benefit. All records of every nature and description which come into your possession, whether prepared by you, or otherwise, shall remain the sole property of the Holding Company or the Bank and upon termination of your employment for any reason, said records shall be left with the Holding Company or the Bank as part of its property.

During the period of your employment with the Bank and for a period of 1 year after termination of your employment for any reason, you will not (except in your capacity as an employee of the Bank) directly or indirectly, for your own account, or as an agent, employee, director, owner, partner, or consultant of any corporation, firm, partnership, joint venture, syndicate, sole proprietorship or other entity:

(i) engage, directly or indirectly, in any business which has a place of business (whether as a principal, division, subsidiary, affiliate, related entity, or otherwise) located within the area encompassed within a 50 mile radius surrounding your office as of your date of termination that provides banking products, or that provides non-banking products or services of a type that accounted for more than 10% of the Holding Company's gross revenues for the fiscal year immediately preceding your date of termination, that the Holding Company or the Bank or any of their subsidiaries or affiliates provide as of your date of termination, provided that this subsection (i) shall not become applicable unless you are employed by the Bank at any time on December 31, 2008;

(ii) solicit or induce, or attempt to solicit or induce any client or customer of the Holding Company or the Bank or any of their subsidiaries or affiliates not to do business with the Bank or Holding Company or any of its subsidiaries or affiliates; provided that, respecting any such client or customer of the Holding Company or the Bank that was a client or customer of your immediate prior employer on the date hereof, and for which you or one of your direct or indirect reports were the primary relationship manager, this subsection (ii) shall not become applicable unless you are employed by the Bank at any time on December 31, 2008; or

(iii) solicit or induce, or attempt to solicit or induce, any employee or agent of the Holding Company or the Bank or any of their subsidiaries or affiliates to terminate his or her relationship with the Holding Company or the Bank or any of their subsidiaries or affiliates.

The foregoing provisions shall not be deemed to prohibit your ownership, not to exceed 5% of the outstanding shares, of capital stock of any corporation whose securities are publicly traded on a national or regional securities exchange or in the over-the-counter market.

You agree that, as the Holding Company's and the Bank's sole remedy for any breach (or threatened breach) of the non-competition covenant at subparagraph (i) above, respecting your initial restricted stock and stock option award above:

(x) you will immediately forfeit all unexercised stock options (whether then vested or unvested) then held by you, all shares of stock of the Holding Company (or any successor) acquired upon the exercise of vested stock options and then held by you, and all shares of restricted stock (whether vested or unvested, restricted or unrestricted) then held by you;

(y) you will immediately repay to the Holding Company a cash sum in the principal amount equal to all gross proceeds (before-tax) realized by you upon the sale or other disposition of shares of stock of the Holding Company (other than shares relating to open market purchases by you) occurring at any time during the period commencing on the date that is three years before the date of termination of your employment and ending on the date that the noncompetition covenant lapses ("Refund Period"), together with interest accrued thereon, from the date of such breach or threatened breach, at the prime rate (compounded calendar monthly) as published from time to time in The Wall Street Journal, electronic edition ("Interest"); and

(z) you will repay to the Holding Company a cash sum equal to fair market value of all shares of stock of the Holding Company (other than shares relating to open market purchases by you) and all stock options transferred by you as gifts at any time during the Refund Period, together with Interest, and for which purpose, "fair market value" per share of stock shall be the closing price of one share of Holding Company common stock on the date such gift occurs and per stock option shall be the positive difference, if any, between the fair market value of a share of stock, above, and the stock option exercise price.

You further agree that a breach (or threatened breach) of the confidentiality and/or non-solicitation covenants in subparagraphs (ii) and (iii) above will result in irreparable harm to the business of the Holding Company and the Bank, a remedy at law in the form of monetary damages for any breach (or threatened breach) by you of these covenants is inadequate, in addition to any remedy at law or equity for such breach, the Holding Company and the Bank shall be entitled to institute and maintain appropriate proceedings in equity, including a suit for injunction to enforce the specific performance by you of such obligations and to enjoin you from engaging in any activity in violation thereof, and the covenants on your part contained above

shall be construed as agreements independent of any other provisions in this term sheet agreement, and the existence of any claim, setoff or cause of action by you against the Holding Company or the Bank, whether predicated on this term sheet or otherwise, shall not constitute a defense or bar to the specific enforcement by the Holding Company or the Bank of said covenants.

In the event of a breach or a violation by you of any of the covenants and provisions above, the running of the non-compete period (but not your obligations thereunder) shall be tolled during the period of the continuance of any actual breach or violation.

You agree that the covenants above are reasonable with respect to their duration, geographical area and scope. If the final judgment of a court of competent jurisdiction declares that any term or provision above is invalid or unenforceable, you agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace an invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this term sheet agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

#### Your Representations

You represent that except as otherwise previously disclosed in writing to the Bank, you are not a party to any confidentiality, non-competition or non-solicitation agreement or understanding, whether written or oral, with any prior employer that would prevent you from entering into an employment relationship with the Bank, or prevent or restrict your ability to fulfill your obligations as an employee of the Bank. You further represent that you have not and will not take or retain any confidential information or trade secrets (whether in hard copy or electronic format) from any previous or current employer prior to assuming your position at the Bank.

#### Indemnification

You will be indemnified in accordance with the Bank's bylaws. You will be indemnified for any claims that might be brought by your prior employer (or any successor and/or any affiliate thereof) relating to your negotiation or acceptance of employment with the Bank (including any alleged conflict of interest created by such negotiation or acceptance) or the performance of your duties for the Bank. You will also be covered by the Bank's directors and officers liability insurance coverage as in effect from time to time.

|                   |  |
|-------------------|--|
| Fee Reimbursement | You will be reimbursed for up to \$10,000 of the professional fees incurred by you relating to the negotiation and documentation of your employment arrangements.  |
| Code Section 409A | It is intended that any amounts payable under this term sheet agreement and the Holding Company's, the Bank's and your exercise of authority or discretion hereunder shall comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) so as not to subject you to the payment of any interest or additional tax imposed under Section 409A of the Code. To the extent any amount payable under this term sheet agreement would trigger the additional tax imposed by Code Section 409A, this term sheet agreement shall be modified to avoid such additional tax. |
| Board Approval    | The Holding Company and the Bank represent and warrant to you that they have taken all corporate action necessary to authorize and to enter into this term sheet agreement.  |
| Amendment         | This term sheet agreement shall not be amended or modified except by written instrument executed by the Bank and you.  |
| Binding Agreement | This term sheet agreement shall be binding upon and inure to the benefit of the heirs and representatives of you and the successors and assigns of the Holding Company and the Bank.   |
| Governing Law     | Illinois.  |

# ATTACHMENT A

## PRIVATEBANCORP, INC. INDUCEMENT EQUITY DESIGN PROPOSAL

| EQUITY GRANT FEATURE              | PERFORMANCE SHARES   | PERFORMANCE STOCK OPTIONS  | TIME-VESTING STOCK OPTIONS   |                   |                |     |                |     |                |      |   |
|-----------------------------------|--|--|--|-------------------|----------------|-----|----------------|-----|----------------|------|---|
| 1. Allocation of Total Award      | <ul style="list-style-type: none"><li>50% of value of the Awards.</li></ul>  | <ul style="list-style-type: none"><li>25% of value of the Awards.</li></ul>  | <ul style="list-style-type: none"><li>25% of value of the Awards.</li></ul>                          |                   |                |     |                |     |                |      |   |
| 2. Time Vesting                   | <ul style="list-style-type: none"><li>N/A</li></ul>  | <ul style="list-style-type: none"><li>N/A</li></ul>  | <ul style="list-style-type: none"><li>20% per fiscal year of service, 1/1/2008-12/31/2012.</li></ul> |                   |                |     |                |     |                |      |   |
| 3. Performance Vesting            | <ul style="list-style-type: none"><li>Based on stock price performance objectives: 20% compound annual stock price growth 2008-2012.</li><li>Stock price base is 10-day average price prior to date of Award.</li><li>20% of the Award vests per year, based on attainment of stock price objective for that year. Objective must be met for 20 consecutive trading days during that fiscal year to vest.</li><li>Employed on 12/31 of performance year.</li><li>If the PIPE (or other investment) does not close by 3/31/08 for at least \$150 million capital gross proceeds, the performance restrictions will lapse as to 25% of the Performance Shares and such shares shall be time-vested restricted stock vesting at the rate of 20% per fiscal year of service.</li></ul> | <ul style="list-style-type: none"><li>Based on EPS performance objectives: 20% compound annual EPS growth 2008 — 2012.</li><li>Earnings base is the sum of EPS for 4 quarters 12/06 – 9/07.</li><li>20% of the Award vests per year, based on attainment of EPS objective for that year.</li><li>Employed on 12/31 of performance year.</li></ul>  | <ul style="list-style-type: none"><li>None</li></ul>   |                   |                |     |                |     |                |      |   |
| 4. “Catch-Up” Performance Vesting | <ul style="list-style-type: none"><li>As of 12/31 each year: To extent not vested, Award will vest for prior years if later year stock price objective is attained.</li><li>Must be employed on 12/31 of year objective is attained.</li></ul>   | <ul style="list-style-type: none"><li>As of 12/31/2012: To extent not vested, Award will vest:<table><tr><th>Cum. Cmpd. Growth *</th><th>Vested % of Award</th></tr><tr><td>15.0%(\$12.87)</td><td>50%</td></tr><tr><td>17.5%(\$13.82)</td><td>75%</td></tr><tr><td>20.0%(\$14.82)</td><td>100%</td></tr></table></li></ul> <div><p>* Estimated EPS targets</p><ul style="list-style-type: none"><li>Must be employed on 12/31/2012.</li></ul></div> | Cum. Cmpd. Growth *  | Vested % of Award | 15.0%(\$12.87) | 50% | 17.5%(\$13.82) | 75% | 20.0%(\$14.82) | 100% | <ul style="list-style-type: none"><li>N/A</li></ul> |
| Cum. Cmpd. Growth *               | Vested % of Award  |  |  |                   |                |     |                |     |                |      |   |
| 15.0%(\$12.87)                    | 50%  |  |  |                   |                |     |                |     |                |      |   |
| 17.5%(\$13.82)                    | 75%  |  |  |                   |                |     |                |     |                |      |   |
| 20.0%(\$14.82)                    | 100%   |  |  |                   |                |     |                |     |                |      |   |



| <b>EQUITY GRANT FEATURE</b>       | <b>PERFORMANCE SHARES</b>  | <b>PERFORMANCE STOCK OPTIONS</b>  | <b>TIME-VESTING STOCK OPTIONS</b>   |
|-----------------------------------|--|---|---|
| <b>5. Minimum 25% Vesting</b>     | <ul style="list-style-type: none"> <li>As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested shares).</li> <li>Must be employed on 12/31/2012.</li> </ul>                             | <ul style="list-style-type: none"> <li>As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested options).</li> <li>Must be employed on 12/31/2012.</li> </ul>   | <ul style="list-style-type: none"> <li>N/A</li> </ul>   |
| <b>6. “Good Leaver” Treatment</b> | <ul style="list-style-type: none"> <li>Continued vesting until 12/31 of termination year based on performance.</li> <li>Minimum vesting of whole Award of 5% x whole or partial years employed 1/1/08 to 12/31 of termination year.</li> </ul> | <ul style="list-style-type: none"> <li>Continued vesting until 12/31 of termination year based on performance.</li> <li>Minimum vesting of whole Award of 5% x whole or partial years employed 1/1/08 to 12/31 of termination year.</li> <li>1 year to exercise vested options from 12/31 of termination year.</li> </ul> | <ul style="list-style-type: none"> <li>11 accelerated vesting.</li> <li>1 year to exercise from date of termination.</li> </ul> |

## ATTACHMENT B

### DEFINITIONS

“**Cause**” shall mean (A) your willful and continued (for a period of not less than 10 business days after written notice thereof during which you may remedy such failure if capable of remedy) failure to perform substantially the duties of your employment (other than as a result of physical or mental incapacity, or while on vacation or other approved absence) which are within your control (mere inability to achieve financial or other performance targets or objectives, alone, shall not constitute such a willful and continued failure); or (B) your willful engaging in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Holding Company or the Bank; or (C) your conviction of a felony involving moral turpitude, but specifically excluding any conviction based entirely on vicarious liability (with “vicarious liability” meaning liability based on acts of the Holding Company or the Bank for which you are charged solely as a result of your offices with the Bank and in which you were not directly involved and did not have prior knowledge of such actions or intended actions); provided, however, that no act or failure to act, on your part, shall be considered “willful” unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of the Holding Company or the Bank; and provided further that no act or omission by you shall constitute Cause hereunder unless you have been given detailed written notice thereof, and you have failed to remedy such act or omission.

“**Good Reason**” shall mean the occurrence, other than in connection with a discharge, of any of the following without your consent: (A) a reduction in your Base Salary, target annual bonus opportunity (other than a proportionate reduction applicable to all executives of the Bank, unless such reduction occurs during the two-year period commencing on the occurrence of a Change of Control) and/or the number of shares of restricted stock or number of stock options granted as your initial equity award, or (B) your being required to be based at an office or location which is more than 50 miles from your then current office, or (C) a diminution in your reporting responsibilities following which you do not report directly to the Chief Executive Officer or your removal as President of Commercial Real Estate Banking or your removal as a member of the most senior management council or the senior loan committee of the Bank (to the extent such council and loan committee, respectively, exist) or (D) the failure of a successor to assume the obligations of the Bank under this term sheet agreement (to the extent not otherwise assumed by operation of law). You must provide written notice to the Bank of the existence of Good Reason no later than 90 days after its initial existence, and the Bank shall have a period of 30 days following its receipt of such written notice during which it may remedy in all material respects the Good Reason condition identified in such written notice.

“**Change of Control**”<sup>1</sup> shall be deemed to have occurred upon the happening of any of the following events:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (“**Exchange Act**”)), other than (A) a trustee or other fiduciary

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<sup>1</sup> This definition is based on the existing stock incentive plan’s definition. It remains subject to review and approval by the Board.

holding securities under an employee benefit plan of PrivateBancorp, Inc. (the “**Company**”) or any of its subsidiaries, or (B) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the “**beneficial owner**” (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 30% or more of the total voting power of the then outstanding shares of capital stock of the Company entitled to vote generally in the election of directors (the “**Voting Stock**”), provided, however, that the following shall not constitute a change in control: (1) such person becomes a beneficial owner of 30% or more of the Voting Stock as the result of an acquisition of such Voting Stock directly from the Company, or (2) such person becomes a beneficial owner of 30% or more of the Voting Stock as a result of the decrease in the number of outstanding shares of Voting Stock caused by the repurchase of shares by the Company; provided, further, that in the event a person described in clause (1) or (2) shall thereafter increase (other than in circumstances described in clause (1) or (2)) beneficial ownership of stock representing more than 1% of the Voting Stock, such person shall be deemed to become a beneficial owner of 30% or more of the Voting Stock for purposes of this paragraph (i), provided such person continues to beneficially own 30% or more of the Voting Stock after such subsequent increase in beneficial ownership, or

(ii) Individuals who, as of the [date of the award], constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director, whose election or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered as through such individual were a member of the Incumbent Board, but excluding for this purpose, any individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 promulgated under the Exchange Act); or

(iii) Consummation of a reorganization, merger or consolidation or the sale or other disposition of all or substantially all of the assets of the Company (a “**Business Combination**”), in each case, unless (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the total voting power represented by the voting securities entitled to vote generally in the election of directors of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of the Business Combination owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to the Business Combination of the Voting Stock of the Company, and (2) at least a majority of the members of the board of directors of the corporation resulting from the Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Incumbent Board, providing for such Business Combination;

(iv) Approval by the stockholders of the Company of a plan of complete liquidation or dissolution of the Company; or

(v) (I) a sale or other transfer of the voting securities of the Bank, whether by stock, merger, joint venture, consolidation or otherwise, such that following said transaction the Company does not directly, or indirectly through majority owned subsidiaries, retain more than 50% of the total voting power of the Bank represented by the voting securities of the Bank entitled to vote generally in

the election of the Bank's directors; or (II) a sale of all or substantially all of the assets of the Bank other than to the Company or any subsidiary of the Company.

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## **Section 6: EX-10.9 (EMPLOYMENT TERM SHEET AGREEMENT)**

October 25, 2007

Mr. Bruce Hague  
54 Coventry Road  
Northfield, IL 60093

Dear Mr. Hague:

It is my pleasure to extend to you an offer of employment as President of National Commercial Banking of The PrivateBank and Trust Company upon the terms set forth in the attached term sheet agreement. As we discussed, your compensation includes a significant equity award in order to induce you to join the bank and forego other employment opportunities. We are very excited about the prospect of having you join our team. We would like you to start as soon as possible, but in no event later than October 31, 2007.

To the extent that we enter into employment arrangements with another president of the Bank having terms and conditions (other than base salary, target bonus, any buy-out of forfeitures, and benefits and perquisites directly relating to the level of your compensation) that are more favorable than the terms and conditions in this term sheet agreement, we will update your term sheet agreement to reflect those more favorable terms. In this regard, Joan Schellhorn, our Chief Human Resources Officer, will follow-up with you as appropriate.

This offer will remain open for your acceptance until 5:00 p.m. (C.D.T.) October 29, 2007. Please signify your acceptance of this offer by signing as indicated below. You may return this offer letter to the following confidential fax 312.683.1493.

Sincerely,

/s/ Ralph B. Mandell  
Ralph B. Mandell  
Chairman of the Board  
President and Chief Executive Officer

Accepted:

/s/ Bruce Hague

Bruce Hague

Date: October 25, 2007

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**BRUCE HAGUE**

|                         |  |
|-------------------------|--|
| Position                | President of National Commercial Banking of The PrivateBank and Trust Company (the “Bank”), reporting to the Chief Executive Officer. You will be a member of the most senior management council of the Bank and the senior loan committee, if such council or committee are established by the Chief Executive Officer (in his sole discretion) and while such council or committee (or both) is in existence.  |
| Base Salary             | \$435,000 per year subject to increase, but not decrease from time to time (other than permitted proportionate reductions applicable to all similarly situated senior executives of the Bank, unless such reduction occurs during the two-year period commencing upon the occurrence of a Change of Control), in the sole discretion of the Bank, and any such increased (or decreased) amount shall mean “Base Salary” for purposes of this term sheet agreement. Your initial Base Salary reflects your base salary with your current employer of \$425,000, plus \$10,000 to reflect that the Bank does not provide cars or car allowances to its employees.  |
| Annual Bonus            | 110% of Base Salary at target.<br><br>The Compensation Committee does not intend to propose a 2008 annual bonus plan that will limit the bonus payable to the target amount.   |
| Inducement Equity Award | As a material inducement for you to join the Bank, you will receive an initial equity award of 125,000 stock options and 50,000 shares of restricted stock with an estimated combined value of \$3,050,000 (based on the FAS 123R value assigned to such award by PrivateBancorp, Inc. (the “Holding Company”)) that is expected to be granted during November 2007, but in no event later than December 31, 2007. The stock options will have a 10-year term. The award of restricted stock and one-half of the stock options (“performance stock options”) will be subject to performance vesting requirements and continued service during the performance period generally applicable to such awards, and the other one-half of the stock options (“time-vesting stock options”) will be subject to time vesting requirements only, all as more particularly described on Attachment A hereto. If, prior to the date on which your initial equity award is fully vested, your employment is terminated due to your death or Disability (as defined in the award agreement), your employment is involuntarily terminated by the Bank without Cause or voluntarily terminated by you for Good Reason, (i) the unvested |

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portion of the time-vesting stock options will become fully vested and exercisable and (ii) you will continue to vest through December 31 of the fiscal year of your termination in the unvested portion of the restricted stock and performance stock options and such previously unvested performance stock options will become exercisable if the performance vesting conditions relating to the award are satisfied on the performance vesting date that next follows your date of termination; provided, you will be vested in a minimum number of each of shares of restricted stock and performance stock options as equals the product of (x) 5% multiplied by (y) the number of whole or partial years of employment with the Bank from January 1, 2008 through the date of termination, to the extent you had not previously become vested in at least such number of shares of restricted stock and performance stock options, respectively. Upon such termination of employment, vested time-vesting stock options (including time-vesting stock options that become vested on the date of termination) and then-vested performance stock options will be exercisable for 1 year after your date of termination (but not beyond the last day of the stock option term). Upon such termination of employment, performance stock options that become vested upon attainment of the performance objective for the year of termination will be exercisable for 1 year after the performance vesting date that next follows your date of termination (but not beyond the last day of the stock option term).

You will become fully vested in your initial equity award upon the occurrence of a Change of Control.

To the extent that the Bank has or hereafter enters into a broker-assisted (FRB Reg. T) cashless exercise program for stock option awards to employees of the Bank, the initial stock option award will be included in such program.

The restricted shares and stock options will be subject to the terms and conditions of an equity incentive plan and award agreements to be adopted by the Board of Directors of the Holding Company; provided, however, that with respect to the terms and conditions described above, if there is a conflict between this term sheet agreement and the equity incentive plan and/or an award agreement thereunder, the document that is more favorable to you will control.

You will be eligible for future equity awards from time to time, in accordance with the terms of the Holding Company's incentive plans as then in effect, in such amount, if any, as is determined in the sole discretion of the Compensation Committee.

"Cause," "Good Reason" and "Change of Control" are defined on Attachment B.

## Buy-Out

You will receive appropriate cash amounts to compensate you for any forfeited compensation that otherwise would have been earned as of December 31, 2007, at your current employer, including the loss of accrued bonus, LTIP and equity awards:

Bonus: Full (i.e., non-pro rated) 2007 bonus will be paid to you in the amount of 150% of the target amount, payable under your current employer annual bonus award, on the Bank's first payroll date in January 2008.

Retention Bonus: You will receive a make whole payment for the second one-half of your retention bonus on or about February 15, 2008. Any forfeiture of the first one-half of your retention bonus will be made whole on or about November 5, 2007 or, if later, commencement of employment.

LTIP: All or a portion of the 2005-2007, 2006-2008 and 2007-2009 open LTIP cycles will be paid to you in the amount, in either case at the rate of \$200 per LTIP unit, as you may elect in writing within 10 business days after commencing your employment, of either:

(x) a pro rata make whole payment for those open LTIP cycles on or about February 15, 2008 (provided you are employed on that date) of 3/3 of your award under the 2005-2007 cycle, 2/3 of your award under the 2006-2008 cycle, and 1/3 of your award under the 2007-2009 cycle; or

(y) (i) the full amount of the 2005-2007 cycle if you remain employed until December 31, 2007 (payable in January 2008), (ii) the full amount of the 2006-2008 cycle if you remain employed until December 31, 2008 (payable in January 2009), and (iii) the full amount of the 2007-2009 cycle if you remain employed until December 31, 2009 (payable in January 2010). If, prior to the end of a particular cycle, your employment is terminated due to your death or Disability (as defined in the Inducement Equity Award agreement), your employment is involuntarily terminated by the Bank without Cause or voluntarily terminated by you for Good Reason, you will receive a pro rata portion of the payout relating to such cycle equal to the full amount payable under such cycle multiplied by a fraction, the numerator of which is the number of days you were employed by your prior employer and then by the Bank during such cycle and the denominator of which is 1095. If your employment is terminated for any other reason prior to the last day of a particular cycle, you will forfeit any amounts relating to that cycle.

If you fail to make such election, you will be deemed to have elected "(x)."



Equity: Cash payment consistent with the treatment by your prior employer's parent company of outstanding equity awards for individuals who remain employed by your prior employer on December 31, 2007.

All of the above Buy-Out amounts actually paid to you by the Bank will be reduced (if not paid), or offset by future cash compensation (if paid), by the amount of any payment received from your prior employer, so as to avoid any duplication of payment of those amounts.

#### Benefits; Perquisites

On the first of the month after your start date, you are eligible to participate in the Bank's medical and dental insurance plans as well as participate in the flexible benefits plan and the PrivateBancorp, Inc. Savings, Retirement and Employee Stock Ownership Plan (KSOP). Our KSOP currently provides the additional benefit after a year of service of a company match of \$.50 on the dollar on your elected contributions of up to the first 6% of compensation. Life insurance and accidental death and dismemberment insurance (both at two times your Base Salary, subject to applicable maximum coverage provisions) are provided by the Bank. The long term disability insurance is also provided by the Bank.

You will also be furnished with such perquisites which may from time to time be provided by the Holding Company and the Bank which are suitable to your position and adequate for the performance of your duties hereunder and reasonable in the circumstances. Such perquisites include, but are not limited to, reimbursement for dues at one approved country club and one approved luncheon club in the Chicago Metropolitan area.

#### Vacation

Standard Bank vacation policy, but not less than 4 weeks per calendar year.

#### Severance Benefits (Termination without Cause or for Good Reason) (prior to, or more than 2 years after, a Change of Control)

Upon an involuntary termination of your employment by the Bank without Cause or voluntary termination of employment by you for Good Reason, you will receive:

(i) A pro rata bonus based on your prior year's bonus (if any) (assumed to be the target bonus until the 2008 bonus, if any, is payable) and the number of days elapsed during the year in which the date of termination occurs (the "Pro Rata Bonus"); and

(ii) Severance payments equal to 100% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years

(or such fewer number of years as you have been employed — assuming target bonus until the 2008 bonus, if any, is payable) immediately preceding the calendar year in which your date of termination occurs, payable in substantially equal monthly installments for a period of 12 months in accordance with the Bank's regular payroll practices;

(iii) Continuation for 12 months of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same "cost-sharing" percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination;

(iv) Payment of all Buy-Out amounts, in the manner and at the time provided in this term sheet agreement, that remain unpaid as of your termination date; and

(v) Base Salary earned but not paid and vacation accrued and unused through your termination date, any annual bonus that is earned in a fiscal year preceding the fiscal year of your termination but not paid as of the termination date, and such other earned but unpaid amounts under the employee benefit plans in which you participate as of the termination date that are payable to you in accordance with the terms thereof, (collectively "Accrued Obligations").

Any payments and benefits to you under this Severance Benefits section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

If you are a "specified employee" of the Holding Company and its affiliates (as defined in Treasury Regulation Section 1.409A-1(i)), then you shall receive payments during the 6 month period immediately following your date of termination equal to the lesser of (x) the amount payable under this severance provision or (y) two (2) times the compensation limit in effect under Code Section 401(a)(17) for the calendar year in which your date of termination occurs (with any amounts that otherwise would have been payable under this severance provision during such 6 month period being paid on the first regular payroll date following the 6 month anniversary of the date of termination).

Change of Control Severance (during two years upon and following a Change of Control)

For the period commencing six months prior to a Change of Control and ending on the second anniversary of such Change of Control that occurs on or before that date, upon an involuntary termination of your employment by the Bank without Cause or

voluntary termination of employment by you for Good Reason at or after a Change of Control, you will receive:

(i) The Pro Rata Bonus;

(ii) Severance equal to 200% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the greater of (x) your prior year's bonus or (y) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years (or such fewer number of years as you have been employed — assuming target bonus until your first annual bonus has been paid) immediately preceding the calendar year in which your date of termination occurs, payable in a single lump sum payment within 30 days after the date of termination, or if your termination of employment occurs within six months prior to a Change of Control, then within 5 business days after the Change of Control you will receive a single lump sum payment equal to (p) the amounts due you under this clause (ii) reduced by (q) the sum of all amounts paid to you under clause (ii) of Severance Benefits (above in this term sheet agreement), so that no amount of the lump sum payment under this clause (ii) is duplicative;

(iii) Continuation for 24 months of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same "cost-sharing" percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination;

(iv) Payment of all Buy-Out amounts in a single lump sum within 30 days after the date of termination and otherwise in the manner provided in this term sheet agreement, that remain unpaid as of your termination date;

(v) Outplacement for 12 months; and

(vi) The Accrued Obligations. Any payments and benefits to you under this Change of Control Severance section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

If any payments or benefits constitute "excess parachute payments" (as defined in Code Section 280G), you will be fully grossed up if such payments and benefits exceed 330% of your "base amount" (as defined in Code Section 280G). If such

Code Section 280G

payments and benefits equal 330% or less of your base amount, payments will be reduced so that you do not receive any excess parachute payments.

#### Full Satisfaction; Release of Claims

Any termination payments made and benefits provided to you under this term sheet agreement shall be in lieu of any termination or severance payments or benefits for which you may be eligible under any of the plans, policies or programs of the Bank or its affiliates.

As a condition precedent to the payment of all amounts, benefits and vesting of your initial equity award, other than your Accrued Obligations, pursuant to your involuntary termination of employment without Cause or your voluntary termination of employment for Good Reason at any time, you shall execute a waiver and general release of claims, substantially in the form customarily obtained by the Bank from its terminating executive employees, which waiver and general release of claims is not revoked during any applicable seven (7) day revocation period. For the avoidance of doubt, such waiver and general release will not adversely affect your ability to enforce the terms of this term sheet agreement, your indemnification rights under the Bank's by-laws and this term sheet agreement, your rights to coverage under the Bank's directors and officers liability insurance; your and your covered dependents' rights to COBRA continuation coverage, your rights to vested employee benefits, and other rights that cannot be waived by operation of law.

#### Restrictive Covenants (confidentiality, non-competition, non-solicitation)

You will not at any time during or following your employment with the Bank, directly or indirectly, disclose or use on your behalf or another's behalf, publish or communicate, except in the course of your employment and in the pursuit of the business of the Holding Company and the Bank or any of its subsidiaries or affiliates, any proprietary information or data of the Holding Company and the Bank or any of its subsidiaries or affiliates, which is not generally known to the public or which could not be recreated through public means and which the Holding Company and the Bank may reasonably regard as confidential and proprietary. You recognize and acknowledge that all knowledge and information which you have or may acquire in the course of your employment, such as, but not limited to, the business, developments, procedures, techniques, activities or services of the Holding Company or the Bank or the business affairs and activities of any customer, prospective customer, individual firm or entity doing business with the Holding Company or the Bank are their sole valuable property, and shall be held by you in confidence and in trust for their sole benefit. All records of every

nature and description which come into your possession, whether prepared by you, or otherwise, shall remain the sole property of the Holding Company or the Bank and upon termination of your employment for any reason, said records shall be left with the Holding Company or the Bank as part of its property.

During the period of your employment with the Bank and for a period of 1 year after termination of your employment for any reason, you will not (except in your capacity as an employee of the Bank) directly or indirectly, for your own account, or as an agent, employee, director, owner, partner, or consultant of any corporation, firm, partnership, joint venture, syndicate, sole proprietorship or other entity:

(i) engage, directly or indirectly, in any business which has a place of business (whether as a principal, division, subsidiary, affiliate, related entity, or otherwise) located within the area encompassed within a 50 mile radius surrounding your office as of your date of termination that provides banking products, or that provides non-banking products or services of a type that accounted for more than 10% of the Holding Company's gross revenues for the fiscal year immediately preceding your date of termination, that the Holding Company or the Bank or any of their subsidiaries or affiliates provide as of your date of termination, provided that this subsection (i) shall not become applicable unless you are employed by the Bank at any time on December 31, 2008;

(ii) solicit or induce, or attempt to solicit or induce any client or customer of the Holding Company or the Bank or any of their subsidiaries or affiliates not to do business with the Bank or Holding Company or any of its subsidiaries or affiliates; provided that, respecting any such client or customer of the Holding Company or the Bank that was a client or customer of your immediate prior employer on the date hereof, and for which you or one of your direct or indirect reports were the primary relationship manager, this subsection (ii) shall not become applicable unless you are employed by the Bank at any time on December 31, 2008; or

(iii) solicit or induce, or attempt to solicit or induce, any employee or agent of the Holding Company or the Bank or any of their subsidiaries or affiliates to terminate his or her relationship with the Holding Company or the Bank or any of their subsidiaries or affiliates.

The foregoing provisions shall not be deemed to prohibit your ownership, not to exceed 5% of the outstanding shares, of capital stock of any corporation whose securities are publicly traded on a national or regional securities exchange or in the over-the-counter market.

You agree that, as the Holding Company's and the Bank's sole remedy for any breach (or threatened breach) of the non-competition covenant at subparagraph (i) above, respecting your initial restricted stock and stock option award above:

(x) you will immediately forfeit all unexercised stock options (whether then vested or unvested) then held by you, all shares of stock of the Holding Company (or any successor) acquired upon the exercise of vested stock options and then held by you, and all shares of restricted stock (whether vested or unvested, restricted or unrestricted) then held by you;

(y) you will immediately repay to the Holding Company a cash sum in the principal amount equal to all gross proceeds (before-tax) realized by you upon the sale or other disposition of shares of stock of the Holding Company (other than shares relating to open market purchases by you) occurring at any time during the period commencing on the date that is three years before the date of termination of your employment and ending on the date that the noncompetition covenant lapses ("Refund Period"), together with interest accrued thereon, from the date of such breach or threatened breach, at the prime rate (compounded calendar monthly) as published from time to time in The Wall Street Journal, electronic edition ("Interest"); and

(z) you will repay to the Holding Company a cash sum equal to fair market value of all shares of stock of the Holding Company (other than shares relating to open market purchases by you) and all stock options transferred by you as gifts at any time during the Refund Period, together with Interest, and for which purpose, "fair market value" per share of stock shall be the closing price of one share of Holding Company common stock on the date such gift occurs and per stock option shall be the positive difference, if any, between the fair market value of a share of stock, above, and the stock option exercise price.

You further agree that a breach (or threatened breach) of the confidentiality and/or non-solicitation covenants in subparagraphs (ii) and (iii) above will result in irreparable harm to the business of the Holding Company and the Bank, a remedy at law in the form of monetary damages for any breach (or

threatened breach) by you of these covenants is inadequate, in addition to any remedy at law or equity for such breach, the Holding Company and the Bank shall be entitled to institute and maintain appropriate proceedings in equity, including a suit for injunction to enforce the specific performance by you of such obligations and to enjoin you from engaging in any activity in violation thereof, and the covenants on your part contained above shall be construed as agreements independent of any other provisions in this term sheet agreement, and the existence of any claim, setoff or cause of action by you against the Holding Company or the Bank, whether predicated on this term sheet or otherwise, shall not constitute a defense or bar to the specific enforcement by the Holding Company or the Bank of said covenants.

In the event of a breach or a violation by you of any of the covenants and provisions above, the running of the non-compete period (but not your obligations thereunder) shall be tolled during the period of the continuance of any actual breach or violation.

You agree that the covenants above are reasonable with respect to their duration, geographical area and scope. If the final judgment of a court of competent jurisdiction declares that any term or provision above is invalid or unenforceable, you agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace an invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this term sheet agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

#### Your Representations

You represent that except as otherwise previously disclosed in writing to the Bank, you are not a party to any confidentiality, non-competition or non-solicitation agreement or understanding, whether written or oral, with any prior employer that would prevent you from entering into an employment relationship with the Bank, or prevent or restrict your ability to fulfill your obligations as an employee of the Bank. You further represent that you have not and will not take or retain any confidential information or trade secrets (whether in hard copy or electronic format) from any previous or current employer prior to assuming your position at the Bank.

|                   |  |
|-------------------|--|
| Indemnification   | You will be indemnified in accordance with the Bank's bylaws. You will be indemnified for any claims that might be brought by your prior employer (or any successor and/or any affiliate thereof) relating to your negotiation or acceptance of employment with the Bank (including any alleged conflict of interest created by such negotiation or acceptance) or the performance of your duties for the Bank. You will also be covered by the Bank's directors and officers liability insurance coverage as in effect from time to time.   |
| Fee Reimbursement | You will be reimbursed for up to \$10,000 of the professional fees incurred by you relating to the negotiation and documentation of your employment arrangements.  |
| Code Section 409A | It is intended that any amounts payable under this term sheet agreement and the Holding Company's, the Bank's and your exercise of authority or discretion hereunder shall comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) so as not to subject you to the payment of any interest or additional tax imposed under Section 409A of the Code. To the extent any amount payable under this term sheet agreement would trigger the additional tax imposed by Code Section 409A, this term sheet agreement shall be modified to avoid such additional tax. |
| Board Approval    | The Holding Company and the Bank represent and warrant to you that they have taken all corporate action necessary to authorize and to enter into this term sheet agreement.  |
| Amendment         | This term sheet agreement shall not be amended or modified except by written instrument executed by the Bank and you.  |
| Binding Agreement | This term sheet agreement shall be binding upon and inure to the benefit of the heirs and representatives of you and the successors and assigns of the Holding Company and the Bank.   |
| Governing Law     | Illinois.  |



# ATTACHMENT A

## PRIVATEBANCORP, INC. INDUCEMENT EQUITY DESIGN PROPOSAL

| EQUITY GRANT FEATURE              | PERFORMANCE SHARES   | PERFORMANCE STOCK OPTIONS   |  | TIME-VESTING STOCK OPTIONS   |                   |                 |     |                 |     |                 |      |   |
|-----------------------------------|--|---|--|--|-------------------|-----------------|-----|-----------------|-----|-----------------|------|---|
| 1. Allocation of Total Award      | <ul style="list-style-type: none"><li>50% of value of the Awards.</li></ul>  | <ul style="list-style-type: none"><li>25% of value of the Awards.</li></ul>   |  | <ul style="list-style-type: none"><li>25% of value of the Awards.</li></ul>                          |                   |                 |     |                 |     |                 |      |   |
| 2. Time Vesting                   | <ul style="list-style-type: none"><li>N/A</li></ul>  | <ul style="list-style-type: none"><li>N/A</li></ul>   |  | <ul style="list-style-type: none"><li>20% per fiscal year of service, 1/1/2008-12/31/2012.</li></ul> |                   |                 |     |                 |     |                 |      |   |
| 3. Performance Vesting            | <ul style="list-style-type: none"><li>Based on stock price performance objectives: 20% compound annual stock price growth 2008-2012.</li><li>Stock price base is 10-day average price prior to date of Award.</li><li>20% of the Award vests per year, based on attainment of stock price objective for that year. Objective must be met for 20 consecutive trading days during that fiscal year to vest.</li><li>Employed on 12/31 of performance year.</li><li>If the PIPE (or other investment) does not close by 3/31/08 for at least \$150 million capital gross proceeds, the performance restrictions will lapse as to 25% of the Performance Shares and such shares shall be time-vested restricted stock vesting at the rate of 20% per fiscal year of service.</li></ul> | <ul style="list-style-type: none"><li>Based on EPS performance objectives: 20% compound annual EPS growth 2008 - 2012.</li><li>Earnings base is the sum of EPS for 4 quarters 12/06-9/07.</li><li>20% of the Award vests per year, based on attainment of EPS objective for that year.</li><li>Employed on 12/31 of performance year.</li></ul> |  | <ul style="list-style-type: none"><li>None</li></ul>   |                   |                 |     |                 |     |                 |      |   |
| 4. “Catch-Up” Performance Vesting | <ul style="list-style-type: none"><li>As of 12/31 each year: To extent not vested, Award will vest for prior years if later year stock price objective is attained.</li></ul>  | <ul style="list-style-type: none"><li>As of 12/31/2012: To extent not vested, Award will vest:</li></ul> <table><tr><th>Cum. Cmpd. Growth</th><th>Vested % of Award</th></tr><tr><td>15.0% (\$12.87)</td><td>50%</td></tr><tr><td>17.5% (\$13.83)</td><td>75%</td></tr><tr><td>20.0% (\$14.82)</td><td>100%</td></tr></table>                   |  | Cum. Cmpd. Growth  | Vested % of Award | 15.0% (\$12.87) | 50% | 17.5% (\$13.83) | 75% | 20.0% (\$14.82) | 100% | <ul style="list-style-type: none"><li>N/A</li></ul> |
| Cum. Cmpd. Growth                 | Vested % of Award  |   |  |  |                   |                 |     |                 |     |                 |      |   |
| 15.0% (\$12.87)                   | 50%  |   |  |  |                   |                 |     |                 |     |                 |      |   |
| 17.5% (\$13.83)                   | 75%  |   |  |  |                   |                 |     |                 |     |                 |      |   |
| 20.0% (\$14.82)                   | 100%   |   |  |  |                   |                 |     |                 |     |                 |      |   |
|                                   |  | <ul style="list-style-type: none"><li>* Estimated EPS targets</li><li>Must be employed on 12/31/2012.</li></ul>   |  |  |                   |                 |     |                 |     |                 |      |   |

|    | <u>EQUITY GRANT FEATURE</u>    | <u>PERFORMANCE SHARES</u>  | <u>PERFORMANCE STOCK OPTIONS</u>  | <u>TIME-VESTING STOCK OPTIONS</u>   |
|----|--------------------------------|--|---|---|
| 5. | <b>Minimum 25% Vesting</b>     | <ul style="list-style-type: none"> <li>As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested shares).</li> <li>Must be employed on 12/31/2012.</li> </ul>                             | <ul style="list-style-type: none"> <li>As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested options).</li> <li>Must be employed on 12/31/2012.</li> </ul>   | <ul style="list-style-type: none"> <li>N/A</li> </ul>   |
| 6. | <b>“Good Leaver” Treatment</b> | <ul style="list-style-type: none"> <li>Continued vesting until 12/31 of termination year based on performance.</li> <li>Minimum vesting of whole Award of 5% x whole or partial years employed 1/1/08 to 12/31 of termination year.</li> </ul> | <ul style="list-style-type: none"> <li>Continued vesting until 12/31 of termination year based on performance.</li> <li>Minimum vesting of whole Award of 5% x whole or partial years employed 1/1/08 to 12/31 of termination year.</li> <li>1 year to exercise vested options from 12/31 of termination year.</li> </ul> | <ul style="list-style-type: none"> <li>Full accelerated vesting.</li> <li>1 year to exercise from date of termination.</li> </ul> |

## ATTACHMENT B

### DEFINITIONS

“**Cause**” shall mean (A) your willful and continued (for a period of not less than 10 business days after written notice thereof during which you may remedy such failure if capable of remedy) failure to perform substantially the duties of your employment (other than as a result of physical or mental incapacity, or while on vacation or other approved absence) which are within your control (mere inability to achieve financial or other performance targets or objectives, alone, shall not constitute such a willful and continued failure); or (B) your willful engaging in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Holding Company or the Bank; or (C) your conviction of a felony involving moral turpitude, but specifically excluding any conviction based entirely on vicarious liability (with “vicarious liability” meaning liability based on acts of the Holding Company or the Bank for which you are charged solely as a result of your offices with the Bank and in which you were not directly involved and did not have prior knowledge of such actions or intended actions); provided, however, that no act or failure to act, on your part, shall be considered “willful” unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of the Holding Company or the Bank; and provided further that no act or omission by you shall constitute Cause hereunder unless you have been given detailed written notice thereof, and you have failed to remedy such act or omission.

“**Good Reason**” shall mean the occurrence, other than in connection with a discharge, of any of the following without your consent: (A) a reduction in your Base Salary, target annual bonus opportunity (other than a proportionate reduction applicable to all executives of the Bank, unless such reduction occurs during the two-year period commencing on the occurrence of a Change of Control) and/or the number of shares of restricted stock or number of stock options granted as your initial equity award, or (B) your being required to be based at an office or location which is more than 50 miles from your then current office, or (C) a diminution in your reporting responsibilities following which you do not report directly to the Chief Executive Officer or your removal as President of National Commercial Banking or your removal as a member of the most senior management council or the senior loan committee of the Bank (to the extent such council and loan committee, respectively, exist) or (D) the failure of a successor to assume the obligations of the Bank under this term sheet agreement (to the extent not otherwise assumed by operation of law). You must provide written notice to the Bank of the existence of Good Reason no later than 90 days after its initial existence, and the Bank shall have a period of 30 days following its receipt of such written notice during which it may remedy in all material respects the Good Reason condition identified in such written notice.

“**Change of Control**”<sup>1</sup> shall be deemed to have occurred upon the happening of any of the following events:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (“**Exchange Act**”)), other than (A) a trustee or other fiduciary

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<sup>1</sup> **This definition is based on the existing stock incentive plan’s definition. It remains subject to review and approval by the Board.**

holding securities under an employee benefit plan of PrivateBancorp, Inc. (the “**Company**”) or any of its subsidiaries, or (B) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the “**beneficial owner**” (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 30% or more of the total voting power of the then outstanding shares of capital stock of the Company entitled to vote generally in the election of directors (the “**Voting Stock**”), provided, however, that the following shall not constitute a change in control: (1) such person becomes a beneficial owner of 30% or more of the Voting Stock as the result of an acquisition of such Voting Stock directly from the Company, or (2) such person becomes a beneficial owner of 30% or more of the Voting Stock as a result of the decrease in the number of outstanding shares of Voting Stock caused by the repurchase of shares by the Company; provided, further, that in the event a person described in clause (1) or (2) shall thereafter increase (other than in circumstances described in clause (1) or (2)) beneficial ownership of stock representing more than 1% of the Voting Stock, such person shall be deemed to become a beneficial owner of 30% or more of the Voting Stock for purposes of this paragraph (i), provided such person continues to beneficially own 30% or more of the Voting Stock after such subsequent increase in beneficial ownership, or

(ii) Individuals who, as of the [date of the award], constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director, whose election or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered as through such individual were a member of the Incumbent Board, but excluding for this purpose, any individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 promulgated under the Exchange Act); or

(iii) Consummation of a reorganization, merger or consolidation or the sale or other disposition of all or substantially all of the assets of the Company (a “**Business Combination**”), in each case, unless (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the total voting power represented by the voting securities entitled to vote generally in the election of directors of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of the Business Combination owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to the Business Combination of the Voting Stock of the Company, and (2) at least a majority of the members of the board of directors of the corporation resulting from the Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Incumbent Board, providing for such Business Combination;

(iv) Approval by the stockholders of the Company of a plan of complete liquidation or dissolution of the Company; or

(v) (I) a sale or other transfer of the voting securities of the Bank, whether by stock, merger, joint venture, consolidation or otherwise, such that following said transaction the Company does not directly, or indirectly through majority owned subsidiaries, retain more than 50% of the total voting power of the Bank represented by the voting securities of the Bank entitled to vote generally in

the election of the Bank's directors; or (II) a sale of all or substantially all of the assets of the Bank other than to the Company or any subsidiary of the Company.

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## **Section 7: EX-10.10 (EMPLOYMENT TERM SHEET AGREEMENT)**

November 14, 2007

Mr. Dennis L. Klaeser  
PrivateBancorp, Inc.  
70 West Madison  
Suite 200  
Chicago, Illinois 60602

Dear Dennis:

Please find enclosed a term sheet agreement setting forth the terms of your employment and going forward compensation with PrivateBancorp, Inc. ("PrivateBancorp"). This term sheet agreement will replace your existing employment agreement with PrivateBancorp, dated October 1, 2003, upon your acceptance by signature below. As we discussed, your future compensation includes a significant equity award.

*The offer to execute this term sheet agreement will remain open for your acceptance until 5:00 p.m. (C.S.T.) December 14, 2007. Please signify your acceptance of this offer by signing as indicated below. If you do not sign and return your acceptance of the term sheet agreement by such date and time, the special performance share award that was granted on November 1, 2007 will be forfeited, and you will not receive the enhanced vesting protections with respect to the options that were granted as of that date.* You may return this offer letter to the following confidential fax 312.683.1493.

You are an important member of the PrivateBancorp management team, and we are counting on your continued efforts during this exciting period for our company. Thank you for your past efforts on behalf of PrivateBancorp, and we look forward to our continued success together.

Sincerely,

/s/ Ralph B. Mandell  
Ralph B. Mandell  
Chairman of the Board

Accepted:

/s/ Dennis L. Klaeser

Dennis L. Klaeser

Date: December 12, 2007

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**DENNIS L. KLAESER**

|                      |   |
|----------------------|---|
| Position             | Chief Financial Officer of PrivateBancorp, Inc. (the "Holding Company"), reporting to the Chief Executive Officer of the Holding Company.   |
| Base Salary          | Current annual base salary, subject to increase, but not decrease from time to time (other than permitted proportionate reductions applicable to all similarly situated senior executives of the Holding Company or The PrivateBank and Trust Company (the "Bank"), unless such reduction occurs during the two-year period commencing upon the occurrence of a Change of Control), in the sole discretion of the Bank, and any such increased (or decreased) amount shall mean "Base Salary" for purposes of this term sheet agreement.  |
| Annual Bonus         | Current target bonus percentage. The Compensation Committee does not intend to propose a 2008 annual bonus plan that will limit the bonus payable to the target amount.   |
| Special Equity Award | <p>On November 1, 2007 you received a special equity award of 62,500 stock options and 25,000 shares of restricted stock under the PrivateBancorp, Inc. 2007 Incentive Compensation Plan. The stock options have a 10-year term. The award of restricted stock and one-half of the stock options ("performance stock options") are subject to performance vesting requirements and continued service during the performance period generally applicable to such awards, and the other one-half of the stock options ("time-vesting stock options") are subject to time vesting requirements only, all as more particularly described on Attachment A hereto. If, prior to the date on which your special equity award is fully vested, your employment is terminated due to your death or Disability (as defined in the award agreement), your employment is involuntarily terminated by the Bank without Cause or voluntarily terminated by you for Good Reason,</p> <p>(i) the unvested portion of the time-vesting stock options will become fully vested and exercisable and</p> <p>(ii) you will continue to vest through December 31 of the fiscal year of your termination in the unvested portion of the restricted stock and performance stock options and such previously unvested performance stock options will become exercisable if the performance vesting conditions relating to the award are satisfied on the performance vesting date that next follows your date of termination; provided, you will be vested in a minimum number of each of shares of restricted stock and performance stock options as equals the product of (x) 5%</p> |

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multiplied by (y) the number of whole or partial years of employment with the Bank from January 1, 2008 through the date of termination, to the extent you had not previously become vested in at least such number of shares of restricted stock and performance stock options, respectively. Upon such termination of employment, vested time-vesting stock options (including time-vesting stock options that become vested on the date of termination) and then-vested performance stock options will be exercisable for 1 year after your date of termination (but not beyond the last day of the stock option term). Upon such termination of employment, performance stock options that become vested upon attainment of the performance objective for the year of termination will be exercisable for 1 year after the performance vesting date that next follows your date of termination (but not beyond the last day of the stock option term).

You will become fully vested in your special equity award upon the occurrence of a Change of Control.

To the extent that the Bank has or hereafter enters into a broker-assisted (FRB Reg. T) cashless exercise program for stock option awards to employees of the Bank, the initial stock option award will be included in such program.

The restricted shares and stock options will be subject to the terms and conditions of an equity incentive plan and award agreements to be adopted by the Board of Directors of the Holding Company; provided, however, that with respect to the terms and conditions described above, if there is a conflict between this term sheet agreement and the equity incentive plan and/or an award agreement thereunder, the document that is more favorable to you will control.

You will be eligible for future equity awards from time to time, in accordance with the terms of the Holding Company's incentive plans as then in effect, in such amount, if any, as is determined in the sole discretion of the Compensation Committee.

"Cause," "Good Reason" and "Change of Control" are defined on Attachment B.



Benefits; Perquisites

You are eligible to continue your participation in the Bank's various benefit programs as are currently in effect, subject to the terms of such programs and the Bank's right to amend or terminate such programs. Current benefits include medical and dental insurance plans, the flexible benefits plan, the PrivateBancorp, Inc. Savings, Retirement and Employee Stock Ownership Plan, life insurance, accidental death and dismemberment insurance and long term disability insurance.

You will also continue to be furnished with such perquisites which may from time to time be provided by the Holding Company and the Bank which are suitable to your position and adequate for the performance of your duties hereunder and reasonable in the circumstances. Such perquisites include, but are not limited to, reimbursement for dues at one approved country club and one approved luncheon club in the Chicago Metropolitan area.

Vacation

Standard Bank vacation policy, but not less than 4 weeks per calendar year.

Severance Benefits  
(Termination without Cause  
or for Good Reason) (prior to, or  
more  
than 2 years after, a Change of  
Control)

Upon an involuntary termination of your employment by the Bank without Cause or voluntary termination of employment by you for Good Reason, you will receive:

- (i) A pro rata bonus based on your prior year's bonus (if any) and the number of days elapsed during the year in which the date of termination occurs (the "Pro Rata Bonus");
- (ii) Severance payments equal to 100% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years (or such fewer number of years as you have been employed) immediately preceding the calendar year in which your date of termination occurs, payable in substantially equal monthly installments for a period of 12 months in accordance with the Bank's regular payroll practices;
- (iii) Continuation for 12 months of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same "cost-sharing" percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination; and
- (iv) Base Salary earned but not paid and vacation accrued and unused through your termination date, any annual bonus that is earned in a fiscal year preceding the fiscal year of your

termination but not paid as of the termination date, and such other earned but unpaid amounts under the employee benefit plans in which you participate as of the termination date that are payable to you in accordance with the terms thereof, (collectively "Accrued Obligations").

Any payments and benefits to you under this Severance Benefits section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

If you are a "specified employee" of the Holding Company and its affiliates (as defined in Treasury Regulation Section 1.409A-1(i)), then you shall receive payments during the 6 month period immediately following your date of termination equal to the lesser of (x) the amount payable under this severance provision or (y) two (2) times the compensation limit in effect under Code Section 401(a)(17) for the calendar year in which your date of termination occurs (with any amounts that otherwise would have been payable under this severance provision during such 6 month period being paid on the first regular payroll date following the 6 month anniversary of the date of termination).

#### Change of Control Severance

For the period commencing six months prior to a Change of Control and ending on the second anniversary of such Change of Control that occurs on or before that date, upon an involuntary termination of your employment by the Bank without Cause or voluntary termination of employment by you for Good Reason at or after a Change of Control, you will receive:

(i) The Pro Rata Bonus;

(ii) Severance equal to 200% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the greater of (x) your prior year's bonus or (y) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years (or such fewer number of years as you have been employed) immediately preceding the calendar year in which your date of termination occurs, payable in a single lump sum payment within 30 days after the date of termination, or if your termination of employment occurs within six months prior to a Change of Control, then within 5 business days after the Change of Control you will receive a single lump sum payment equal to (p) the amounts due you under this clause (ii) reduced by (q) the sum of all amounts paid to you under clause (ii) of Severance Benefits (above in this term sheet agreement), so that no amount of the lump sum payment under this clause (ii) is duplicative;

(iii) Continuation for 24 months of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same “cost-sharing” percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination;

(iv) Outplacement for 12 months; and

(v) The Accrued Obligations.

Any payments and benefits to you under this Change of Control Severance section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

Code Section 280G

If any payments or benefits constitute “excess parachute payments” (as defined in Code Section 280G), you will be fully grossed up if such payments and benefits exceed 330% of your “base amount” (as defined in Code Section 280G). If such payments and benefits equal 330% or less of your base amount, payments will be reduced so that you do not receive any excess parachute payments.

Full Satisfaction; Release of Claims

Any termination payments made and benefits provided to you under this term sheet agreement shall be in lieu of any termination or severance payments or benefits for which you may be eligible under any of the plans, policies or programs of the Bank or its affiliates.

As a condition precedent to the payment of all amounts, benefits and vesting of your special equity award, other than your Accrued Obligations, pursuant to your involuntary termination of employment without Cause or your voluntary termination of employment for Good Reason at any time, you shall execute a waiver and general release of claims, substantially in the form customarily obtained by the Bank from its terminating executive employees, which waiver and general release of claims is not revoked during any applicable seven (7) day revocation period. For the avoidance of doubt, such waiver and general release will not adversely affect your ability to enforce the terms of this term sheet agreement, your indemnification rights under the Bank’s by-laws and this term sheet agreement, your rights to coverage under the Bank’s directors and officers liability insurance; your and your covered dependents’ rights to COBRA continuation coverage, your rights to vested employee benefits, and other rights that cannot be waived by operation of law.

Restrictive Covenants  
(confidentiality,  
non-competition,  
non-solicitation)

You will not at any time during or following your employment with the Bank, directly or indirectly, disclose or use on your behalf or another's behalf, publish or communicate, except in the course of your employment and in the pursuit of the business of the Holding Company and the Bank or any of its subsidiaries or affiliates, any proprietary information or data of the Holding Company and the Bank or any of its subsidiaries or affiliates, which is not generally known to the public or which could not be recreated through public means and which the Holding Company and the Bank may reasonably regard as confidential and proprietary. You recognize and acknowledge that all knowledge and information which you have or may acquire in the course of your employment, such as, but not limited to, the business, developments, procedures, techniques, activities or services of the Holding Company or the Bank or the business affairs and activities of any customer, prospective customer, individual firm or entity doing business with the Holding Company or the Bank are their sole valuable property, and shall be held by you in confidence and in trust for their sole benefit. All records of every nature and description which come into your possession, whether prepared by you, or otherwise, shall remain the sole property of the Holding Company or the Bank and upon termination of your employment for any reason, said records shall be left with the Holding Company or the Bank as part of its property.

During the period of your employment with the Bank and for a period of 1 year after termination of your employment for any reason, you will not (except in your capacity as an employee of the Bank) directly or indirectly, for your own account, or as an agent, employee, director, owner, partner, or consultant of any corporation, firm, partnership, joint venture, syndicate, sole proprietorship or other entity:

(i) engage, directly or indirectly, in any business which has a place of business (whether as a principal, division, subsidiary, affiliate, related entity, or otherwise) located within the area encompassed within a 50 mile radius surrounding your office as of your date of termination that provides banking products, or that provides non-banking products or services of a type that accounted for more than 10% of the Holding Company's gross revenues for the fiscal year immediately preceding your date of termination, that the Holding Company or the Bank or any of their subsidiaries or affiliates provide as of your date of termination;

(ii) solicit or induce, or attempt to solicit or induce any client or customer of the Holding Company or the Bank or any of their subsidiaries or affiliates not to do business with the Bank or Holding Company or any of its subsidiaries or affiliates; or

(iii) solicit or induce, or attempt to solicit or induce, any employee or agent of the Holding Company or the Bank or any of their subsidiaries or affiliates to terminate his or her relationship with the Holding Company or the Bank or any of their subsidiaries or affiliates.

The foregoing provisions shall not be deemed to prohibit your ownership, not to exceed 5% of the outstanding shares, of capital stock of any corporation whose securities are publicly traded on a national or regional securities exchange or in the over-the-counter market.

You agree that, as the Holding Company's and the Bank's sole remedy for any breach (or threatened breach) of the non-competition covenant at subparagraph (i) above, respecting your initial restricted stock and stock option award above:

(x) you will immediately forfeit all unexercised stock options (whether then vested or unvested) then held by you, all shares of stock of the Holding Company (or any successor) acquired upon the exercise of vested stock options and then held by you, and all shares of restricted stock (whether vested or unvested, restricted or unrestricted) then held by you;

(y) you will immediately repay to the Holding Company a cash sum in the principal amount equal to all gross proceeds (before-tax) realized by you upon the sale or other disposition of shares of stock of the Holding Company (other than shares relating to open market purchases by you) occurring at any time during the period commencing on the date that is three years before the date of termination of your employment and ending on the date that the noncompetition covenant lapses ("Refund Period"), together with interest accrued thereon, from the date of such breach or threatened breach, at the prime rate (compounded calendar monthly) as published from time to time in The Wall Street Journal, electronic edition ("Interest"); and

(z) you will repay to the Holding Company a cash sum equal to fair market value of all shares of stock of the Holding Company (other than shares relating to open market purchases by you) and all stock options transferred by you as gifts at any time during the Refund Period, together with Interest, and for which purpose, "fair market value" per share of stock shall be the closing price of one share of Holding Company common stock on the date such gift occurs and per stock option shall be the positive difference, if any, between the fair market value of a share of stock, above, and the stock option exercise price.

You further agree that a breach (or threatened breach) of the confidentiality and/or non-solicitation covenants in subparagraphs (ii) and (iii) above will result in irreparable harm to the business of the Holding Company and the Bank, a remedy at law in the form of monetary damages for any breach (or threatened breach) by you of these covenants is inadequate, in addition to any remedy at law or equity for such breach, the Holding Company and the Bank shall be entitled to institute and maintain appropriate proceedings in equity, including a suit for injunction to enforce the specific performance by you of such obligations and to enjoin you from engaging in any activity in violation thereof, and the covenants on your part contained above shall be construed as agreements independent of any other provisions in this term sheet agreement, and the existence of any claim, setoff or cause of action by you against the Holding Company or the Bank, whether predicated on this term sheet or otherwise, shall not constitute a defense or bar to the specific enforcement by the Holding Company or the Bank of said covenants.

In the event of a breach or a violation by you of any of the covenants and provisions above, the running of the non-compete period (but not your obligations thereunder) shall be tolled during the period of the continuance of any actual breach or violation.

You agree that the covenants above are reasonable with respect to their duration, geographical area and scope. If the final judgment of a court of competent jurisdiction declares that any term or provision above is invalid or unenforceable, you agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace an invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this term sheet agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

#### Indemnification

You will be indemnified in accordance with the Holding Company's bylaws. You will also be covered by the Holding Company's directors and officers liability insurance coverage as in effect from time to time.

|                                 |  |
|---------------------------------|--|
| Fee Reimbursement               | You will be reimbursed for up to \$5,000 of the professional fees incurred by you relating to the negotiation and documentation of your employment arrangements.   |
| Code Section 409A               | It is intended that any amounts payable under this term sheet agreement and the Holding Company's, the Bank's and your exercise of authority or discretion hereunder shall comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) so as not to subject you to the payment of any interest or additional tax imposed under Section 409A of the Code. To the extent any amount payable under this term sheet agreement would trigger the additional tax imposed by Code Section 409A, this term sheet agreement shall be modified to avoid such additional tax.   |
| Board Approval                  | The Holding Company and the Bank represent and warrant to you that they have taken all corporate action necessary to authorize and to enter into this term sheet agreement.  |
| Entire Understanding; Amendment | This term sheet agreement constitutes the entire understanding between the Holding Company, the Bank, and you relating to your employment hereunder and supersedes and cancels all prior written and oral understandings and agreements with respect to such matters entered into prior to the date of your acceptance of this term sheet agreement, including, for the avoidance of doubt, your current employment agreement with the Holding Company dated October 1, 2003, and except for the terms and provisions of any employee benefit or other compensation plans (or any agreements or awards thereunder), referred to in this Agreement or as otherwise expressly contemplated by this Agreement. This term sheet agreement shall not be amended or modified except by written instrument executed by the Holding Company or Bank and you. |
| Binding Agreement               | This term sheet agreement shall be binding upon and inure to the benefit of the heirs and representatives of you and the successors and assigns of the Holding Company and the Bank.   |
| Governing Law                   | Illinois.  |

**ATTACHMENT A**  
**PRIVATEBANCORP, INC. SPECIAL EQUITY AWARD DESIGN**

|                   | <u>EQUITY GRANT FEATURE</u>           | <u>PERFORMANCE SHARES</u>  | <u>PERFORMANCE STOCK OPTIONS</u>  | <u>TIME-VESTING STOCK OPTIONS</u>  |                   |                 |     |                 |     |                 |      |   |
|-------------------|---------------------------------------|--|---|--|-------------------|-----------------|-----|-----------------|-----|-----------------|------|---|
| 1.                | <b>Allocation of Total Award</b>      | <ul style="list-style-type: none"><li>50% of value of the Awards.</li></ul>  | <ul style="list-style-type: none"><li>25% of value of the Awards.</li></ul>   | <ul style="list-style-type: none"><li>25% of value of the Awards.</li></ul>                          |                   |                 |     |                 |     |                 |      |   |
| 2.                | <b>Time Vesting</b>                   | <ul style="list-style-type: none"><li>N/A</li></ul>  | <ul style="list-style-type: none"><li>N/A</li></ul>   | <ul style="list-style-type: none"><li>20% per fiscal year of service, 1/1/2008-12/31/2012.</li></ul> |                   |                 |     |                 |     |                 |      |   |
| 3.                | <b>Performance Vesting</b>            | <ul style="list-style-type: none"><li>Based on stock price performance objectives: 20% compound annual stock price growth 2008-2012.</li><li>Stock price base is \$27.91.</li><li>20% of the Award vests per year, based on attainment of stock price objective for that year. Objective must be met for 20 consecutive trading days during that fiscal year to vest.</li><li>Employed on 12/31 of performance year.</li><li>If the PIPE (or other investment) does not close by 3/31/08 for at least \$150 million capital gross proceeds, the performance restrictions will lapse as to 25% of the Performance Shares and such shares shall be time-vested restricted stock vesting at the rate of 20% per fiscal year of service.</li></ul> | <ul style="list-style-type: none"><li>Based on EPS performance objectives: 20% compound annual EPS growth 2008 - 2012.</li><li>Earnings base is \$1.65.</li><li>20% of the Award vests per year, based on attainment of EPS objective for that year.</li><li>Employed on 12/31 of performance year.</li></ul>                 | <ul style="list-style-type: none"><li>None</li></ul>   |                   |                 |     |                 |     |                 |      |   |
| 4.                | <b>“Catch-Up” Performance Vesting</b> | <ul style="list-style-type: none"><li>As of 12/31 each year: To extent not vested, Award will vest for prior years if later year stock price objective is attained.</li></ul>  | <ul style="list-style-type: none"><li>As of 12/31/2012: To extent not vested, Award will vest:</li></ul> <table><tr><th>Cum. Cmpd. Growth</th><th>Vested % of Award</th></tr><tr><td>15.0% (\$12.80)</td><td>50%</td></tr><tr><td>17.5% (\$13.75)</td><td>75%</td></tr><tr><td>20.0% (\$14.74)</td><td>100%</td></tr></table> | Cum. Cmpd. Growth  | Vested % of Award | 15.0% (\$12.80) | 50% | 17.5% (\$13.75) | 75% | 20.0% (\$14.74) | 100% | <ul style="list-style-type: none"><li>N/A</li></ul> |
| Cum. Cmpd. Growth | Vested % of Award                     |  |   |  |                   |                 |     |                 |     |                 |      |   |
| 15.0% (\$12.80)   | 50%                                   |  |   |  |                   |                 |     |                 |     |                 |      |   |
| 17.5% (\$13.75)   | 75%                                   |  |   |  |                   |                 |     |                 |     |                 |      |   |
| 20.0% (\$14.74)   | 100%                                  |  |   |  |                   |                 |     |                 |     |                 |      |   |
|                   |                                       | <ul style="list-style-type: none"><li>Must be employed on 12/31 of year objective is attained.</li></ul>   | <ul style="list-style-type: none"><li>Must be employed on 12/31/2012.</li></ul>   |  |                   |                 |     |                 |     |                 |      |   |



| <b>EQUITY GRANT FEATURE</b>       | <b>PERFORMANCE SHARES</b>  | <b>PERFORMANCE STOCK OPTIONS</b>  | <b>TIME-VESTING STOCK OPTIONS</b>   |
|-----------------------------------|--|---|---|
| <b>5. Minimum 25% Vesting</b>     | <ul style="list-style-type: none"> <li>As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested shares).</li> <li>Must be employed on 12/31/2012.</li> </ul>                             | <ul style="list-style-type: none"> <li>As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested options).</li> <li>Must be employed on 12/31/2012.</li> </ul>   | <ul style="list-style-type: none"> <li>N/A</li> </ul>   |
| <b>6. “Good Leaver” Treatment</b> | <ul style="list-style-type: none"> <li>Continued vesting until 12/31 of termination year based on performance.</li> <li>Minimum vesting of whole Award of 5% x whole or partial years employed 1/1/08 to 12/31 of termination year.</li> </ul> | <ul style="list-style-type: none"> <li>Continued vesting until 12/31 of termination year based on performance.</li> <li>Minimum vesting of whole Award of 5% x whole or partial years employed 1/1/08 to 12/31 of termination year.</li> <li>1 year to exercise vested options from 12/31 of termination year.</li> </ul> | <ul style="list-style-type: none"> <li>Full accelerated vesting.</li> <li>1 year to exercise from date of termination.</li> </ul> |

## ATTACHMENT B

### DEFINITIONS

“**Cause**” shall mean (A) your willful and continued (for a period of not less than 10 business days after written notice thereof during which you may remedy such failure if capable of remedy) failure to perform substantially the duties of your employment (other than as a result of physical or mental incapacity, or while on vacation or other approved absence) which are within your control (mere inability to achieve financial or other performance targets or objectives, alone, shall not constitute such a willful and continued failure); or (B) your willful engaging in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Holding Company or the Bank; or (C) your conviction of a felony involving moral turpitude, but specifically excluding any conviction based entirely on vicarious liability (with “vicarious liability” meaning liability based on acts of the Holding Company or the Bank for which you are charged solely as a result of your offices with the Bank and in which you were not directly involved and did not have prior knowledge of such actions or intended actions); provided, however, that no act or failure to act, on your part, shall be considered “willful” unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of the Holding Company or the Bank; and provided further that no act or omission by you shall constitute Cause hereunder unless you have been given detailed written notice thereof, and you have failed to remedy such act or omission.

“**Good Reason**” shall mean the occurrence, other than in connection with a discharge, of any of the following without your consent: (A) a reduction in your Base Salary, target annual bonus opportunity (other than a proportionate reduction applicable to all executives of the Bank, unless such reduction occurs during the two-year period commencing on the occurrence of a Change of Control) and/or the number of shares of restricted stock or number of stock options granted as your special equity award, or (B) your being required to be based at an office or location which is more than 50 miles from your then current office, or (C) your removal as a member of the most senior management council of the Bank (to the extent such council exists), or (D) the failure of a successor to assume the obligations of the Bank under this term sheet agreement (to the extent not otherwise assumed by operation of law); provided, however, the hiring of any executives in connection with Project Midwest and any effect such executive hires may have on your employment shall not constitute grounds for Good Reason. You must provide written notice to the Bank of the existence of Good Reason no later than 90 days after its initial existence, and the Bank shall have a period of 30 days following its receipt of such written notice during which it may remedy in all material respects the Good Reason condition identified in such written notice.

“**Change of Control**” shall be deemed to have occurred upon the happening of any of the following events:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (“**Exchange Act**”)), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan of PrivateBancorp, Inc. (the “**Company**”) or any of its subsidiaries, or (B) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the “**beneficial owner**” (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 30% or more of the total voting power of the then outstanding shares of capital

stock of the Company entitled to vote generally in the election of directors (the “**Voting Stock**”), provided, however, that the following shall not constitute a change in control: (1) such person becomes a beneficial owner of 30% or more of the Voting Stock as the result of an acquisition of such Voting Stock directly from the Company, or (2) such person becomes a beneficial owner of 30% or more of the Voting Stock as a result of the decrease in the number of outstanding shares of Voting Stock caused by the repurchase of shares by the Company; provided, further, that in the event a person described in clause (1) or (2) shall thereafter increase (other than in circumstances described in clause (1) or (2)) beneficial ownership of stock representing more than 1% of the Voting Stock, such person shall be deemed to become a beneficial owner of 30% or more of the Voting Stock for purposes of this paragraph (i), provided such person continues to beneficially own 30% or more of the Voting Stock after such subsequent increase in beneficial ownership, or

(ii) Individuals who, as of November 1, 2007, constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director, whose election or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered as through such individual were a member of the Incumbent Board, but excluding for this purpose, any individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 promulgated under the Exchange Act); or

(iii) Consummation of a reorganization, merger or consolidation or the sale or other disposition of all or substantially all of the assets of the Company (a “**Business Combination**”), in each case, unless (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the total voting power represented by the voting securities entitled to vote generally in the election of directors of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of the Business Combination owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to the Business Combination of the Voting Stock of the Company, and (2) at least a majority of the members of the board of directors of the corporation resulting from the Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Incumbent Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a plan of complete liquidation or dissolution of the Company; or

(v) (I) a sale or other transfer of the voting securities of the Bank, whether by stock, merger, joint venture, consolidation or otherwise, such that following said transaction the Company does not directly, or indirectly through majority owned subsidiaries, retain more than 50% of the total voting power of the Bank represented by the voting securities of the Bank entitled to vote generally in the election of the Bank’s directors; or (II) a sale of all or substantially all of the assets of the Bank other than to the Company or any subsidiary of the Company.

## **Section 8: EX-10.11 (EMPLOYMENT TERM SHEET AGREEMENT)**

October 24, 2007

Mr. Bruce Lubin  
5217 R.F.D.  
Briarcrest  
Long Grove, IL 60047

Dear Mr. Lubin:

It is my pleasure to extend to you an offer of employment as President of Illinois Commercial Banking of The PrivateBank and Trust Company upon the terms set forth in the attached term sheet agreement. As we discussed, your compensation includes a significant equity award in order to induce you to join the bank and forego other employment opportunities. We are very excited about the prospect of having you join our team. We would like you to start as soon as possible, but in no event later than October 31, 2007.

To the extent that we enter into employment arrangements with another president of the Bank having terms and conditions (other than base salary, target bonus, any buy-out of forfeitures, and benefits and perquisites directly relating to the level of your compensation) that are more favorable than the terms and conditions in this term sheet agreement, we will update your term sheet agreement to reflect those more favorable terms. In this regard, Joan Schellhorn, our Chief Human Resources Officer, will follow-up with you as appropriate.

This offer will remain open for your acceptance until 5:00 p.m. (C.D.T.) October 25, 2007. Please signify your acceptance of this offer by signing as indicated below. You may return this offer letter to the following confidential fax 312.683.1493.

Sincerely,

/s/ Ralph B. Mandell  
Ralph B. Mandell  
Chairman of the Board  
President and Chief Executive Officer

Accepted:

/s/ Bruce Lubin  
Bruce Lubin

Date: October 25, 2007

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**BRUCE LUBIN**

|                         |  |
|-------------------------|--|
| Position                | President of Illinois Commercial Banking of The PrivateBank and Trust Company (the "Bank"), reporting to the Chief Executive Officer. You will be a member of the most senior management council of the Bank and the senior loan committee, if such council or committee are established by the Chief Executive Officer (in his sole discretion) and while such council or committee (or both) is in existence.  |
| Base Salary             | <p>\$385,000 per year subject to increase, but not decrease from time to time (other than permitted proportionate reductions applicable to all similarly situated senior executives of the Bank, unless such reduction occurs during the two-year period commencing upon the occurrence of a Change of Control), in the sole discretion of the Bank, and any such increased (or decreased) amount shall mean "Base Salary" for purposes of this term sheet agreement. Your initial Base Salary reflects your base salary with your current employer of \$375,000, plus \$10,000 to reflect that the Bank does not provide cars or car allowances to its employees.</p>   |
| Annual Bonus            | <p>90% of Base Salary at target.</p> <p>The Compensation Committee does not intend to propose a 2008 annual bonus plan that will limit the bonus payable to the target amount.</p>   |
| Inducement Equity Award | <p>As a material inducement for you to join the Bank, you will receive an initial equity award of 125,000 stock options and 50,000 shares of restricted stock with an estimated combined value of \$3,050,000 (based on the FAS 123R value assigned to such award by PrivateBancorp, Inc. (the "Holding Company")) that is expected to be granted during November 2007, but in no event later than December 31, 2007. The stock options will have a 10-year term. The award of restricted stock and one-half of the stock options ("performance stock options") will be subject to performance vesting requirements and continued service during the performance period generally applicable to such awards, and the other one-half of the stock options ("time-vesting stock options") will be subject to time vesting requirements only, all as more particularly described on Attachment A hereto.</p> <p>If, prior to the date on which your initial equity award is fully vested, your employment is terminated due to your death or Disability (as defined in the award agreement), your employment is involuntarily terminated by the Bank without Cause or voluntarily terminated by you for Good Reason, (i) the unvested</p> |

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portion of the time-vesting stock options will become fully vested and exercisable and (ii) you will continue to vest through December 31 of the fiscal year of your termination in the unvested portion of the restricted stock and performance stock options and such previously unvested performance stock options will become exercisable if the performance vesting conditions relating to the award are satisfied on the performance vesting date that next follows your date of termination; provided, you will be vested in a minimum number of each of shares of restricted stock and performance stock options as equals the product of (x) 5% multiplied by (y) the number of whole or partial years of employment with the Bank from January 1, 2008 through the date of termination, to the extent you had not previously become vested in at least such number of shares of restricted stock and performance stock options, respectively. Upon such termination of employment, vested time-vesting stock options (including time-vesting stock options that become vested on the date of termination) and then-vested performance stock options will be exercisable for 1 year after your date of termination (but not beyond the last day of the stock option term). Upon such termination of employment, performance stock options that become vested upon attainment of the performance objective for the year of termination will be exercisable for 1 year after the performance vesting date that next follows your date of termination (but not beyond the last day of the stock option term).

You will become fully vested in your initial equity award upon the occurrence of a Change of Control.

To the extent that the Bank has or hereafter enters into a broker-assisted (FRB Reg. T) cashless exercise program for stock option awards to employees of the Bank, the initial stock option award will be included in such program.

The restricted shares and stock options will be subject to the terms and conditions of an equity incentive plan and award agreements to be adopted by the Board of Directors of the Holding Company; provided, however, that with respect to the terms and conditions described above, if there is a conflict between this term sheet agreement and the equity incentive plan and/or an award agreement thereunder, the document that is more favorable to you will control.

You will be eligible for future equity awards from time to time, in accordance with the terms of the Holding Company's incentive plans as then in effect, in such amount, if any, as is determined in the sole discretion of the Compensation Committee.

"Cause," "Good Reason" and "Change of Control" are defined on Attachment B.

## Buy-Out

You will receive appropriate cash amounts to compensate you for any forfeited compensation that otherwise would have been earned as of December 31, 2007, at your current employer, including the loss of accrued bonus, LTIP and equity awards:

**Bonus:** Full (i.e., non-pro rated) 2007 bonus will be paid to you in the amount of 150% of the target amount, payable under your current employer annual bonus award, on the Bank's first payroll date in January 2008.

**Retention Bonus:** You will receive a make whole payment for the second one-half of your retention bonus on or about February 15, 2008. Any forfeiture of the first one-half of your retention bonus will be made whole on or about November 5, 2007 or, if later, commencement of employment.

**LTIP:** The 2005-2007, 2006-2008 and 2007-2009 open LTIP cycles will be paid to you at the rate of \$200 per LTIP unit, as follows:

(i) the full amount of the 2005-2007 cycle if you remain employed until December 31, 2007 (payable in January 2008), (ii) the full amount of the 2006-2008 cycle if you remain employed until December 31, 2008 (payable in January 2009), and (iii) the full amount of the 2007-2009 cycle if you remain employed until December 31, 2009 (payable in January 2010). If, prior to the end of a particular cycle, your employment is terminated due to your death or Disability (as defined in the Inducement Equity Award agreement), your employment is involuntarily terminated by the Bank without Cause or voluntarily terminated by you for Good Reason, you will receive a pro rata portion of the payout relating to such cycle equal to the full amount payable under such cycle multiplied by a fraction, the numerator of which is the number of days you were employed by your prior employer and then by the Bank during such cycle and the denominator of which is 1095. If your employment is terminated for any other reason prior to the last day of a particular cycle, you will forfeit any amounts relating to that cycle.

**Equity:** Cash payment consistent with the treatment by your prior employer's parent company of outstanding equity awards for individuals who remain employed by your prior employer on December 31, 2007. Your outstanding equity awards are listed on Exhibit C attached hereto.

All of the above Buy-Out amounts actually paid to you by the Bank will be reduced (if not paid), or offset by future cash compensation (if paid), by the amount of any payment received from your prior employer, so as to avoid any duplication of payment of those amounts.

#### Benefits; Perquisites

On the first of the month after your start date, you are eligible to participate in the Bank's medical and dental insurance plans as well as participate in the flexible benefits plan and the PrivateBancorp, Inc. Savings, Retirement and Employee Stock Ownership Plan (KSOP). Our KSOP currently provides the additional benefit after a year of service of a company match of \$.50 on the dollar on your elected contributions of up to the first 6% of compensation. Life insurance and accidental death and dismemberment insurance (both at two times your Base Salary, subject to applicable maximum coverage provisions) are provided by the Bank. The long term disability insurance is also provided by the Bank.

You will also be furnished with such perquisites which may from time to time be provided by the Holding Company and the Bank which are suitable to your position and adequate for the performance of your duties hereunder and reasonable in the circumstances. Such perquisites include, but are not limited to, reimbursement for dues at one approved country club and one approved luncheon club in the Chicago Metropolitan area.

#### Vacation

Standard Bank vacation policy, but not less than 4 weeks per calendar year.

#### Severance Benefits (Termination without Cause or for Good Reason) (prior to, or more than 2 years after, a Change of Control)

Upon an involuntary termination of your employment by the Bank without Cause or voluntary termination of employment by you for Good Reason, you will receive:

- (i) A pro rata bonus based on your prior year's bonus (if any) (assumed to be the target bonus until the 2008 bonus, if any, is payable) and the number of days elapsed during the year in which the date of termination occurs (the "Pro Rata Bonus");
- (ii) Severance payments equal to 100% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years (or such fewer number of years as you have been employed – assuming target bonus until the 2008 bonus, if any, is payable) immediately preceding the calendar year in which your date of termination occurs, payable in substantially equal monthly installments for a period of 12 months in accordance with the Bank's regular payroll practices;
- (iii) Continuation for 12 months of your right to maintain COBRA continuation coverage under the applicable Bank plans



at premium rates on the same “cost-sharing” percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination;

(iv) Payment of all Buy-Out amounts, in the manner and at the time provided in this term sheet agreement, that remain unpaid as of your termination date; and

(v) Base Salary earned but not paid and vacation accrued and unused through your termination date, any annual bonus that is earned in a fiscal year preceding the fiscal year of your termination but not paid as of the termination date, and such other earned but unpaid amounts under the employee benefit plans in which you participate as of the termination date that are payable to you in accordance with the terms thereof, (collectively “Accrued Obligations”).

Any payments and benefits to you under this Severance Benefits section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

If you are a “specified employee” of the Holding Company and its affiliates (as defined in Treasury Regulation Section 1.409A-1(i)), then you shall receive payments during the 6 month period immediately following your date of termination equal to the lesser of (x) the amount payable under this severance provision or (y) two (2) times the compensation limit in effect under Code Section 401(a)(17) for the calendar year in which your date of termination occurs (with any amounts that otherwise would have been payable under this severance provision during such 6 month period being paid on the first regular payroll date following the 6 month anniversary of the date of termination).

#### Change of Control Severance

For the period commencing six months prior to a Change of Control and ending on the second anniversary of such Change of Control that occurs on or before that date, upon an involuntary termination of your employment by the Bank without Cause or voluntary termination of employment by you for Good Reason at or after a Change of Control, you will receive:

(i) The Pro Rata Bonus;

(ii) Severance equal to 200% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the greater of (x) your prior year’s bonus or (y) the average of the sum of the bonus amounts earned by you

with respect to the 3 calendar years (or such fewer number of years as you have been employed – assuming target bonus until your first annual bonus has been paid) immediately preceding the calendar year in which your date of termination occurs, payable in a single lump sum payment within 30 days after the date of termination, or if your termination of employment occurs within six months prior to a Change of Control, then within 5 business days after the Change of Control you will receive a single lump sum payment equal to (p) the amounts due you under this clause (ii) reduced by (q) the sum of all amounts paid to you under clause (ii) of Severance Benefits (above in this term sheet agreement), so that no amount of the lump sum payment under this clause (ii) is duplicative;

(iii) Continuation for 24 months of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same “cost-sharing” percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination;

(iv) Payment of all Buy-Out amounts in a single lump sum within 30 days after the date of termination and otherwise in the manner provided in this term sheet agreement, that remain unpaid as of your termination date;

(v) Outplacement for 12 months; and

(vi) The Accrued Obligations.

Any payments and benefits to you under this Change of Control Severance section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

Code Section 280G

If any payments or benefits constitute “excess parachute payments” (as defined in Code Section 280G), you will be fully grossed up if such payments and benefits exceed 330% of your “base amount” (as defined in Code Section 280G). If such payments and benefits equal 330% or less of your base amount, payments will be reduced so that you do not receive any excess parachute payments.

Full Satisfaction; Release of Claims

Any termination payments made and benefits provided to you under this term sheet agreement shall be in lieu of any termination or severance payments or benefits for which you may be eligible under any of the plans, policies or programs of the Bank or its affiliates.

As a condition precedent to the payment of all amounts, benefits and vesting of your initial equity award, other than your Accrued Obligations, pursuant to your involuntary termination of employment without Cause or your voluntary termination of employment for Good Reason at any time, you shall execute a waiver and general release of claims, substantially in the form customarily obtained by the Bank from its terminating executive employees, which waiver and general release of claims is not revoked during any applicable seven (7) day revocation period. For the avoidance of doubt, such waiver and general release will not adversely affect your ability to enforce the terms of this term sheet agreement, your indemnification rights under the Bank's by-laws and this term sheet agreement, your rights to coverage under the Bank's directors and officers liability insurance; your and your covered dependents' rights to COBRA continuation coverage, your rights to vested employee benefits, and other rights that cannot be waived by operation of law.

Restrictive Covenants  
(confidentiality,  
non-competition,  
non-solicitation)

You will not at any time during or following your employment with the Bank, directly or indirectly, disclose or use on your behalf or another's behalf, publish or communicate, except in the course of your employment and in the pursuit of the business of the Holding Company and the Bank or any of its subsidiaries or affiliates, any proprietary information or data of the Holding Company and the Bank or any of its subsidiaries or affiliates, which is not generally known to the public or which could not be recreated through public means and which the Holding Company and the Bank may reasonably regard as confidential and proprietary. You recognize and acknowledge that all knowledge and information which you have or may acquire in the course of your employment, such as, but not limited to, the business, developments, procedures, techniques, activities or services of the Holding Company or the Bank or the business affairs and activities of any customer, prospective customer, individual firm or entity doing business with the Holding Company or the Bank are their sole valuable property, and shall be held by you in confidence and in trust for their sole benefit. All records of every nature and description which come into your possession, whether prepared by you, or otherwise, shall remain the sole property of the Holding Company or the Bank and upon termination of your employment for any reason, said records shall be left with the Holding Company or the Bank as part of its property.

During the period of your employment with the Bank and for a period of 1 year after termination of your employment for any reason, you will not (except in your capacity as an employee of

the Bank) directly or indirectly, for your own account, or as an agent, employee, director, owner, partner, or consultant of any corporation, firm, partnership, joint venture, syndicate, sole proprietorship or other entity:

(i) engage, directly or indirectly, in any business which has a place of business (whether as a principal, division, subsidiary, affiliate, related entity, or otherwise) located within the area encompassed within a 50 mile radius surrounding your office as of your date of termination that provides banking products, or that provides non-banking products or services of a type that accounted for more than 10% of the Holding Company's gross revenues for the fiscal year immediately preceding your date of termination, that the Holding Company or the Bank or any of their subsidiaries or affiliates provide as of your date of termination, provided that this subsection (i) shall not become applicable unless you are employed by the Bank at any time on December 31, 2008;

(ii) solicit or induce, or attempt to solicit or induce any client or customer of the Holding Company or the Bank or any of their subsidiaries or affiliates not to do business with the Bank or Holding Company or any of its subsidiaries or affiliates; provided that, respecting any such client or customer of the Holding Company or the Bank that was a client or customer of your immediate prior employer on the date hereof, and for which you or one of your direct or indirect reports were the primary relationship manager, this subsection (ii) shall not become applicable unless you are employed by the Bank at any time on December 31, 2008; or

(iii) solicit or induce, or attempt to solicit or induce, any employee or agent of the Holding Company or the Bank or any of their subsidiaries or affiliates to terminate his or her relationship with the Holding Company or the Bank or any of their subsidiaries or affiliates.

The foregoing provisions shall not be deemed to prohibit your ownership, not to exceed 5% of the outstanding shares, of capital stock of any corporation whose securities are publicly traded on a national or regional securities exchange or in the over-the-counter market.

You agree that, as the Holding Company's and the Bank's sole remedy for any breach (or threatened breach) of the non-competition covenant at subparagraph (i) above, respecting your

initial restricted stock and stock option award above:

(x) you will immediately forfeit all unexercised stock options (whether then vested or unvested) then held by you, all shares of stock of the Holding Company (or any successor) acquired upon the exercise of vested stock options and then held by you, and all shares of restricted stock (whether vested or unvested, restricted or unrestricted) then held by you;

(y) you will immediately repay to the Holding Company a cash sum in the principal amount equal to all gross proceeds (before-tax) realized by you upon the sale or other disposition of shares of stock of the Holding Company (other than shares relating to open market purchases by you) occurring at any time during the period commencing on the date that is three years before the date of termination of your employment and ending on the date that the noncompetition covenant lapses ("Refund Period"), together with interest accrued thereon, from the date of such breach or threatened breach, at the prime rate (compounded calendar monthly) as published from time to time in The Wall Street Journal, electronic edition ("Interest"); and

(z) you will repay to the Holding Company a cash sum equal to fair market value of all shares of stock of the Holding Company (other than shares relating to open market purchases by you) and all stock options transferred by you as gifts at any time during the Refund Period, together with Interest, and for which purpose, "fair market value" per share of stock shall be the closing price of one share of Holding Company common stock on the date such gift occurs and per stock option shall be the positive difference, if any, between the fair market value of a share of stock, above, and the stock option exercise price.

You further agree that a breach (or threatened breach) of the confidentiality and/or non-solicitation covenants in subparagraphs (ii) and (iii) above will result in irreparable harm to the business of the Holding Company and the Bank, a remedy at law in the form of monetary damages for any breach (or threatened breach) by you of these covenants is inadequate, in addition to any remedy at law or equity for such breach, the Holding Company and the Bank shall be entitled to institute and maintain appropriate proceedings in equity, including a suit for injunction to enforce the specific performance by you of such obligations and to enjoin you from engaging in any activity in violation thereof, and the covenants on your part contained above shall be construed as agreements independent of any other provisions in this term sheet agreement, and the existence of any

claim, setoff or cause of action by you against the Holding Company or the Bank, whether predicated on this term sheet or otherwise, shall not constitute a defense or bar to the specific enforcement by the Holding Company or the Bank of said covenants.

In the event of a breach or a violation by you of any of the covenants and provisions above, the running of the non-compete period (but not your obligations thereunder) shall be tolled during the period of the continuance of any actual breach or violation.

You agree that the covenants above are reasonable with respect to their duration, geographical area and scope. If the final judgment of a court of competent jurisdiction declares that any term or provision above is invalid or unenforceable, you agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace an invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this term sheet agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

#### Your Representations

You represent that except as otherwise previously disclosed in writing to the Bank, you are not a party to any confidentiality, non-competition or non-solicitation agreement or understanding, whether written or oral, with any prior employer that would prevent you from entering into an employment relationship with the Bank, or prevent or restrict your ability to fulfill your obligations as an employee of the Bank. You further represent that you have not and will not take or retain any confidential information or trade secrets (whether in hard copy or electronic format) from any previous or current employer prior to assuming your position at the Bank.

#### Indemnification

You will be indemnified in accordance with the Bank's bylaws. You will be indemnified for any claims that might be brought by your prior employer (or any successor and/or any affiliate thereof) relating to your negotiation or acceptance of employment with the Bank (including any alleged conflict of interest created by such negotiation or acceptance) or the performance of your duties for the Bank. You will also be covered by the Bank's directors and officers liability insurance coverage as in effect from time to time.

|                   |  |
|-------------------|--|
| Fee Reimbursement | You will be reimbursed for up to \$10,000 of the professional fees incurred by you relating to the negotiation and documentation of your employment arrangements.  |
| Code Section 409A | It is intended that any amounts payable under this term sheet agreement and the Holding Company's, the Bank's and your exercise of authority or discretion hereunder shall comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) so as not to subject you to the payment of any interest or additional tax imposed under Section 409A of the Code. To the extent any amount payable under this term sheet agreement would trigger the additional tax imposed by Code Section 409A, this term sheet agreement shall be modified to avoid such additional tax. |
| Board Approval    | The Holding Company and the Bank represent and warrant to you that they have taken all corporate action necessary to authorize and to enter into this term sheet agreement.  |
| Amendment         | This term sheet agreement shall not be amended or modified except by written instrument executed by the Bank and you.  |
| Binding Agreement | This term sheet agreement shall be binding upon and inure to the benefit of the heirs and representatives of you and the successors and assigns of the Holding Company and the Bank.   |
| Governing Law     | Illinois.  |

# ATTACHMENT A

## PRIVATEBANCORP, INC. INDUCEMENT EQUITY DESIGN PROPOSAL

|                    | <u>EQUITY GRANT FEATURE</u>           | <u>PERFORMANCE SHARES</u>  | <u>PERFORMANCE STOCK OPTIONS</u>  | <u>TIME-VESTING STOCK OPTIONS</u>  |                   |                |     |                 |     |                 |      |   |
|--------------------|---------------------------------------|--|---|--|-------------------|----------------|-----|-----------------|-----|-----------------|------|---|
| 1.                 | <b>Allocation of Total Award</b>      | <ul style="list-style-type: none"><li>• 50% of value of the Awards.</li></ul>  | <ul style="list-style-type: none"><li>• 25% of value of the Awards.</li></ul>   | <ul style="list-style-type: none"><li>• 25% of value of the Awards.</li></ul>                          |                   |                |     |                 |     |                 |      |   |
| 2.                 | <b>Time Vesting</b>                   | <ul style="list-style-type: none"><li>• N/A</li></ul>  | <ul style="list-style-type: none"><li>• N/A</li></ul>   | <ul style="list-style-type: none"><li>• 20% per fiscal year of service, 1/1/2008-12/31/2012.</li></ul> |                   |                |     |                 |     |                 |      |   |
| 3.                 | <b>Performance Vesting</b>            | <ul style="list-style-type: none"><li>• Based on stock price performance objectives: 20% compound annual stock price growth 2008-2012.</li><li>• Stock price base is 10-day average price prior to date of Award.</li><li>• 20% of the Award vests per year, based on attainment of stock price objective for that year. Objective must be met for 20 consecutive trading days during that fiscal year to vest.</li><li>• Employed on 12/31 of performance year.</li><li>• If the PIPE (or other investment) does not close by 3/31/08 for at least \$150 million capital gross proceeds, the performance restrictions will lapse as to 25% of the Performance Shares and such shares shall be time-vested restricted stock vesting at the rate of 20% per fiscal year of service.</li></ul> | <ul style="list-style-type: none"><li>• Based on EPS performance objectives: 20% compound annual EPS growth 2008 - 2012.</li><li>• Earnings base is the sum of EPS for 4 quarters 12/06 – 9/07.</li><li>• 20% of the Award vests per year, based on attainment of EPS objective for that year.</li><li>• Employed on 12/31 of performance year.</li></ul>   | <ul style="list-style-type: none"><li>• None</li></ul>   |                   |                |     |                 |     |                 |      |   |
| 4.                 | <b>“Catch-Up” Performance Vesting</b> | <ul style="list-style-type: none"><li>• As of 12/31 each year: To extent not vested, Award will vest for prior years if later year stock price objective is attained.</li><li>• Must be employed on 12/31 of year objective is attained.</li></ul>   | <ul style="list-style-type: none"><li>• As of 12/31/2012: To extent not vested, Award will vest:</li></ul> <table><tr><td>Cum. Cmpd. Growth*</td><td>Vested % of Award</td></tr><tr><td>5.0% (\$12.87)</td><td>50%</td></tr><tr><td>17.5% (\$13.82)</td><td>75%</td></tr><tr><td>20.0% (\$14.82)</td><td>100%</td></tr></table> <p>* Estimated EPS targets•</p> <ul style="list-style-type: none"><li>• Must be employed on 12/31/2012.</li></ul> | Cum. Cmpd. Growth*   | Vested % of Award | 5.0% (\$12.87) | 50% | 17.5% (\$13.82) | 75% | 20.0% (\$14.82) | 100% | <ul style="list-style-type: none"><li>• N/A</li></ul> |
| Cum. Cmpd. Growth* | Vested % of Award                     |  |   |  |                   |                |     |                 |     |                 |      |   |
| 5.0% (\$12.87)     | 50%                                   |  |   |  |                   |                |     |                 |     |                 |      |   |
| 17.5% (\$13.82)    | 75%                                   |  |   |  |                   |                |     |                 |     |                 |      |   |
| 20.0% (\$14.82)    | 100%                                  |  |   |  |                   |                |     |                 |     |                 |      |   |



|    | <u>EQUITY GRANT FEATURE</u>    | <u>PERFORMANCE SHARES</u>  | <u>PERFORMANCE STOCK OPTIONS</u>  | <u>TIME-VESTING STOCK OPTIONS</u>  |
|----|--------------------------------|--|---|--|
| 5. | <b>Minimum 25% Vesting</b>     | <ul style="list-style-type: none"> <li>As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested shares).</li> <li>Must be employed on 12/31/2012.</li> </ul>                             | <ul style="list-style-type: none"> <li>As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested options).</li> <li>Must be employed on 12/31/2012.</li> </ul>   | <ul style="list-style-type: none"> <li>N/A</li> </ul>  |
| 6. | <b>“Good Leaver” Treatment</b> | <ul style="list-style-type: none"> <li>Continued vesting until 12/31 of termination year based on performance.</li> <li>Minimum vesting of whole Award of 5% x whole or partial years employed 1/1/08 to 12/31 of termination year.</li> </ul> | <ul style="list-style-type: none"> <li>Continued vesting until 12/31 of termination year based on performance.</li> <li>Minimum vesting of whole Award of 5% x whole or partial years employed 1/1/08 to 12/31 of termination year.</li> <li>1 year to exercise vested options from 12/31 of termination year.</li> </ul> | <ul style="list-style-type: none"> <li>Full accelerated vesting.</li> <li>1 year to exercise from date of termination</li> </ul> |

## ATTACHMENT B

### DEFINITIONS

“**Cause**” shall mean (A) your willful and continued (for a period of not less than 10 business days after written notice thereof during which you may remedy such failure if capable of remedy) failure to perform substantially the duties of your employment (other than as a result of physical or mental incapacity, or while on vacation or other approved absence) which are within your control (mere inability to achieve financial or other performance targets or objectives, alone, shall not constitute such a willful and continued failure); or (B) your willful engaging in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Holding Company or the Bank; or (C) your conviction of a felony involving moral turpitude, but specifically excluding any conviction based entirely on vicarious liability (with “vicarious liability” meaning liability based on acts of the Holding Company or the Bank for which you are charged solely as a result of your offices with the Bank and in which you were not directly involved and did not have prior knowledge of such actions or intended actions); provided, however, that no act or failure to act, on your part, shall be considered “willful” unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of the Holding Company or the Bank; and provided further that no act or omission by you shall constitute Cause hereunder unless you have been given detailed written notice thereof, and you have failed to remedy such act or omission.

“**Good Reason**” shall mean the occurrence, other than in connection with a discharge, of any of the following without your consent: (A) a reduction in your Base Salary, target annual bonus opportunity (other than a proportionate reduction applicable to all executives of the Bank, unless such reduction occurs during the two-year period commencing on the occurrence of a Change of Control) and/or the number of shares of restricted stock or number of stock options granted as your initial equity award, or (B) your being required to be based at an office or location which is more than 50 miles from your then current office, or (C) a diminution in your reporting responsibilities following which you do not report directly to the Chief Executive Officer or your removal as President of Illinois Commercial Banking or your removal as a member of the most senior management council or the senior loan committee of the Bank (to the extent such council and loan committee, respectively, exist) or (D) the failure of a successor to assume the obligations of the Bank under this term sheet agreement (to the extent not otherwise assumed by operation of law). You must provide written notice to the Bank of the existence of Good Reason no later than 90 days after its initial existence, and the Bank shall have a period of 30 days following its receipt of such written notice during which it may remedy in all material respects the Good Reason condition identified in such written notice.

“**Change of Control**”<sup>1</sup> shall be deemed to have occurred upon the happening of any of the following events:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (“**Exchange Act**”)), other than (A) a trustee or other fiduciary

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<sup>1</sup> **This definition is based on the existing stock incentive plan’s definition. It remains subject to review and approval by the Board.**

holding securities under an employee benefit plan of PrivateBancorp, Inc. (the “**Company**”) or any of its subsidiaries, or (B) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the “**beneficial owner**” (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 30% or more of the total voting power of the then outstanding shares of capital stock of the Company entitled to vote generally in the election of directors (the “**Voting Stock**”), provided, however, that the following shall not constitute a change in control: (1) such person becomes a beneficial owner of 30% or more of the Voting Stock as the result of an acquisition of such Voting Stock directly from the Company, or (2) such person becomes a beneficial owner of 30% or more of the Voting Stock as a result of the decrease in the number of outstanding shares of Voting Stock caused by the repurchase of shares by the Company; provided, further, that in the event a person described in clause (1) or (2) shall thereafter increase (other than in circumstances described in clause (1) or (2)) beneficial ownership of stock representing more than 1% of the Voting Stock, such person shall be deemed to become a beneficial owner of 30% or more of the Voting Stock for purposes of this paragraph (i), provided such person continues to beneficially own 30% or more of the Voting Stock after such subsequent increase in beneficial ownership, or

(ii) Individuals who, as of the [date of the award], constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director, whose election or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered as through such individual were a member of the Incumbent Board, but excluding for this purpose, any individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 promulgated under the Exchange Act); or

(iii) Consummation of a reorganization, merger or consolidation or the sale or other disposition of all or substantially all of the assets of the Company (a “**Business Combination**”), in each case, unless (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the total voting power represented by the voting securities entitled to vote generally in the election of directors of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of the Business Combination owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to the Business Combination of the Voting Stock of the Company, and (2) at least a majority of the members of the board of directors of the corporation resulting from the Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Incumbent Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a plan of complete liquidation or dissolution of the Company; or

(v) (I) a sale or other transfer of the voting securities of the Bank, whether by stock, merger, joint venture, consolidation or otherwise, such that following said transaction the Company does not directly, or indirectly through majority owned subsidiaries, retain more than 50% of the total voting power of the Bank represented by the voting securities of the Bank entitled to vote generally in

the election of the Bank's directors; or (II) a sale of all or substantially all of the assets of the Bank other than to the Company or any subsidiary of the Company.

ATTACHMENT C

CURRENT EQUITY

| <u>Plan</u>  | <u>Award</u>  |
|--|---|
| 2007 SIMP (Share Investment and Matching Plan)                     | 1,862 Deferred Shares<br>(March 12, 2010, match on a share-for-share basis) |
| 2007 LTI (Restricted Share Plan)                                   | 4,000 Restricted Shares   |
| 2007 Combined Performance Share<br>and Restricted Share Plan Award | 4,000 Phantom Shares (2007-2010 cycle)                                      |
| 2006 Phantom Equity Plan   | 10,000 Phantom Shares (2005-2008 cycle)                                     |
| 2006 Combined Performance Share<br>and Restricted Share Plan Award | 4,000 Restricted Shares (2006-2008 cycle)                                   |
| 2004 Key Staff Global Stock Options                                | 7,300 Options   |

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**Section 9: EX-10.12 (EMPLOYMENT TERM SHEET AGREEMENT)**

November 14, 2007

Mr. Jay B. Williams  
PrivateBancorp, Inc.  
70 West Madison  
Suite 200  
Chicago, Illinois 60602

Dear Jay:

Please find enclosed a term sheet agreement setting forth the terms of your employment and going forward compensation with PrivateBancorp, Inc. ("PrivateBancorp") and The PrivateBank – Wisconsin ("PrivateBank (Wisconsin)"). This term sheet agreement will replace your existing employment agreement with PrivateBancorp, dated August 6, 2005, upon your acceptance by signature below. As we discussed, your future compensation includes a significant equity award.

*The offer to execute this term sheet agreement will remain open for your acceptance until 5:00 p.m. (C.S.T.) December 14, 2007. Please signify your acceptance of this offer by signing as indicated below. If you do not sign and return your acceptance of the term sheet agreement by such date and time, the special performance share award that was granted on November 1, 2007 will be forfeited, and you will not receive the enhanced vesting protections with respect to the options that were granted as of that date. You may return this offer letter to the following confidential fax 312.683.1493.*

You are an important member of the PrivateBancorp management team, and we are counting on your continued efforts during this exciting period for our company. Thank you for your past efforts on behalf of PrivateBancorp, and we look forward to our continued success together.

Sincerely,

/s/ Ralph B. Mandell  
Ralph B. Mandell  
Chairman of the Board

Accepted:

/s/ Jay B. Williams  
Jay B. Williams

Date: December 12, 2007

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**JAY B. WILLIAMS**

|                      |  |
|----------------------|--|
| Position             | Chairman and CEO of The PrivateBank (Wisconsin), a subsidiary of The PrivateBank and Trust Company (the "Bank"), and a Managing Director of PrivateBancorp, Inc. (the "Holding Company"), reporting to the Chief Executive Officer of the Holding Company.   |
| Base Salary          | Current annual base salary, subject to increase, but not decrease from time to time (other than permitted proportionate reductions applicable to all similarly situated senior executives of the Holding Company or the Bank, unless such reduction occurs during the two-year period commencing upon the occurrence of a Change of Control), in the sole discretion of the Bank, and any such increased (or decreased) amount shall mean "Base Salary" for purposes of this term sheet agreement.   |
| Annual Bonus         | <p>Current target bonus percentage.</p> <p>The Compensation Committee does not intend to propose a 2008 annual bonus plan that will limit the bonus payable to the target amount.</p>  |
| Special Equity Award | <p>On November 1, 2007 you received a special equity award of 62,500 stock options and 25,000 shares of restricted stock under the PrivateBancorp, Inc. 2007 Incentive Compensation Plan. The stock options have a 10-year term. The award of restricted stock and one-half of the stock options ("performance stock options") are subject to performance vesting requirements and continued service during the performance period generally applicable to such awards, and the other one-half of the stock options ("time-vesting stock options") are subject to time vesting requirements only, all as more particularly described on Attachment A hereto.</p> <p>If, prior to the date on which your special equity award is fully vested, your employment is terminated due to your death or Disability (as defined in the award agreement), your employment is involuntarily terminated by the Bank without Cause or voluntarily terminated by you for Good Reason, (i) the unvested portion of the time-vesting stock options will become fully vested and exercisable and (ii) you will continue to vest through December 31 of the fiscal year of your termination in the unvested portion of the restricted stock and performance stock options and such previously unvested performance stock options will become exercisable if the performance vesting conditions relating to the award are satisfied on the performance vesting date that next follows your date of termination; provided, you will be vested in a minimum number of each of shares of restricted stock</p> |

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and performance stock options as equals the product of (x) 5% multiplied by (y) the number of whole or partial years of employment with the Bank from January 1, 2008 through the date of termination, to the extent you had not previously become vested in at least such number of shares of restricted stock and performance stock options, respectively. Upon such termination of employment, vested time-vesting stock options (including time-vesting stock options that become vested on the date of termination) and then-vested performance stock options will be exercisable for 1 year after your date of termination (but not beyond the last day of the stock option term). Upon such termination of employment, performance stock options that become vested upon attainment of the performance objective for the year of termination will be exercisable for 1 year after the performance vesting date that next follows your date of termination (but not beyond the last day of the stock option term).

You will become fully vested in your special equity award upon the occurrence of a Change of Control.

To the extent that the Bank has or hereafter enters into a broker-assisted (FRB Reg. T) cashless exercise program for stock option awards to employees of the Bank, the initial stock option award will be included in such program.

The restricted shares and stock options will be subject to the terms and conditions of an equity incentive plan and award agreements to be adopted by the Board of Directors of the Holding Company; provided, however, that with respect to the terms and conditions described above, if there is a conflict between this term sheet agreement and the equity incentive plan and/or an award agreement thereunder, the document that is more favorable to you will control.

You will be eligible for future equity awards from time to time, in accordance with the terms of the Holding Company's incentive plans as then in effect, in such amount, if any, as is determined in the sole discretion of the Compensation Committee.

"Cause," "Good Reason" and "Change of Control" are defined on Attachment B.



## Benefits; Perquisites

You are eligible to continue your participation in the Bank's various benefit programs as are currently in effect, subject to the terms of such programs and the Bank's right to amend or terminate such programs. Current benefits include medical and dental insurance plans, the flexible benefits plan, the PrivateBancorp, Inc. Savings, Retirement and Employee Stock Ownership Plan, life insurance, accidental death and dismemberment insurance and long term disability insurance.

You will also continue to be furnished with such perquisites which may from time to time be provided by the Holding Company and the Bank which are suitable to your position and adequate for the performance of your duties hereunder and reasonable in the circumstances. Such perquisites include, but are not limited to, reimbursement for dues at one approved country club and one approved luncheon club in the Milwaukee Metropolitan area.

## Vacation

Standard Bank vacation policy, but not less than 4 weeks per calendar year.

## Severance Benefits (Termination without Cause or for Good Reason) (prior to, or more than 2 years after, a Change of Control)

Upon an involuntary termination of your employment by the Bank without Cause or voluntary termination of employment by you for Good Reason, you will receive:

(i) A pro rata bonus based on your prior year's bonus (if any) and the number of days elapsed during the year in which the date of termination occurs (the "Pro Rata Bonus");

(ii) Severance payments equal to 100% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years (or such fewer number of years as you have been employed) immediately preceding the calendar year in which your date of termination occurs, payable in substantially equal monthly installments for a period of 12 months in accordance with the Bank's regular payroll practices;

(iii) Continuation for 12 months of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same "cost-sharing" percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination; and

(iv) Base Salary earned but not paid and vacation accrued and unused through your termination date, any annual bonus that is earned in a fiscal year preceding the fiscal year of your

termination but not paid as of the termination date, and such other earned but unpaid amounts under the employee benefit plans in which you participate as of the termination date that are payable to you in accordance with the terms thereof, (collectively “Accrued Obligations”).

Any payments and benefits to you under this Severance Benefits section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

If you are a “specified employee” of the Holding Company and its affiliates (as defined in Treasury Regulation Section 1.409A-1(i)), then you shall receive payments during the 6 month period immediately following your date of termination equal to the lesser of (x) the amount payable under this severance provision or (y) two (2) times the compensation limit in effect under Code Section 401(a)(17) for the calendar year in which your date of termination occurs (with any amounts that otherwise would have been payable under this severance provision during such 6 month period being paid on the first regular payroll date following the 6 month anniversary of the date of termination).

For the period commencing six months prior to a Change of Control and ending on the second anniversary of such Change of Control that occurs on or before that date, upon an involuntary termination of your employment by the Bank without Cause or voluntary termination of employment by you for Good Reason at or after a Change of Control, you will receive:

(i) The Pro Rata Bonus;

(ii) Severance equal to 200% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the greater of (x) your prior year’s bonus or (y) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years (or such fewer number of years as you have been employed) immediately preceding the calendar year in which your date of termination occurs, payable in a single lump sum payment within 30 days after the date of termination, or if your termination of employment occurs within six months prior to a Change of Control, then within 5 business days after the Change of Control you will receive a single lump sum payment equal to (p) the amounts due you under this clause (ii) reduced by (q) the sum of all amounts paid to you under clause (ii) of Severance Benefits (above in this term sheet agreement), so that no amount of the lump sum payment under this clause (ii) is duplicative;

Change of Control  
Severance

(iii) Continuation for 24 months of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same “cost-sharing” percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination;

(iv) Outplacement for 12 months; and

(v) The Accrued Obligations.

Any payments and benefits to you under this Change of Control Severance section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

Code Section 280G

If any payments or benefits constitute “excess parachute payments” (as defined in Code Section 280G), you will be fully grossed up if such payments and benefits exceed 330% of your “base amount” (as defined in Code Section 280G). If such payments and benefits equal 330% or less of your base amount, payments will be reduced so that you do not receive any excess parachute payments.

Full Satisfaction; Release  
of Claims

Any termination payments made and benefits provided to you under this term sheet agreement shall be in lieu of any termination or severance payments or benefits for which you may be eligible under any of the plans, policies or programs of the Bank or its affiliates.

As a condition precedent to the payment of all amounts, benefits and vesting of your special equity award, other than your Accrued Obligations, pursuant to your involuntary termination of employment without Cause or your voluntary termination of employment for Good Reason at any time, you shall execute a waiver and general release of claims, substantially in the form customarily obtained by the Bank from its terminating executive employees, which waiver and general release of claims is not revoked during any applicable seven (7) day revocation period. For the avoidance of doubt, such waiver and general release will not adversely affect your ability to enforce the terms of this term sheet agreement, your indemnification rights under the Bank’s by-laws and this term sheet agreement, your rights to coverage under the Bank’s directors and officers liability insurance; your and your covered dependents’ rights to COBRA continuation coverage, your rights to vested employee benefits, and other rights that cannot be waived by operation of law.

Restrictive Covenants  
(confidentiality, non-  
competition, non-  
solicitation)

You will not at any time during or following your employment with the Bank, directly or indirectly, disclose or use on your behalf or another's behalf, publish or communicate, except in the course of your employment and in the pursuit of the business of the Holding Company and the Bank or any of its subsidiaries or affiliates, any proprietary information or data of the Holding Company and the Bank or any of its subsidiaries or affiliates, which is not generally known to the public or which could not be recreated through public means and which the Holding Company and the Bank may reasonably regard as confidential and proprietary. You recognize and acknowledge that all knowledge and information which you have or may acquire in the course of your employment, such as, but not limited to, the business, developments, procedures, techniques, activities or services of the Holding Company or the Bank or the business affairs and activities of any customer, prospective customer, individual firm or entity doing business with the Holding Company or the Bank are their sole valuable property, and shall be held by you in confidence and in trust for their sole benefit. All records of every nature and description which come into your possession, whether prepared by you, or otherwise, shall remain the sole property of the Holding Company or the Bank and upon termination of your employment for any reason, said records shall be left with the Holding Company or the Bank as part of its property.

During the period of your employment with the Bank and for a period of 1 year after termination of your employment for any reason, you will not (except in your capacity as an employee of the Bank) directly or indirectly, for your own account, or as an agent, employee, director, owner, partner, or consultant of any corporation, firm, partnership, joint venture, syndicate, sole proprietorship or other entity:

(i) engage, directly or indirectly, in any business which has a place of business (whether as a principal, division, subsidiary, affiliate, related entity, or otherwise) located within the area encompassed within a 50 mile radius surrounding your office as of your date of termination that provides banking products, or that provides non-banking products or services of a type that accounted for more than 10% of the Holding Company's gross revenues for the fiscal year immediately preceding your date of termination, that the Holding Company or the Bank or any of their subsidiaries or affiliates provide as of your date of termination;

(ii) solicit or induce, or attempt to solicit or induce any client or customer of the Holding Company or the Bank or any of their

subsidiaries or affiliates not to do business with the Bank or Holding Company or any of its subsidiaries or affiliates; or

(iii) solicit or induce, or attempt to solicit or induce, any employee or agent of the Holding Company or the Bank or any of their subsidiaries or affiliates to terminate his or her relationship with the Holding Company or the Bank or any of their subsidiaries or affiliates.

The foregoing provisions shall not be deemed to prohibit your ownership, not to exceed 5% of the outstanding shares, of capital stock of any corporation whose securities are publicly traded on a national or regional securities exchange or in the over-the-counter market.

You agree that, as the Holding Company's and the Bank's sole remedy for any breach (or threatened breach) of the non-competition covenant at subparagraph (i) above, respecting your initial restricted stock and stock option award above:

(x) you will immediately forfeit all unexercised stock options (whether then vested or unvested) then held by you, all shares of stock of the Holding Company (or any successor) acquired upon the exercise of vested stock options and then held by you, and all shares of restricted stock (whether vested or unvested, restricted or unrestricted) then held by you;

(y) you will immediately repay to the Holding Company a cash sum in the principal amount equal to all gross proceeds (before-tax) realized by you upon the sale or other disposition of shares of stock of the Holding Company (other than shares relating to open market purchases by you) occurring at any time during the period commencing on the date that is three years before the date of termination of your employment and ending on the date that the noncompetition covenant lapses ("Refund Period"), together with interest accrued thereon, from the date of such breach or threatened breach, at the prime rate (compounded calendar monthly) as published from time to time in The Wall Street Journal, electronic edition ("Interest"); and

(z) you will repay to the Holding Company a cash sum equal to fair market value of all shares of stock of the Holding Company (other than shares relating to open market purchases by you) and all stock options transferred by you as gifts at any time during the Refund Period, together with Interest, and for which purpose, "fair market value" per share of stock shall be the closing price of one share of Holding Company common stock on the date such gift occurs and per stock option shall be the positive difference, if

any, between the fair market value of a share of stock, above, and the stock option exercise price.

You further agree that a breach (or threatened breach) of the confidentiality and/or non-solicitation covenants in subparagraphs (ii) and (iii) above will result in irreparable harm to the business of the Holding Company and the Bank, a remedy at law in the form of monetary damages for any breach (or threatened breach) by you of these covenants is inadequate, in addition to any remedy at law or equity for such breach, the Holding Company and the Bank shall be entitled to institute and maintain appropriate proceedings in equity, including a suit for injunction to enforce the specific performance by you of such obligations and to enjoin you from engaging in any activity in violation thereof, and the covenants on your part contained above shall be construed as agreements independent of any other provisions in this term sheet agreement, and the existence of any claim, setoff or cause of action by you against the Holding Company or the Bank, whether predicated on this term sheet or otherwise, shall not constitute a defense or bar to the specific enforcement by the Holding Company or the Bank of said covenants.

In the event of a breach or a violation by you of any of the covenants and provisions above, the running of the non-compete period (but not your obligations thereunder) shall be tolled during the period of the continuance of any actual breach or violation.

You agree that the covenants above are reasonable with respect to their duration, geographical area and scope. If the final judgment of a court of competent jurisdiction declares that any term or provision above is invalid or unenforceable, you agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace an invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this term sheet agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

#### Indemnification

You will be indemnified in accordance with the Holding Company and Bank's bylaws. You will also be covered by the Holding Company and Bank's directors and officers liability insurance coverage as in effect from time to time.

|                                    |  |
|------------------------------------|--|
| Fee Reimbursement                  | You will be reimbursed for up to \$5,000 of the professional fees incurred by you relating to the negotiation and documentation of your employment arrangements.   |
| Code Section 409A                  | It is intended that any amounts payable under this term sheet agreement and the Holding Company's, the Bank's and your exercise of authority or discretion hereunder shall comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) so as not to subject you to the payment of any interest or additional tax imposed under Section 409A of the Code. To the extent any amount payable under this term sheet agreement would trigger the additional tax imposed by Code Section 409A, this term sheet agreement shall be modified to avoid such additional tax.   |
| Board Approval                     | The Holding Company and the Bank represent and warrant to you that they have taken all corporate action necessary to authorize and to enter into this term sheet agreement.  |
| Entire Understanding;<br>Amendment | This term sheet agreement constitutes the entire understanding between the Holding Company, The PrivateBank (Wisconsin), the Bank, and you relating to your employment hereunder and supersedes and cancels all prior written and oral understandings and agreements with respect to such matters entered into prior to the date of your acceptance of this term sheet agreement, including, for the avoidance of doubt, your current employment agreement with the Holding Company dated August 6, 2005, and except for the terms and provisions of any employee benefit or other compensation plans (or any agreements or awards thereunder), referred to in this Agreement or as otherwise expressly contemplated by this Agreement. This term sheet agreement shall not be amended or modified except by written instrument executed by the Holding Company or Bank and you. |
| Binding Agreement                  | This term sheet agreement shall be binding upon and inure to the benefit of the heirs and representatives of you and the successors and assigns of the Holding Company and the Bank.   |
| Governing Law                      | Illinois.  |

**ATTACHMENT A**  
**PRIVATEBANCORP, INC. SPECIAL EQUITY AWARD DESIGN**

| EQUITY GRANT FEATURE              | PERFORMANCE SHARES   | PERFORMANCE STOCK OPTIONS   | TIME-VESTING STOCK OPTIONS   |                   |                |     |                |     |                |      |   |
|-----------------------------------|--|---|--|-------------------|----------------|-----|----------------|-----|----------------|------|---|
| 1. Allocation of Total Award      | <ul style="list-style-type: none"><li>50% of value of the Awards.</li></ul>  | <ul style="list-style-type: none"><li>25% of value of the Awards.</li></ul>   | <ul style="list-style-type: none"><li>25% of value of the Awards.</li></ul>                          |                   |                |     |                |     |                |      |   |
| 2. Time Vesting                   | <ul style="list-style-type: none"><li>N/A</li></ul>  | <ul style="list-style-type: none"><li>N/A</li></ul>   | <ul style="list-style-type: none"><li>20% per fiscal year of service, 1/1/2008-12/31/2012.</li></ul> |                   |                |     |                |     |                |      |   |
| 3. Performance Vesting            | <ul style="list-style-type: none"><li>Based on stock price performance objectives: 20% compound annual stock price growth 2008-2012.</li><li>Stock price base is \$27.91.</li><li>20% of the Award vests per year, based on attainment of stock price objective for that year. Objective must be met for 20 consecutive trading days during that fiscal year to vest.</li><li>Employed on 12/31 of performance year.</li><li>If the PIPE (or other investment) does not close by 3/31/08 for at least \$150 million capital gross proceeds, the performance restrictions will lapse as to 25% of the Performance Shares and such shares shall be time-vested restricted stock vesting at the rate of 20% per fiscal year of service.</li></ul> | <ul style="list-style-type: none"><li>Based on EPS performance objectives: 20% compound annual EPS growth 2008 — 2012.</li><li>Earnings base is \$1.65.</li><li>20% of the Award vests per year, based on attainment of EPS objective for that year.</li><li>Employed on 12/31 of performance year.</li></ul>   | <ul style="list-style-type: none"><li>None</li></ul>   |                   |                |     |                |     |                |      |   |
| 4. “Catch-Up” Performance Vesting | <ul style="list-style-type: none"><li>As of 12/31 each year: To extent not vested, Award will vest for prior years if later year stock price objective is attained.</li><li>Must be employed on 12/31 of year objective is attained.</li></ul>   | <ul style="list-style-type: none"><li>As of 12/31/2012: To extent not vested, Award will vest:<table><tr><td>Cum. Cmpd. Growth</td><td>Vested % of Award</td></tr><tr><td>15.0%(\$12.80)</td><td>50%</td></tr><tr><td>17.5%(\$13.75)</td><td>75%</td></tr><tr><td>20.0%(\$14.74)</td><td>100%</td></tr></table></li><li>Must be employed on 12/31/2012.</li></ul> | Cum. Cmpd. Growth  | Vested % of Award | 15.0%(\$12.80) | 50% | 17.5%(\$13.75) | 75% | 20.0%(\$14.74) | 100% | <ul style="list-style-type: none"><li>N/A</li></ul> |
| Cum. Cmpd. Growth                 | Vested % of Award  |   |  |                   |                |     |                |     |                |      |   |
| 15.0%(\$12.80)                    | 50%  |   |  |                   |                |     |                |     |                |      |   |
| 17.5%(\$13.75)                    | 75%  |   |  |                   |                |     |                |     |                |      |   |
| 20.0%(\$14.74)                    | 100%   |   |  |                   |                |     |                |     |                |      |   |



| EQUITY GRANT FEATURE              | PERFORMANCE SHARES   | PERFORMANCE STOCK OPTIONS   | TIME-VESTING STOCK OPTIONS  |
|-----------------------------------|--|---|---|
| <b>5. Minimum 25% Vesting</b>     | <ul style="list-style-type: none"> <li>As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested shares).</li> <li>Must be employed on 12/31/2012.</li> </ul>                             | <ul style="list-style-type: none"> <li>As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested options).</li> <li>Must be employed on 12/31/2012.</li> </ul>   | <ul style="list-style-type: none"> <li>N/A</li> </ul>   |
| <b>6. “Good Leaver” Treatment</b> | <ul style="list-style-type: none"> <li>Continued vesting until 12/31 of termination year based on performance.</li> <li>Minimum vesting of whole Award of 5% x whole or partial years employed 1/1/08 to 12/31 of termination year.</li> </ul> | <ul style="list-style-type: none"> <li>Continued vesting until 12/31 of termination year based on performance.</li> <li>Minimum vesting of whole Award of 5% x whole or partial years employed 1/1/08 to 12/31 of termination year.</li> <li>1 year to exercise vested options from 12/31 of termination year.</li> </ul> | <ul style="list-style-type: none"> <li>Full accelerated vesting.</li> <li>1 year to exercise from date of termination.</li> </ul> |

## ATTACHMENT B

### DEFINITIONS

“**Cause**” shall mean (A) your willful and continued (for a period of not less than 10 business days after written notice thereof during which you may remedy such failure if capable of remedy) failure to perform substantially the duties of your employment (other than as a result of physical or mental incapacity, or while on vacation or other approved absence) which are within your control (mere inability to achieve financial or other performance targets or objectives, alone, shall not constitute such a willful and continued failure); or (B) your willful engaging in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Holding Company or the Bank; or (C) your conviction of a felony involving moral turpitude, but specifically excluding any conviction based entirely on vicarious liability (with “vicarious liability” meaning liability based on acts of the Holding Company or the Bank for which you are charged solely as a result of your offices with the Bank and in which you were not directly involved and did not have prior knowledge of such actions or intended actions); provided, however, that no act or failure to act, on your part, shall be considered “willful” unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of the Holding Company or the Bank; and provided further that no act or omission by you shall constitute Cause hereunder unless you have been given detailed written notice thereof, and you have failed to remedy such act or omission.

“**Good Reason**” shall mean the occurrence, other than in connection with a discharge, of any of the following without your consent: (A) a reduction in your Base Salary, target annual bonus opportunity (other than a proportionate reduction applicable to all executives of the Bank, unless such reduction occurs during the two-year period commencing on the occurrence of a Change of Control) and/or the number of shares of restricted stock or number of stock options granted as your special equity award, or (B) your being required to be based at an office or location which is more than 50 miles from your then current office, or (C) your removal as a member of the most senior management council of the Bank (to the extent such council exists), or (D) the failure of a successor to assume the obligations of the Bank under this term sheet agreement (to the extent not otherwise assumed by operation of law); provided, however, the hiring of any executives in connection with Project Midwest and any effect such executive hires may have on your employment shall not constitute grounds for Good Reason. You must provide written notice to the Bank of the existence of Good Reason no later than 90 days after its initial existence, and the Bank shall have a period of 30 days following its receipt of such written notice during which it may remedy in all material respects the Good Reason condition identified in such written notice.

“**Change of Control**” shall be deemed to have occurred upon the happening of any of the following events:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (“**Exchange Act**”)), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan of PrivateBancorp, Inc. (the “**Company**”) or any of its subsidiaries, or (B) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the “**beneficial owner**” (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 30% or more of the total voting power of the then outstanding shares of capital

stock of the Company entitled to vote generally in the election of directors (the “**Voting Stock**”), provided, however, that the following shall not constitute a change in control: (1) such person becomes a beneficial owner of 30% or more of the Voting Stock as the result of an acquisition of such Voting Stock directly from the Company, or (2) such person becomes a beneficial owner of 30% or more of the Voting Stock as a result of the decrease in the number of outstanding shares of Voting Stock caused by the repurchase of shares by the Company; provided, further, that in the event a person described in clause (1) or (2) shall thereafter increase (other than in circumstances described in clause (1) or (2)) beneficial ownership of stock representing more than 1% of the Voting Stock, such person shall be deemed to become a beneficial owner of 30% or more of the Voting Stock for purposes of this paragraph (i), provided such person continues to beneficially own 30% or more of the Voting Stock after such subsequent increase in beneficial ownership, or

(ii) Individuals who, as of November 1, 2007, constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director, whose election or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered as through such individual were a member of the Incumbent Board, but excluding for this purpose, any individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 promulgated under the Exchange Act); or

(iii) Consummation of a reorganization, merger or consolidation or the sale or other disposition of all or substantially all of the assets of the Company (a “**Business Combination**”), in each case, unless (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the total voting power represented by the voting securities entitled to vote generally in the election of directors of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of the Business Combination owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to the Business Combination of the Voting Stock of the Company, and (2) at least a majority of the members of the board of directors of the corporation resulting from the Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Incumbent Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a plan of complete liquidation or dissolution of the Company; or

(v) (I) a sale or other transfer of the voting securities of the Bank, whether by stock, merger, joint venture, consolidation or otherwise, such that following said transaction the Company does not directly, or indirectly through majority owned subsidiaries, retain more than 50% of the total voting power of the Bank represented by the voting securities of the Bank entitled to vote generally in the election of the Bank’s directors; or (II) a sale of all or substantially all of the assets of the Bank other than to the Company or any subsidiary of the Company.

## **Section 10: EX-10.13 (EMPLOYMENT TERM SHEET AGREEMENT)**

November 14, 2007

Mr. Richard C. Jensen  
PrivateBancorp, Inc.  
70 West Madison  
Suite 200  
Chicago, Illinois 60602

Dear Richard:

Please find enclosed a term sheet agreement setting forth the terms of your employment and going forward compensation with PrivateBancorp, Inc. ("PrivateBancorp") and The PrivateBank (St. Louis) ("PrivateBank (St. Louis)"). This term sheet agreement will replace your existing employment agreement with PrivateBancorp and PrivateBank (St. Louis), dated October 1, 2003, upon your acceptance by signature below. As we discussed, your future compensation includes a significant equity award.

*The offer to execute this term sheet agreement will remain open for your acceptance until 5:00 p.m. (C.S.T.) December 14, 2007. Please signify your acceptance of this offer by signing as indicated below. If you do not sign and return your acceptance of the term sheet agreement by such date and time, the special performance share award that was granted on November 1, 2007 will be forfeited, and you will not receive the enhanced vesting protections with respect to the options that were granted as of that date. You may return this offer letter to the following confidential fax 312.683.1493.*

You are an important member of the PrivateBancorp management team, and we are counting on your continued efforts during this exciting period for our company. Thank you for your past efforts on behalf of PrivateBancorp, and we look forward to our continued success together.

Sincerely,

/s/ Ralph B. Mandell  
Ralph B. Mandell  
Chairman of the Board

Accepted:

/s/ Richard C. Jensen  
Richard C. Jensen

Date: November 19, 2007

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**RICHARD C. JENSEN**

|                      |   |
|----------------------|---|
| Position             | Chairman and Chief Executive Officer of The PrivateBank (St. Louis), a subsidiary of The PrivateBank and Trust Company (the "Bank"), reporting to the Chief Executive Officer of PrivateBancorp, Inc. (the "Holding Company").  |
| Base Salary          | Current annual base salary, subject to increase, but not decrease from time to time (other than permitted proportionate reductions applicable to all similarly situated senior executives of the Holding Company or the Bank, unless such reduction occurs during the two-year period commencing upon the occurrence of a Change of Control), in the sole discretion of the Bank, and any such increased (or decreased) amount shall mean "Base Salary" for purposes of this term sheet agreement.  |
| Annual Bonus         | <p>Current target bonus percentage.</p> <p>The Compensation Committee does not intend to propose a 2008 annual bonus plan that will limit the bonus payable to the target amount.</p>   |
| Special Equity Award | <p>On November 1, 2007 you received a special equity award of 25,000 stock options and 7,500 shares of restricted stock under the PrivateBancorp, Inc. 2007 Incentive Compensation Plan. The stock options have a 10-year term. The award of restricted stock and one-half of the stock options ("performance stock options") are subject to performance vesting requirements and continued service during the performance period generally applicable to such awards, and the other one-half of the stock options ("time-vesting stock options") are subject to time vesting requirements only, all as more particularly described on Attachment A hereto.</p> <p>If, prior to the date on which your special equity award is fully vested, your employment is terminated due to your death or Disability (as defined in the award agreement), your employment is involuntarily terminated by the Bank without Cause or voluntarily terminated by you for Good Reason, (i) the unvested portion of the time-vesting stock options will become fully vested and exercisable and (ii) you will continue to vest through December 31 of the fiscal year of your termination in the unvested portion of the restricted stock and performance stock options and such previously unvested performance stock options will become exercisable if the performance vesting conditions relating to the award are satisfied on the performance vesting date that next follows your date of termination; provided, you will be vested in a minimum number of each of shares of restricted stock and performance stock options as equals the product of (x) 5%</p> |

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multiplied by (y) the number of whole or partial years of employment with the Bank from January 1, 2008 through the date of termination, to the extent you had not previously become vested in at least such number of shares of restricted stock and performance stock options, respectively. Upon such termination of employment, vested time-vesting stock options (including time-vesting stock options that become vested on the date of termination) and then-vested performance stock options will be exercisable for 1 year after your date of termination (but not beyond the last day of the stock option term). Upon such termination of employment, performance stock options that become vested upon attainment of the performance objective for the year of termination will be exercisable for 1 year after the performance vesting date that next follows your date of termination (but not beyond the last day of the stock option term).

You will become fully vested in your special equity award upon the occurrence of a Change of Control.

To the extent that the Bank has or hereafter enters into a broker-assisted (FRB Reg. T) cashless exercise program for stock option awards to employees of the Bank, the initial stock option award will be included in such program.

The restricted shares and stock options will be subject to the terms and conditions of an equity incentive plan and award agreements to be adopted by the Board of Directors of the Holding Company; provided, however, that with respect to the terms and conditions described above, if there is a conflict between this term sheet agreement and the equity incentive plan and/or an award agreement thereunder, the document that is more favorable to you will control.

You will be eligible for future equity awards from time to time, in accordance with the terms of the Holding Company's incentive plans as then in effect, in such amount, if any, as is determined in the sole discretion of the Compensation Committee.

"Cause," "Good Reason" and "Change of Control" are defined on Attachment B.

Benefits; Perquisites

You are eligible to continue your participation in the Bank's various benefit programs as are currently in effect, subject to the terms of such programs and the Bank's right to amend or terminate such programs. Current benefits include medical and dental insurance plans, the flexible benefits plan, the PrivateBancorp, Inc. Savings, Retirement and Employee Stock Ownership Plan, life insurance, accidental death and dismemberment insurance and long term disability insurance.

You will also continue to be furnished with such perquisites which may from time to time be provided by the Holding Company and the Bank which are suitable to your position and adequate for the performance of your duties hereunder and reasonable in the circumstances. Such perquisites include, but are not limited to, reimbursement for dues at one approved country club and one approved luncheon club in the St. Louis Metropolitan area.

Vacation

Standard Bank vacation policy, but not less than 4 weeks per calendar year.

Severance Benefits  
(Termination without Cause or  
for Good Reason) (prior to, or  
more than 2 years after, a  
Change of Control)

Upon an involuntary termination of your employment by the Bank without Cause or voluntary termination of employment by you for Good Reason, you will receive:

(i) A pro rata bonus based on your prior year's bonus (if any) and the number of days elapsed during the year in which the date of termination occurs (the "Pro Rata Bonus");

(ii) Severance payments equal to 100% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years (or such fewer number of years as you have been employed) immediately preceding the calendar year in which your date of termination occurs, payable in substantially equal monthly installments for a period of 12 months in accordance with the Bank's regular payroll practices;

(iii) Continuation for 12 months of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same "cost-sharing" percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination; and

(iv) Base Salary earned but not paid and vacation accrued and unused through your termination date, any annual bonus that is earned in a fiscal year preceding the fiscal year of your

termination but not paid as of the termination date, and such other earned but unpaid amounts under the employee benefit plans in which you participate as of the termination date that are payable to you in accordance with the terms thereof, (collectively "Accrued Obligations").

Any payments and benefits to you under this Severance Benefits section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

If you are a "specified employee" of the Holding Company and its affiliates (as defined in Treasury Regulation Section 1.409A-1(i)), then you shall receive payments during the 6 month period immediately following your date of termination equal to the lesser of (x) the amount payable under this severance provision or (y) two (2) times the compensation limit in effect under Code Section 401(a)(17) for the calendar year in which your date of termination occurs (with any amounts that otherwise would have been payable under this severance provision during such 6 month period being paid on the first regular payroll date following the 6 month anniversary of the date of termination).

#### Change of Control Severance

For the period commencing six months prior to a Change of Control and ending on the second anniversary of such Change of Control that occurs on or before that date, upon an involuntary termination of your employment by the Bank without Cause or voluntary termination of employment by you for Good Reason at or after a Change of Control, you will receive:

(i) The Pro Rata Bonus;

(ii) Severance equal to 150% of the sum of (A) your Base Salary (disregarding any reduction of your Base Salary constituting Good Reason), plus (B) the greater of (x) your prior year's bonus or (y) the average of the sum of the bonus amounts earned by you with respect to the 3 calendar years (or such fewer number of years as you have been employed) immediately preceding the calendar year in which your date of termination occurs, payable in a single lump sum payment within 30 days after the date of termination, or if your termination of employment occurs within six months prior to a Change of Control, then within 5 business days after the Change of Control you will receive a single lump sum payment equal to (p) the amounts due you under this clause (ii) reduced by (q) the sum of all amounts paid to you under clause (ii) of Severance Benefits (above in this term sheet agreement), so that no amount of the lump sum payment under this clause (ii) is duplicative;



(iii) Continuation for 18 months of your right to maintain COBRA continuation coverage under the applicable Bank plans at premium rates on the same “cost-sharing” percentage basis as the applicable premiums paid for such coverage by active Bank employees as of your date of termination;

(iv) Outplacement for 12 months; and

(v) The Accrued Obligations.

Any payments and benefits to you under this Change of Control Severance section of this term sheet agreement shall not be reduced by the amount of any compensation or benefits earned as a result of your subsequent employment.

Code Section 280G

If any payments or benefits constitute “excess parachute payments” (as defined in Code Section 280G), you will be fully grossed up if such payments and benefits exceed 330% of your “base amount” (as defined in Code Section 280G). If such payments and benefits equal 330% or less of your base amount, payments will be reduced so that you do not receive any excess parachute payments.

Full Satisfaction; Release of  
Claims

Any termination payments made and benefits provided to you under this term sheet agreement shall be in lieu of any termination or severance payments or benefits for which you may be eligible under any of the plans, policies or programs of the Bank or its affiliates.

As a condition precedent to the payment of all amounts, benefits and vesting of your special equity award, other than your Accrued Obligations, pursuant to your involuntary termination of employment without Cause or your voluntary termination of employment for Good Reason at any time, you shall execute a waiver and general release of claims, substantially in the form customarily obtained by the Bank from its terminating executive employees, which waiver and general release of claims is not revoked during any applicable seven (7) day revocation period. For the avoidance of doubt, such waiver and general release will not adversely affect your ability to enforce the terms of this term sheet agreement, your indemnification rights under the Bank’s by-laws and this term sheet agreement, your rights to coverage under the Bank’s directors and officers liability insurance; your and your covered dependents’ rights to COBRA continuation coverage, your rights to vested employee benefits, and other rights that cannot be waived by operation of law.

Restrictive Covenants  
(confidentiality,  
non-competition,  
non-solicitation)

You will not at any time during or following your employment with the Bank, directly or indirectly, disclose or use on your behalf or another's behalf, publish or communicate, except in the course of your employment and in the pursuit of the business of the Holding Company and the Bank or any of its subsidiaries or affiliates, any proprietary information or data of the Holding Company and the Bank or any of its subsidiaries or affiliates, which is not generally known to the public or which could not be recreated through public means and which the Holding Company and the Bank may reasonably regard as confidential and proprietary. You recognize and acknowledge that all knowledge and information which you have or may acquire in the course of your employment, such as, but not limited to, the business, developments, procedures, techniques, activities or services of the Holding Company or the Bank or the business affairs and activities of any customer, prospective customer, individual firm or entity doing business with the Holding Company or the Bank are their sole valuable property, and shall be held by you in confidence and in trust for their sole benefit. All records of every nature and description which come into your possession, whether prepared by you, or otherwise, shall remain the sole property of the Holding Company or the Bank and upon termination of your employment for any reason, said records shall be left with the Holding Company or the Bank as part of its property.

During the period of your employment with the Bank and for a period of 1 year after termination of your employment for any reason, you will not (except in your capacity as an employee of the Bank) directly or indirectly, for your own account, or as an agent, employee, director, owner, partner, or consultant of any corporation, firm, partnership, joint venture, syndicate, sole proprietorship or other entity:

(i) engage, directly or indirectly, in any business which has a place of business (whether as a principal, division, subsidiary, affiliate, related entity, or otherwise) located within the area encompassed within a 50 mile radius surrounding your office as of your date of termination that provides banking products, or that provides non-banking products or services of a type that accounted for more than 10% of the Holding Company's gross revenues for the fiscal year immediately preceding your date of termination, that the Holding Company or the Bank or any of their subsidiaries or affiliates provide as of your date of termination;

(ii) solicit or induce, or attempt to solicit or induce any client or customer of the Holding Company or the Bank or any of their

subsidiaries or affiliates not to do business with the Bank or Holding Company or any of its subsidiaries or affiliates; or

(iii) solicit or induce, or attempt to solicit or induce, any employee or agent of the Holding Company or the Bank or any of their subsidiaries or affiliates to terminate his or her relationship with the Holding Company or the Bank or any of their subsidiaries or affiliates.

The foregoing provisions shall not be deemed to prohibit your ownership, not to exceed 5% of the outstanding shares, of capital stock of any corporation whose securities are publicly traded on a national or regional securities exchange or in the over-the-counter market.

You agree that, as the Holding Company's and the Bank's sole remedy for any breach (or threatened breach) of the non-competition covenant at subparagraph (i) above, respecting your initial restricted stock and stock option award above:

(x) you will immediately forfeit all unexercised stock options (whether then vested or unvested) then held by you, all shares of stock of the Holding Company (or any successor) acquired upon the exercise of vested stock options and then held by you, and all shares of restricted stock (whether vested or unvested, restricted or unrestricted) then held by you;

(y) you will immediately repay to the Holding Company a cash sum in the principal amount equal to all gross proceeds (before-tax) realized by you upon the sale or other disposition of shares of stock of the Holding Company (other than shares relating to open market purchases by you) occurring at any time during the period commencing on the date that is three years before the date of termination of your employment and ending on the date that the noncompetition covenant lapses ("Refund Period"), together with interest accrued thereon, from the date of such breach or threatened breach, at the prime rate (compounded calendar monthly) as published from time to time in The Wall Street Journal, electronic edition ("Interest"); and

(z) you will repay to the Holding Company a cash sum equal to fair market value of all shares of stock of the Holding Company (other than shares relating to open market purchases by you) and all stock options transferred by you as gifts at any time during the Refund Period, together with Interest, and for which purpose, "fair market value" per share of stock shall be the closing price of one share of Holding Company common stock on the date such gift occurs and per stock option shall be the positive difference, if

any, between the fair market value of a share of stock, above, and the stock option exercise price.

You further agree that a breach (or threatened breach) of the confidentiality and/or non-solicitation covenants in subparagraphs (ii) and (iii) above will result in irreparable harm to the business of the Holding Company and the Bank, a remedy at law in the form of monetary damages for any breach (or threatened breach) by you of these covenants is inadequate, in addition to any remedy at law or equity for such breach, the Holding Company and the Bank shall be entitled to institute and maintain appropriate proceedings in equity, including a suit for injunction to enforce the specific performance by you of such obligations and to enjoin you from engaging in any activity in violation thereof, and the covenants on your part contained above shall be construed as agreements independent of any other provisions in this term sheet agreement, and the existence of any claim, setoff or cause of action by you against the Holding Company or the Bank, whether predicated on this term sheet or otherwise, shall not constitute a defense or bar to the specific enforcement by the Holding Company or the Bank of said covenants.

In the event of a breach or a violation by you of any of the covenants and provisions above, the running of the non-compete period (but not your obligations thereunder) shall be tolled during the period of the continuance of any actual breach or violation.

You agree that the covenants above are reasonable with respect to their duration, geographical area and scope. If the final judgment of a court of competent jurisdiction declares that any term or provision above is invalid or unenforceable, you agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace an invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this term sheet agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

#### Indemnification

You will be indemnified in accordance with the Holding Company and the Bank's bylaws. You will also be covered by the Holding Company and the Bank's directors and officers liability insurance coverage as in effect from time to time.

|                                    |   |
|------------------------------------|---|
| Fee Reimbursement                  | You will be reimbursed for up to \$2,500 of the professional fees incurred by you relating to the negotiation and documentation of your employment arrangements.  |
| Code Section 409A                  | It is intended that any amounts payable under this term sheet agreement and the Holding Company's, the Bank's and your exercise of authority or discretion hereunder shall comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) so as not to subject you to the payment of any interest or additional tax imposed under Section 409A of the Code. To the extent any amount payable under this term sheet agreement would trigger the additional tax imposed by Code Section 409A, this term sheet agreement shall be modified to avoid such additional tax.  |
| Board Approval                     | The Holding Company and the Bank represent and warrant to you that they have taken all corporate action necessary to authorize and to enter into this term sheet agreement.   |
| Entire Understanding;<br>Amendment | This term sheet agreement constitutes the entire understanding between the Holding Company, the Bank, The PrivateBank (St. Louis), and you relating to your employment hereunder and supersedes and cancels all prior written and oral understandings and agreements with respect to such matters entered into prior to the date of your acceptance of this term sheet agreement, including, for the avoidance of doubt, your current employment agreement with the Holding Company and The PrivateBank (St. Louis) dated October 1, 2003, and except for the terms and provisions of any employee benefit or other compensation plans (or any agreements or awards thereunder), referred to in this Agreement or as otherwise expressly contemplated by this Agreement. This term sheet agreement shall not be amended or modified except by written instrument executed by the Holding Company or Bank and you. |
| Binding Agreement                  | This term sheet agreement shall be binding upon and inure to the benefit of the heirs and representatives of you and the successors and assigns of the Holding Company and the Bank.  |
| Governing Law                      | Illinois.   |

**ATTACHMENT A**  
**PRIVATEBANCORP, INC. SPECIAL EQUITY AWARD DESIGN**

| EQUITY GRANT FEATURE              | PERFORMANCE SHARES   | PERFORMANCE STOCK OPTIONS  | TIME-VESTING STOCK OPTIONS   |                   |                 |     |                 |     |                 |      |   |
|-----------------------------------|--|--|--|-------------------|-----------------|-----|-----------------|-----|-----------------|------|---|
| 1. Allocation of Total Award      | <ul style="list-style-type: none"><li>50% of value of the Awards.</li></ul>  | <ul style="list-style-type: none"><li>25% of value of the Awards.</li></ul>  | <ul style="list-style-type: none"><li>25% of value of the Awards.</li></ul>                          |                   |                 |     |                 |     |                 |      |   |
| 2. Time Vesting                   | <ul style="list-style-type: none"><li>N/A</li></ul>  | <ul style="list-style-type: none"><li>N/A</li></ul>  | <ul style="list-style-type: none"><li>20% per fiscal year of service, 1/1/2008-12/31/2012.</li></ul> |                   |                 |     |                 |     |                 |      |   |
| 3. Performance Vesting            | <ul style="list-style-type: none"><li>Based on stock price performance objectives: 20% compound annual stock price growth 2008-2012.</li><li>Stock price base is \$27.91.</li><li>20% of the Award vests per year, based on attainment of stock price objective for that year. Objective must be met for 20 consecutive trading days during that fiscal year to vest.</li><li>Employed on 12/31 of performance year.</li><li>If the PIPE (or other investment) does not close by 3/31/08 for at least \$150 million capital gross proceeds, the performance restrictions will lapse as to 25% of the Performance Shares and such shares shall be time-vested restricted stock vesting at the rate of 20% per fiscal year of service.</li></ul> | <ul style="list-style-type: none"><li>Based on EPS performance objectives: 20% compound annual EPS growth 2008 — 2012.</li><li>Earnings base is \$1.65.</li><li>20% of the Award vests per year, based on attainment of EPS objective for that year.</li><li>Employed on 12/31 of performance year.</li></ul>  | <ul style="list-style-type: none"><li>None</li></ul>   |                   |                 |     |                 |     |                 |      |   |
| 4. “Catch-Up” Performance Vesting | <ul style="list-style-type: none"><li>As of 12/31 each year: To extent not vested, Award will vest for prior years if later year stock price objective is attained.</li><li>Must be employed on 12/31 of year objective is attained.</li></ul>   | <ul style="list-style-type: none"><li>As of 12/31/2012: To extent not vested, Award will vest:<table><tr><td>Cum. Cmpd. Growth</td><td>Vested % of Award</td></tr><tr><td>15.0% (\$12.80)</td><td>50%</td></tr><tr><td>17.5% (\$13.75)</td><td>75%</td></tr><tr><td>20.0% (\$14.74)</td><td>100%</td></tr></table></li><li>Must be employed on 12/31/2012.</li></ul> | Cum. Cmpd. Growth  | Vested % of Award | 15.0% (\$12.80) | 50% | 17.5% (\$13.75) | 75% | 20.0% (\$14.74) | 100% | <ul style="list-style-type: none"><li>N/A</li></ul> |
| Cum. Cmpd. Growth                 | Vested % of Award  |  |  |                   |                 |     |                 |     |                 |      |   |
| 15.0% (\$12.80)                   | 50%  |  |  |                   |                 |     |                 |     |                 |      |   |
| 17.5% (\$13.75)                   | 75%  |  |  |                   |                 |     |                 |     |                 |      |   |
| 20.0% (\$14.74)                   | 100%   |  |  |                   |                 |     |                 |     |                 |      |   |

| EQUITY GRANT FEATURE | PERFORMANCE SHARES             | PERFORMANCE STOCK OPTIONS  | TIME-VESTING<br>STOCK OPTIONS   |   |
|----------------------|--------------------------------|--|---|---|
| 5.                   | <b>Minimum 25% Vesting</b>     | <ul style="list-style-type: none"> <li>As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested shares).</li> <li>Must be employed on 12/31/2012.</li> </ul>                             | <ul style="list-style-type: none"> <li>As of 12/31/2012: To the extent less is vested, 25% of total Award will be vested (including previously vested options).</li> <li>Must be employed on 12/31/2012.</li> </ul>   | <ul style="list-style-type: none"> <li>N/A</li> </ul>   |
| 6.                   | <b>“Good Leaver” Treatment</b> | <ul style="list-style-type: none"> <li>Continued vesting until 12/31 of termination year based on performance.</li> <li>Minimum vesting of whole Award of 5% x whole or partial years employed 1/1/08 to 12/31 of termination year.</li> </ul> | <ul style="list-style-type: none"> <li>Continued vesting until 12/31 of termination year based on performance.</li> <li>Minimum vesting of whole Award of 5% x whole or partial years employed 1/1/08 to 12/31 of termination year.</li> <li>1 year to exercise vested options from 12/31 of termination year.</li> </ul> | <ul style="list-style-type: none"> <li>Full acceleration vesting.</li> <li>1 year to exercise from date of termination</li> </ul> |

## ATTACHMENT B

### DEFINITIONS

“**Cause**” shall mean (A) your willful and continued (for a period of not less than 10 business days after written notice thereof during which you may remedy such failure if capable of remedy) failure to perform substantially the duties of your employment (other than as a result of physical or mental incapacity, or while on vacation or other approved absence) which are within your control (mere inability to achieve financial or other performance targets or objectives, alone, shall not constitute such a willful and continued failure); or (B) your willful engaging in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Holding Company or the Bank; or (C) your conviction of a felony involving moral turpitude, but specifically excluding any conviction based entirely on vicarious liability (with “vicarious liability” meaning liability based on acts of the Holding Company or the Bank for which you are charged solely as a result of your offices with the Bank and in which you were not directly involved and did not have prior knowledge of such actions or intended actions); provided, however, that no act or failure to act, on your part, shall be considered “willful” unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of the Holding Company or the Bank; and provided further that no act or omission by you shall constitute Cause hereunder unless you have been given detailed written notice thereof, and you have failed to remedy such act or omission.

“**Good Reason**” shall mean the occurrence, other than in connection with a discharge, of any of the following without your consent: (A) a reduction in your Base Salary, target annual bonus opportunity (other than a proportionate reduction applicable to all executives of the Bank, unless such reduction occurs during the two-year period commencing on the occurrence of a Change of Control) and/or the number of shares of restricted stock or number of stock options granted as your special equity award, or (B) your being required to be based at an office or location which is more than 50 miles from your then current office, or (C) the failure of a successor to assume the obligations of the Bank under this term sheet agreement (to the extent not otherwise assumed by operation of law); provided, however, the hiring of any executives in connection with Project Midwest and any effect such executive hires may have on your employment shall not constitute grounds for Good Reason. You must provide written notice to the Bank of the existence of Good Reason no later than 90 days after its initial existence, and the Bank shall have a period of 30 days following its receipt of such written notice during which it may remedy in all material respects the Good Reason condition identified in such written notice.

“**Change of Control**” shall be deemed to have occurred upon the happening of any of the following events:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (“**Exchange Act**”)), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan of PrivateBancorp, Inc. (the “**Company**”) or any of its subsidiaries, or (B) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the “**beneficial owner**” (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 30% or more of the total voting power of the then outstanding shares of capital stock of the Company entitled to vote generally in the election of directors (the “**Voting Stock**”),



provided, however, that the following shall not constitute a change in control: (1) such person becomes a beneficial owner of 30% or more of the Voting Stock as the result of an acquisition of such Voting Stock directly from the Company, or (2) such person becomes a beneficial owner of 30% or more of the Voting Stock as a result of the decrease in the number of outstanding shares of Voting Stock caused by the repurchase of shares by the Company; provided, further, that in the event a person described in clause (1) or (2) shall thereafter increase (other than in circumstances described in clause (1) or (2)) beneficial ownership of stock representing more than 1% of the Voting Stock, such person shall be deemed to become a beneficial owner of 30% or more of the Voting Stock for purposes of this paragraph (i), provided such person continues to beneficially own 30% or more of the Voting Stock after such subsequent increase in beneficial ownership, or

(ii) Individuals who, as of November 1, 2007, constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director, whose election or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered as through such individual were a member of the Incumbent Board, but excluding for this purpose, any individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 promulgated under the Exchange Act); or

(iii) Consummation of a reorganization, merger or consolidation or the sale or other disposition of all or substantially all of the assets of the Company (a “**Business Combination**”), in each case, unless (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the total voting power represented by the voting securities entitled to vote generally in the election of directors of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of the Business Combination owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to the Business Combination of the Voting Stock of the Company, and (2) at least a majority of the members of the board of directors of the corporation resulting from the Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Incumbent Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a plan of complete liquidation or dissolution of the Company; or

(v) (I) a sale or other transfer of the voting securities of the Bank, whether by stock, merger, joint venture, consolidation or otherwise, such that following said transaction the Company does not directly, or indirectly through majority owned subsidiaries, retain more than 50% of the total voting power of the Bank represented by the voting securities of the Bank entitled to vote generally in the election of the Bank’s directors; or (II) a sale of all or substantially all of the assets of the Bank other than to the Company or any subsidiary of the Company.

## **Section 11: EX-10.17 (SECOND AMENDMENT TO AMENDED AND RESTATED LOAN AND SUBORDINATED DEBENTURE PURCHASE AGREEMENT)**

**SECOND AMENDMENT  
TO  
LOAN AND SUBORDINATED DEBENTURE PURCHASE AGREEMENT  
BETWEEN  
LASALLE BANK NATIONAL ASSOCIATION  
AND  
PRIVATEBANCORP, INC.**

Second Amendment dated as of April 3, 2007  
First Amendment dated as of December 12, 2006  
Original Loan Agreement dated as of September 29, 2005

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| <b>AMENDMENT PROVISIONS:</b>   |   | <b>PAGE</b> |
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## SECOND AMENDMENT TO LOAN AND SUBORDINATED DEBENTURE PURCHASE AGREEMENT

This SECOND AMENDMENT TO LOAN AND SUBORDINATED DEBENTURE PURCHASE AGREEMENT ("**Second Amendment**"), dated as of April 3, 2007, is entered into by and between PRIVATEBANCORP, INC., a Delaware corporation ("**Borrower**"), and LASALLE BANK NATIONAL ASSOCIATION, a national banking association ("**Lender**").

### R E C I T A L S :

A. The parties hereto have entered into that certain Loan and Subordinated Debenture Purchase Agreement, dated as of September 29, 2005, as previously amended, restated, supplemented or modified from time to time, including by that certain First Amendment to Loan and Subordinated Debenture Purchase Agreement dated as of December 12, 2006 (the "**2005 Loan Agreement**").

B. The parties hereto desire to amend and modify the 2005 Loan Agreement in accordance with the terms and subject to the conditions set forth in this Second Amendment. As amended and modified by this Second Amendment, the 2005 Loan Agreement may be referred to as the "**Agreement**."

C. The parties desire to amend the terms of the 2005 Loan Agreement to (i) decrease the Revolving Loan Amount, (ii) increase the Subordinated Debt Amount, (iii) modify certain financial covenants, and (iv) otherwise modify the Agreement as set forth herein. The parties agree to undertake such modifications, and the other modifications described in this Second Amendment, in accordance with the terms, subject to the conditions, and in reliance upon the recitals, representations, warranties and covenants set forth herein, in the Agreement, and in the other Loan Documents, irrespective of whether entered into or delivered on or after September 29, 2005.

D. Capitalized terms used but not otherwise defined in this Second Amendment shall have the meanings respectively ascribed to them in the 2005 Loan Agreement.

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

### A G R E E M E N T :

**A. Amendment to Recital "A" of the 2005 Loan Agreement.** Recital "A" to the 2005 Loan Agreement is hereby deleted and replaced in its entirety with the following:

"A. Borrower is a bank holding company that owns 100% of the issued and outstanding capital stock of The PrivateBank and Trust Company, an Illinois state-chartered, non-member bank with its main office located in Chicago, Illinois ("**PrivateBank**"), The PrivateBank, a federal savings bank with its main office located in St. Louis, Missouri ("**PrivateBank St. Louis**"), The PrivateBank, a Michigan state-chartered, non-member bank with its main office located in Bloomfield Hills, Michigan ("**PrivateBank Michigan**"), The PrivateBank, a Georgia state-chartered, non-member bank with its main office located Atlanta, Georgia (formerly known as Piedmont Bank of Georgia, "**PrivateBank Georgia**"), and The PrivateBank, N.A., a national banking association with its main office located in Milwaukee, Wisconsin ("**PrivateBank Wisconsin**"). The banks identified in the immediately preceding sentence may be referred to herein collectively as the "**Subsidiary Banks**" and individually as a "**Subsidiary Bank**." The issued and outstanding capital stock of PrivateBank, PrivateBank St. Louis, PrivateBank Michigan, PrivateBank Georgia and PrivateBank Wisconsin may be referred to as the "**Pledged Subsidiary Bank Shares**."

**B. Amendment to Recital “C” of the 2005 Loan Agreement.** Recital “C” to the 2005 Loan Agreement is hereby deleted and replaced in its entirety with the following:

“C. Borrower has requested that Lender provide it with three credit facilities in the aggregate principal amount of \$115,000,000 consisting of (a) a term loan (the “**Term Loan**”) in the principal amount of \$250,000 (the “**Term Loan Amount**”), (b) a revolving line-of-credit (the “**Revolving Loan**”) in the principal amount of up to \$39,750,000 (the “**Revolving Loan Amount**”), and (c) subordinated debt (the “**Subordinated Debt**”) in the principal amount of up to \$75,000,000 (“**Subordinated Debt Amount**”). The Term Loan and the Revolving Loan may be referred to collectively as the “**Senior Loans**” and the Senior Loans and the Subordinated Debt may be referred to collectively as the “**Loans**.””

**C. Amendments to Section 1.1 of the 2005 Loan Agreement.**

(i) The term “Subordinated Debt Amount” is hereby deleted from Section 1.1 of the 2005 Loan Agreement and replaced in its entirety with the following:

““**Subordinated Debt Amount**” has the meaning ascribed to such term in the recitals hereto.”

(ii) Each of the following provisions is hereby added to Section 1.1, and deemed placed in the appropriate alphabetical order:

““**PrivateBank Georgia**” has the meaning ascribed to such term in the recitals hereto.

““**PrivateBank Wisconsin**” has the meaning ascribed to such term in the recitals hereto.”

**D. Amendment to Section 4.3.1 of the 2005 Loan Agreement.** Section 4.3.1 of the 2005 Loan Agreement is hereby deleted and replaced in its entirety with the following:

“**4.3.1** The proceeds of the Loans shall be used by the Borrower for working capital and other general corporate purposes.”

**E. Amendment to Section 7.1 of the 2005 Loan Agreement.** Section 7.1 of the 2005 Loan Agreement is hereby deleted and replaced in its entirety with the following:

“**7.1 Capitalization.** Borrower (on a consolidated basis) shall maintain and cause each Subsidiary Bank to maintain such capital as may be necessary to cause (a) Borrower to be classified as “well capitalized” and (b) each Subsidiary Bank to be classified as “well capitalized,” each in accordance with the rules and regulations of its primary federal regulator as in effect from time to time, and consistent with the financial information and reports contemplated in Section 5 hereof.

**F. Amendment to Section 7.2 of the 2005 Loan Agreement.** Section 7.2 of the 2005 Loan Agreement is hereby deleted and replaced in its entirety with the following:

“**7.2 Regulatory Capital.** Borrower (on a consolidated basis) shall cause the aggregate amount of its Tier 1 Capital to be not less than \$150,000,000 at all times. For purposes of this Agreement, “**Tier 1 Capital**” shall have the definition provided in, and shall be determined in accordance with the rules and regulations of the primary federal regulator of Borrower as in effect

from time to time, and shall be consistent with the financial information and reports contemplated in Section 5 hereof."

**G. Representations and Warranties.** The Borrower hereby represents and warrants to the Lender as follows:

(i) No Event of Default or Potential Event of Default has occurred and is continuing (or would result from the amendments contemplated hereby).

(ii) The execution, delivery and performance by Borrower of this Second Amendment have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, or notice to or action by any Person (including any Governmental Agency) in order to be effective and enforceable.

(iii) This Second Amendment and the other Loan Documents (as amended by this Second Amendment) constitute the legal, valid and binding obligations of Borrower, enforceable against the Borrower in accordance with their respective terms.

(iv) All representations and warranties of Borrower in the 2005 Loan Agreement (as modified by this Second Amendment) are true and correct, except, for the purposes of this Second Amendment only, all references in Section 4.4 of the 2005 Loan Agreement to (x) the term "Financial Statements" shall be deemed to refer to "the consolidated financial statements as of and for the year ending December, 31, 2006, audited by Borrower's certified public accountants."

(v) Borrower's obligations under the Agreement and under the other Loan Documents are not subject to any defense, counterclaim, set-off, right to recoupment, abatement or other claim.

(vi) The outstanding capital stock of PrivateBank Georgia is evidenced by the two stock certificates originally issued by Piedmont Bank of Georgia that were previously delivered to Lender.

**H. Conditions.** Notwithstanding anything to the contrary contained elsewhere in the Agreement, the obligation of Lender to decrease the Revolving Loan Amount, increase the Subordinated Debt Amount, modify certain financial covenants and agree to the other modifications contemplated by this Second Amendment, shall be subject to the performance by Borrower prior to the date on which this Second Amendment is executed (the "**Amendment Closing Date**") of all of its agreements theretofore to be performed under the Agreement and to the satisfaction of the following conditions precedent. The obligations to continue to make disbursements of proceeds under the Loans are, and shall remain, subject to the conditions precedent in the 2005 Loan Agreement and to the receipt by Lender of all the following in form and substance satisfactory to Lender and its counsel, and, where appropriate, duly executed and dated the Amendment Closing Date:

(i) an amended and restated Revolving Note, substantially in the form of Exhibit A attached hereto;

(ii) an amended and restated Subordinated Debenture, substantially in the form of Exhibit B attached hereto;

(iii) an amendment to the Pledge Agreement, substantially in the form of Exhibit C attached hereto, including the Acknowledgements of PrivateBank Georgia and PrivateBank Wisconsin attached thereto;

(iv) an amendment to the Collateral Safekeeping Agreement, substantially in the form of Exhibit D attached hereto;

- (v) a Rate Election Notice with respect to any disbursement under the Subordinated Debenture to be made at Closing;
- (vi) a certificate of good standing of Borrower, certified by the appropriate governmental official in its jurisdiction of incorporation and dated within the five business days preceding the date hereof;
- (vii) (a) copies, certified by the Secretary or Assistant Secretary of Borrower, of the (I) resolutions duly adopted by the board of directors of Borrower (or the appropriate committee thereof) authorizing the execution, delivery and performance of this Second Amendment and the other documents to be delivered by Borrower pursuant to this Second Amendment (including the Second Amendment, the "Amendment-Related Documents"), and (II) the Bylaws of Borrower as currently in effect; and (b) a certification by the Secretary or Assistant Secretary of Borrower that there has been no amendment to the articles of incorporation of Borrower from and after September 29, 2005, and that the articles of incorporation delivered by Borrower to the Lender on September 29, 2005, remain in full force and effect;
- (viii) stock certificates evidencing all outstanding capital stock of PrivateBank Georgia (if not previously delivered) and PrivateBank Wisconsin, together with irrevocable stock powers for each such certificate endorsed by Borrower in blank, which shall have been delivered to the custodian under and in accordance with the Collateral Safekeeping Agreement;
- (ix) a written opinion of Vedder, Price, Kaufman & Kammholz, P.C., counsel to the Borrower, addressed to the Lender, substantially in the form of Exhibit E attached hereto; and
- (x) such other documents, agreements or instruments as Lender may reasonably request.

#### **I. Additional Terms.**

(i) Acknowledgment of Indebtedness under Agreement. The Borrower acknowledges and confirms that, as of the date hereof, the Borrower is indebted to the Lender, without defense, setoff, or counterclaim, in the aggregate principal amount of (i) Two Hundred Fifty Thousand and No/100 Dollars (\$250,000) under the Term Loan, (ii) Zero Dollars (\$0) under the Revolving Loan and (iii) 40,000,000 Million and No/100 Dollars (\$40,000,000) under the Subordinated Debt.

(ii) The Agreement. All references in the 2005 Loan Agreement to the term "Agreement" shall be deemed to refer to the Agreement referenced in this Second Amendment.

(iii) Second Amendment and 2005 Loan Agreement to be Read Together. This Second Amendment supplements and is hereby made a part of the 2005 Loan Agreement, and the 2005 Loan Agreement and this Second Amendment shall from and after the date hereof be read together and shall constitute the Agreement. Except as otherwise set forth herein, the 2005 Loan Agreement shall remain in full force and effect.

(iv) Loan Documents. The term "Loan Documents," as used in the Agreement, shall from and after the date hereof include the Amendment-Related Documents.

(v) Counterparts. This Second Amendment may be executed by facsimile and in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same document.

(vi) Acknowledgments. Borrower acknowledges that (i) it has been advised by counsel of its choice with respect to this Second Amendment, the Loan Documents and the transactions contemplated thereby, (ii) each of the waivers set forth herein was knowingly and voluntarily made, and

(iii) the obligations of Lender hereunder shall be strictly construed and shall be expressly subject to Borrower's compliance in all respects with the terms and conditions of the Agreement.

(vii) No Novation. The terms and conditions of the 2005 Loan Agreement and the Notes issued in favor of the Lender thereunder (as such Notes have been amended, restated, supplemented or modified, the "**Original Notes**") are amended as set forth in, and superceded and, with respect to the Revolving Note and Subordinated Debenture, restated in their entirety by, the Agreement as modified by this Second Amendment and the Revolving Note and Subordinated Debenture issued hereunder in favor of Lender. It is expressly understood and acknowledged that nothing in this Second Amendment shall be deemed to cause or otherwise give rise to a novation of the Original Notes. Notwithstanding any provision of this Second Amendment, any Amendment-Related Document or any Loan Document to the contrary, the execution and delivery of the restated Revolving Note and Subordinated Debenture pursuant to this Second Amendment in favor of Lender shall be in substitution for, but not in payment of, the Revolving Note and Subordinated Debenture that constitute a part of the Original Notes, respectively. All "Borrower's Liabilities" under the 2005 Loan Agreement shall in all respects be continuing and this Second Amendment shall not be deemed to evidence or result in a novation or repayment and re-borrowing of such "Borrower's Liabilities."

(viii) Subsidiary Bank Good Standing Certificates. Borrower shall deliver to Lender on or prior to April 30, 2007, good standing certificates for each Subsidiary Bank, certified by the applicable chartering entity.

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IN WITNESS WHEREOF, the parties have executed this Second Amendment as of the date first written above.

**PRIVATEBANCORP, INC.**

By: /s/ Dennis Klaeser

Name: Dennis Klaeser

Title: Chief Financial Officer

**LASALLE BANK NATIONAL ASSOCIATION**

By: /s/ Michael A. Tighe, Jr.

Name: Michael A. Tighe, Jr.

Title: First Vice President

## EXHIBIT A

### FORM OF AMENDED AND RESTATED REVOLVING NOTE

#### AMENDED AND RESTATED REVOLVING NOTE

\$39,750,000.00

Chicago, Illinois

Restatement Date: April 3, 2007

Original Note Date: February 11, 2000 (as amended)

**FOR VALUE RECEIVED**, the undersigned, PRIVATEBANCORP, INC., a Delaware corporation ("**Borrower**"), promises to pay to the order of LASALLE BANK NATIONAL ASSOCIATION, a national banking association, or the holder hereof from time to time ("**Lender**"), at such place as may be designated in writing by Lender, the principal sum of THIRTY NINE MILLION SEVEN HUNDRED FIFTY THOUSAND AND NO/100THS DOLLARS (\$39,750,000.00) (or so much thereof that has been advanced and remains outstanding), with interest thereon as hereinafter provided. It is contemplated that there will be advances and payments under this note (this "**Note**") from time to time, but no advances or payments under this Note (including payment in full of the unpaid balance of principal hereof prior to maturity) shall affect or impair the validity or enforceability of this Note as to future advances hereunder. This Note is issued pursuant to the terms of an Amended and Restated Loan and Subordinated Debenture Purchase Agreement dated as of September 29, 2005, by and between Borrower and Lender (said Amended and Restated Loan and Subordinated Debenture Purchase Agreement together with the Agreed Upon Terms and Procedures, as each may be amended, restated, supplemented or modified from time to time, is referred to hereinafter as the "**Loan Agreement**"). All capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Loan Agreement.

This Note represents a continuation of the indebtedness represented by that certain Revolving Note dated February 11, 2000 made by Borrower to Lender in the original principal amount of \$18,000,000, as such note has been amended prior to the date hereof (the "**Original Revolving Note**"). The Original Revolving Note is amended, restated and replaced by this Note. This Note does not constitute a novation, discharge or satisfaction of the Original Revolving Note replaced hereby or of the indebtedness evidenced by said Original Revolving Note.

Interest shall accrue on all sums as advanced and outstanding from time to time under this Note and Loan Agreement as set forth in the Loan Agreement. Such interest shall be due and payable, in arrears (i) for any LIBO Rate Tranche, on the last day of each LIBOR Period, and (ii) for any Base Rate Tranche, on the last day of each March, June, September and December, beginning March 31, 2007, and as otherwise set forth in the Loan Agreement.

The outstanding principal balance of this Note, together with all accrued and unpaid interest, shall be due and payable on the Revolving Loan Maturity Date. Additional principal payments shall be made in accordance with the provisions of the Loan Agreement.

This Note is issued pursuant to the terms of the Loan Agreement and is secured by and entitled to the benefits of, among other things, the Collateral Documents. In case an Event of Default shall occur and be continuing, the principal of this Note together with all accrued interest thereon may, at the option of the holder hereof, immediately become due and payable on demand; provided, however, that if any document related to this Note provides for automatic acceleration of payment of sums owing hereunder, all sums owing hereunder shall be automatically due and payable in accordance with the terms of that document.

Unless otherwise provided in the Loan Agreement, all payments on account of the indebtedness evidenced by this Note shall be first applied to the payment of costs and expenses of Lender which are due and payable, then to past-due interest on the unpaid principal balance and the remainder to principal.

Provided that no Event of Default then exists, this Note may be prepaid only upon those terms and conditions set forth in the Loan Agreement.

If any interest payment required hereunder is not received by Lender on or before the tenth day following the date it becomes due, Borrower shall pay, at Lender's option, a late or collection charge equal to 4% of the amount of such unpaid interest payment.

From and after the Revolving Loan Maturity Date, or such earlier date as all sums owing on this Note become due and payable by acceleration or otherwise, or after the occurrence of an Event of Default, interest shall be computed on all amounts then due and payable under this Note at a "**Default Rate**" equal to 2% per annum (based on a 360-day year and charged on the basis of actual days elapsed) in excess of the interest rate otherwise accruing under this Note.

If any attorney is engaged by Lender to enforce or defend any provision of this Note or any of the other Loan Documents, or as a consequence of any Event of Default, with or without the filing of any legal action or proceeding, then Borrower shall pay to Lender immediately upon demand all attorneys' fees and expenses, together with interest thereon from the date of such demand until paid at the rate of interest applicable to the principal balance owing hereunder as if such unpaid attorneys' fees and expenses had been added to the principal.

No previous waiver and no failure or delay by Lender in acting with respect to the terms of this Note or any of the other Loan Documents shall constitute a waiver of any breach, default or failure of condition under this Note, the Loan Agreement or any of the other Loan Documents or the obligations secured thereby. A waiver of any term of this Note or any of the other Loan Documents or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver. In the event of any inconsistencies between the terms of this Note and the terms of any other document related to the Loan evidenced by this Note, the terms of this Note shall prevail.

Except as otherwise provided in the Loan Agreement, Borrower expressly waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest thereon, notice of late charges, and diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights or interests in or to properties securing payment of this Note. In addition, Borrower expressly agrees that this Note and any payment coming due hereunder may be extended from time to time without in any way affecting the liability of any such party hereunder.

Time is of the essence with respect to every provision hereof. This Note shall be construed and enforced in accordance with the laws of the State of Illinois, except to the extent that federal laws preempt the laws of the State of Illinois, and all persons and entities in any manner obligated under this Note consent to the jurisdiction of any Federal or State court within the State of Illinois having proper venue and also consent to service of process by any means authorized by Illinois or Federal law. Any reference contained herein to attorneys' fees and expenses shall be deemed to be to reasonable fees and expenses and to include all reasonable fees and expenses of in-house or staff attorneys and the reasonable fees and expenses of any other experts or consultants.

All agreements between Borrower and Lender (including, without limitation, this Note and the Loan Agreement, and any other documents securing all or any part of the indebtedness evidenced hereby) are expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid to Lender exceed the highest lawful rate of interest permissible under applicable law. If, from any circumstances whatsoever, fulfillment of any provision hereof, the Loan Agreement or any other documents securing all or any part of the indebtedness evidenced hereby at the time performance of such provisions shall be due, shall involve exceeding the limit of validity prescribed by law which a court

of competent jurisdiction may deem applicable hereto, then, *ipso facto*, the obligation to be fulfilled shall be reduced to the highest lawful rate of interest permissible under such applicable laws, and if, for any reason whatsoever, Lender shall ever receive as interest an amount which would be deemed unlawful under such applicable law, such interest shall be automatically applied to the payment of the principal of this Note (whether or not then due and payable) and not to the payment of interest or refunded to Borrower if such principal has been paid in full.

Any notice which either party hereto may be required or may desire to give hereunder shall be governed by the notice provisions of the Loan Agreement.

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BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT THAT IT MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION ARISING IN ANY WAY IN CONNECTION WITH THIS NOTE OR ANY OF THE OTHER LOAN DOCUMENTS, OR ANY OTHER STATEMENTS OR ACTIONS OF BORROWER OR LENDER. BORROWER ACKNOWLEDGES THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS NOTE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS DISCUSSED THIS WAIVER WITH SUCH LEGAL COUNSEL. BORROWER FURTHER ACKNOWLEDGES THAT (i) IT HAS READ AND UNDERSTANDS THE MEANING AND RAMIFICATIONS OF THIS WAIVER, (ii) THIS WAIVER HAS BEEN REVIEWED BY BORROWER AND BORROWER'S COUNSEL AND IS A MATERIAL INDUCEMENT FOR LENDER TO ENTER INTO THE LOAN DOCUMENTS, AND (iii) THIS WAIVER SHALL BE EFFECTIVE AS TO EACH OF THE LOAN DOCUMENTS AS IF FULLY INCORPORATED THEREIN.

**IN WITNESS WHEREOF**, the undersigned has executed this Note or caused this Note to be executed by its duly authorized representative as of the date first above written.

**PRIVATEBANCORP, INC.**

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

EXHIBIT B

FORM OF AMENDED AND RESTATED SUBORDINATED DEBENTURE

AMENDED AND RESTATED SUBORDINATED DEBENTURE

**THIS SUBORDINATED DEBENTURE IS NOT A SAVINGS ACCOUNT OR DEPOSIT AND IT IS NOT INSURED BY THE  
FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY FEDERAL AGENCY.**

\$75,000,000.00

Chicago, Illinois

Restatement Date: April 3, 2007

Original Debenture Date: September 29, 2005

**FOR VALUE RECEIVED**, the undersigned, PRIVATEBANCORP, INC., a Delaware corporation ("**Borrower**"), hereby promises to pay to the order of LASALLE BANK NATIONAL ASSOCIATION, a national banking association, or any holder hereof from time to time ("**Lender**"), at such place as may be designated in writing by Lender, the principal sum of SEVENTY-FIVE MILLION AND NO/100 DOLLARS (\$75,000,000.00) (or so much thereof that has been advanced and remains outstanding) with interest thereon as hereinafter provided. This Subordinated Debenture (this "**Subordinated Debenture**") is issued pursuant to the terms of an Amended and Restated Loan and Subordinated Debenture Purchase Agreement dated as of September 29, 2005, by and between Borrower and Lender (said Amended and Restated Loan and Subordinated Debenture Purchase Agreement together with the Agreed Upon Terms and Procedures, as each may be amended, restated, supplemented or modified from time to time, is referred to hereinafter as the "**Loan Agreement**"). All capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Loan Agreement.

This Subordinated Debenture represents a continuation of the indebtedness represented by that certain Subordinated Debenture dated September 29, 2005 issued by Borrower to Lender in the original principal amount of \$25,000,000, as such debenture has been amended prior to the date hereof (the "**Original Debenture**"). The Original Debenture is amended, restated and replaced by this Subordinated Debenture. This Subordinated Debenture does not constitute a novation, discharge or satisfaction of the Original Debenture replaced hereby or of the indebtedness evidenced by said Original Debenture.

All accrued interest and unpaid principal due and payable under this Subordinated Debenture shall be paid in full on or before the Subordinated Debenture Maturity Date.

The unpaid principal amount outstanding under this Subordinated Debenture from time to time shall bear interest before maturity in accordance with the Loan Agreement, computed on the basis of a 360-day year and charged for actual days elapsed. Under certain circumstances as provided in the Loan Agreement, overdue interest payments under this Subordinated Debenture shall bear interest from the due date thereof until paid at a daily rate equal to the Default Rate of Interest, computed on the basis of a 360-day year and charged for actual days elapsed, except as otherwise provided in the Loan Agreement.

All accrued interest shall be payable at Lender's principal place of business on a quarterly basis in arrears on the last day of each March, June, September and December commencing March 31, 2007. The outstanding unpaid principal balance of this Subordinated Debenture shall be payable in one installment on the Subordinated Debenture Maturity Date. Whenever any payment to be made under this Subordinated Debenture shall be due on a day that is not a Business Day, such payment shall be made

on the next succeeding Business Day, and such extension of time shall be included in the computation of interest due upon this Subordinated Debenture. There shall be no penalties or other charges payable by Borrower to Lender hereunder other than those payments described in this Subordinated Debenture or in the Loan Agreement. Borrower may prepay all or, from time to time, part of the outstanding unpaid principal balance under this Subordinated Debenture at any time without penalty.

This Subordinated Debenture is not secured by any assets of Borrower.

So long as any portion of the unpaid principal of this Subordinated Debenture is deemed to be Tier 2 Capital of Borrower in accordance with the rules and regulations of the FRB applicable to the capital status of the subordinated debt of bank holding companies, the rights of Lender to the principal sum hereunder or any part hereof and to any accrued interest thereon shall remain subject and subordinate (in accordance with SR 92-37 issued by the FRB on October 15, 1992) to the claims of creditors of Borrower with respect to the following ("**Senior Claims**") (a) borrowed and purchased money, (b) similar obligations arising from off-balance-sheet guaranties and direct-credit substitutes, and (c) obligations associated with derivative products such as interest-rate and foreign exchange-rate contracts, commodity contracts, and similar arrangements (clauses (a), (b) and (c) expressly exclude Trust Preferred Indebtedness, as defined below, with respect to which, accordingly, the rights of Lender are not subordinate). Upon dissolution or liquidation of Borrower, no payment of principal, interest or premium (including post-default interest) shall be due and payable under the terms of this Subordinated Debenture until all Senior Claims (which expressly exclude Trust Preferred Indebtedness) shall have been paid in full. If this Subordinated Debenture ceases to be deemed to be Tier 2 Capital of Borrower in accordance with the rules and regulations of the FRB applicable to the capital status of the subordinated debt of bank holding companies, other than due to the limitations imposed by the second sentence of 12 C.F.R §250.166(e), which limits the capital treatment of subordinated debt during the five years immediately preceding the maturity date of the subordinated debt, Borrower shall: immediately notify Lender; and immediately upon request of Lender execute and deliver all such agreements (including without limitation pledge agreements and replacement notes) as Lender may request in order to restructure the obligation evidenced hereby as a senior secured obligation of Borrower. If Borrower fails to execute such agreements as required by Lender within 30 days of Lender's request, such failure shall be deemed to be an Event of Default as provided in Section 8.1.1 of the Loan Agreement.

As used herein, "**Trust Preferred Indebtedness**" shall mean indebtedness incurred in connection with, or relating to, any trust preferred securities caused to be issued by, or reflected in the consolidated financial statements of, Borrower, including the subordinated indebtedness evidenced by the Junior Subordinated Debentures.

If an Event of Default shall occur, Lender shall have the rights set forth in Section 8.6 of the Loan Agreement.

If any attorney is engaged by Lender to enforce or defend any provision of this Subordinated Debenture or any of the other Loan Documents, or as a consequence of any Event of Default, with or without the filing of any legal action or proceeding, then Borrower shall pay to Lender immediately upon demand all attorneys' fees and expenses, together with interest thereon from the date of such demand until paid at the rate of interest applicable to the principal balance owing hereunder as if such unpaid attorneys' fees and expenses had been added to the principal.

No previous waiver and no failure or delay by Lender in acting with respect to the terms of this Subordinated Debenture or any of the other Loan Documents shall constitute a waiver of any breach, default or failure of condition under this Subordinated Debenture, the Loan Agreement or any of the other Loan Documents or the obligations secured thereby. A waiver of any term of this Subordinated Debenture or any of the other Loan Documents or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver. In the event of any inconsistencies between the terms of this Subordinated Debenture and the terms of any other document related to the Loan evidenced by this Subordinated Debenture, the terms of this Subordinated Debenture shall prevail.

Except as otherwise provided in the Loan Agreement, Borrower expressly waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest thereon, notice of late charges, and diligence in taking any action to collect any sums owing under this Subordinated Debenture. In addition, Borrower expressly agrees that this Subordinated Debenture and any payment coming due hereunder may be extended from time to time without in any way affecting the liability of any such party hereunder.

Time is of the essence with respect to every provision hereof. This Subordinated Debenture shall be construed and enforced in accordance with the laws of the State of Illinois, except to the extent that federal laws preempt the laws of the State of Illinois, and all persons and entities in any manner obligated under this Subordinated Debenture consent to the jurisdiction of any federal or State court within the State of Illinois having proper venue and also consent to service of process by any means authorized by Illinois or Federal law. Any reference contained herein to attorneys' fees and expenses shall be deemed to be to reasonable fees and expenses and to include all reasonable fees and expenses of in-house or staff attorneys and the reasonable fees and expenses of any other experts or consultants.

All agreements between Borrower and Lender (including, without limitation, this Subordinated Debenture and the Loan Agreement, and any other documents securing all or any part of the indebtedness evidenced hereby) are expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid to Lender exceed the highest lawful rate of interest permissible under applicable law. If, from any circumstances whatsoever, fulfillment of any provision hereof, the Loan Agreement or any other documents securing all or any part of the indebtedness evidenced hereby at the time performance of such provisions shall be due, shall involve exceeding the limit of validity prescribed by law which a court of competent jurisdiction may deem applicable hereto, then, *ipso facto*, the obligation to be fulfilled shall be reduced to the highest lawful rate of interest permissible under such applicable laws, and if, for any reason whatsoever, Lender shall ever receive as interest an amount which would be deemed unlawful under such applicable law, such interest shall be automatically applied to the payment of the principal of this Subordinated Debenture (whether or not then due and payable) and not to the payment of interest or refunded to Borrower if such principal has been paid in full.

Lender may sell, assign, pledge or otherwise transfer or encumber any or all of its interest under this Subordinated Debenture at any time and from time to time. In the event of a transfer, all terms and conditions of this Subordinated Debenture shall be binding upon and inure to the benefit of the transferee after such transfer.

Upon receipt of notice from Lender advising Borrower of the loss, theft, destruction or mutilation of this Subordinated Debenture, Borrower shall, execute and deliver in lieu thereof a new debenture in principal amount equal to the unpaid principal amount of such lost, stolen, destroyed or mutilated debenture, dated the date to which interest has been paid on such lost, stolen, destroyed or mutilated Subordinated Debenture.

Unless otherwise provided in the Loan Agreement, all payments on account of the indebtedness evidenced by this Subordinated Debenture shall be first applied to the payment of costs and expenses of Lender which are due and payable, then to past-due interest on the unpaid principal balance and the remainder to principal.

Any notice which either party hereto may be required or may desire to give hereunder shall be governed by the notice provisions of the Loan Agreement.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT THAT IT MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION ARISING IN ANY WAY IN CONNECTION WITH THIS SUBORDINATED DEBENTURE OR ANY OF THE OTHER LOAN DOCUMENTS, OR ANY OTHER STATEMENTS OR ACTIONS OF BORROWER OR LENDER. BORROWER ACKNOWLEDGES THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS SUBORDINATED DEBENTURE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS DISCUSSED THIS WAIVER WITH SUCH LEGAL COUNSEL. BORROWER FURTHER ACKNOWLEDGES THAT (i) IT HAS READ AND UNDERSTANDS THE MEANING AND RAMIFICATIONS OF THIS WAIVER, (ii) THIS WAIVER HAS BEEN REVIEWED BY BORROWER AND BORROWER'S COUNSEL AND IS A MATERIAL INDUCEMENT FOR LENDER TO ENTER INTO THE LOAN DOCUMENTS, AND (iii) THIS WAIVER SHALL BE EFFECTIVE AS TO EACH OF THE LOAN DOCUMENTS AS IF FULLY INCORPORATED THEREIN.

**IN WITNESS WHEREOF**, the undersigned has executed this Subordinated Debenture or caused this Subordinated Debenture to be executed by its duly authorized representative as of the date first above written.

**PRIVATEBANCORP, INC.**

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

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## EXHIBIT C

### FORM OF SECOND AMENDMENT TO AMENDED AND RESTATED PLEDGE AGREEMENT

This SECOND AMENDMENT TO AMENDED AND RESTATED PLEDGE AGREEMENT ("**Second Amendment**"), dated as of April 3, 2007, is entered into by and between PRIVATE BANCORP, INC., a Delaware corporation ("**Pledgor**"), and LASALLE BANK NATIONAL ASSOCIATION, a national banking association ("**Lender**").

#### R E C I T A L S :

A. The parties hereto have entered into that certain Amended and Restated Pledge Agreement, dated as of September 29, 2005, as previously amended, restated, supplemented or modified from time to time (the "**2005 Pledge Agreement**").

B. The parties hereto desire to amend and modify the 2005 Pledge Agreement in accordance with the terms and subject to the conditions set forth in this Second Amendment. As amended and modified by this Second Amendment, the 2005 Pledge Agreement may be referred to as the "**Pledge Agreement**."

C. The parties desire to amend the terms of the 2005 Pledge Agreement to confirm the grant to Lender of a security interest in the capital stock owned by Pledgor in The Private Bank, N.A., a national banking association with its main office located in Milwaukee, Wisconsin, and to reflect the name change of Piedmont Bank of Georgia to The PrivateBank. The parties agree to undertake such modifications in accordance with the terms, subject to the conditions, and in reliance upon the recitals, representations, warranties, and covenants set forth herein, in the Pledge Agreement, and in the other Loan Documents, irrespective of whether entered into or delivered on or after September 29, 2005.

D. Capitalized terms used but not otherwise defined in this Second Amendment shall have the meanings respectively ascribed to them in the 2005 Pledge Agreement.

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

#### A G R E E M E N T :

**A. Amendment to Recitals "A" and "B" of the 2005 Pledge Agreement.** Recitals "A" and "B" to the 2005 Pledge Agreement are hereby deleted and replaced in their entirety with the following:

"A. Borrower is a bank holding company that owns 100% of the issued and outstanding capital stock of The PrivateBank and Trust Company, an Illinois state-chartered, non-member bank with its main office located in Chicago, Illinois ("**PrivateBank**"), The PrivateBank, a federal savings bank with its main office located in St. Louis, Missouri ("**PrivateBank St. Louis**"), The PrivateBank, a Michigan state-chartered, non-member bank with its main office located in Bloomfield Hills, Michigan ("**PrivateBank Michigan**"), The PrivateBank, a Georgia state-chartered, non-member bank with its main office located in Atlanta, Georgia (formerly known as Piedmont Bank of Georgia, "**PrivateBank Georgia**"), and The PrivateBank, N.A., a national banking association with its main office located in Milwaukee, Wisconsin ("**PrivateBank Wisconsin**"). The issued and outstanding capital stock of PrivateBank, PrivateBank St. Louis, PrivateBank Michigan, PrivateBank Georgia and PrivateBank Wisconsin may be referred to as the "**Pledged Subsidiary Bank Shares**." PrivateBank, PrivateBank St. Louis, PrivateBank Michigan, PrivateBank Georgia and PrivateBank Wisconsin may be referred to herein collectively as the "**Bank Subsidiaries**" and individually as a "**Bank Subsidiary**."

B. Borrower has requested that Lender provide it with three credit facilities in the aggregate principal amount of \$115,000,000 consisting of a Term Loan in the principal amount of \$250,000, a Revolving Loan in the principal amount of \$39,750,000 and Subordinated Debt in the principal amount of \$75,000,000."

**B. Amendment to Schedule A of the 2003 Pledge Agreement.** Schedule A attached to the 2005 Pledge Agreement is hereby deleted and replaced in its entirety with Schedule A attached to this Second Amendment. **[SCHEDULE TO BE CONFIRMED]**

**C. Amendment to Definition of "Pledged Stock" in Section 1.1 of the 2005 Pledge Agreement.** The definition of "Pledged Stock" is hereby deleted and replaced in its entirety with the following:

"**Pledged Stock**" means: (i) the shares of capital stock of the Bank Subsidiaries as described on the attached Schedule A hereto and any and all other shares of capital stock issued by any Bank Subsidiary previously or hereafter acquired by Pledgor, whether directly from a Bank Subsidiary or otherwise and whether such other shares are now or hereafter in the possession of Pledgor, Lender or other holder; (ii) all stock and other securities or property which are issued pursuant to conversion, redemption, exercise of rights, stock split, recapitalization, reorganization, stock dividends or other corporate act which are referable to the shares referenced in clause (i) or this clause (ii) (collectively, the "**Additional Pledged Securities**"); (iii) all distributions, whether cash or otherwise, in the nature of a partial or complete liquidation, dissolution or winding up which are referable to the shares referenced in clause (i) or clause (ii) (such distributions are hereinafter referred to as "**Liquidating Distributions**"); (iv) all right, title and interest of Pledgor in, to and under that certain Agreement and Plan of Merger, dated as of August 2, 2006, between Pledgor and Piedmont Bancshares, Inc. (as amended, restated and supplemented from time to time); and (v) all substitutions for any of the foregoing, proceeds of and from any of the foregoing (including, without limitation, the outstanding capital stock of Piedmont Bank of Georgia) and all interest, cash dividends or other payments in respect of any of the foregoing."

**D. Amendment to Section 2 of the 2005 Pledge Agreement.** Section 2 of the 2005 Pledge Agreement is hereby deleted and replaced in its entirety with the following:

**"2. PLEDGE AND GRANT OF SECURITY INTERESTS.** Pledgor hereby pledges, collaterally assigns, hypothecates and transfers to Lender all Pledged Stock, together with appropriate undated assignments separate from the Certificates duly executed in blank, and hereby grants to and creates in favor of Lender liens and security interests in the Pledged Stock as collateral security for (a) the due and punctual payment when due (whether at maturity, by acceleration or otherwise) in full of all amounts due under the Notes evidencing the Senior Loans (as such Notes may be amended, restated, supplemented, modified, extended or replaced from time to time) in the aggregate face amount as of the date hereof of Forty Million Dollars (\$40,000,000) executed and delivered by Pledgor to Lender pursuant to the Loan Agreement; (b) the due and punctual performance and observance by Pledgor of all other Borrower's Liabilities; (c) the due and punctual performance and observance by Pledgor of all of its agreements, obligations, liabilities and duties under this Pledge Agreement, the Loan Agreement and the other Loan Documents; (d) all amounts due to the Lender under the Senior Notes, including any and all modifications, extensions, renewals or refinancings thereof and including, without limitation, all principal, interest and other amounts due under the Senior Notes; (e) all sums advanced by, or on behalf of, the Lender in connection with, or relating to, the Loan Agreement, the Senior Notes or the Pledged Stock including, without limitation, any and all sums advanced to preserve the Pledged Stock, or to perfect the Lender's security interest in the Pledged Stock; (f) in the event of any proceeding to enforce the satisfaction of the obligations, or any of them, or to preserve and protect their rights under the Loan Agreement, the Senior Notes,

this Pledge Agreement or any other agreement, document or instrument relating to the transactions contemplated in the Loan Agreement, the reasonable expenses of retaking, holding, preparing for sale, selling or otherwise disposing of or realizing on the Pledged Stock, or of any exercise by the Lender of its rights, together with reasonable attorneys' fees, expenses and court costs; (g) any indebtedness, obligation or liability of the Pledgor to the Lender, whether direct or indirect, joint or several, absolute or contingent, now or hereafter existing, however created or arising and however evidenced; (h) any indebtedness, obligation or liability of the Pledgor under or in connection with any Interest Rate Protection Agreement; and (i) all costs incurred by Lender to obtain, perfect, preserve and enforce the liens and security interests granted by this Pledge Agreement, the Loan Agreement and the other Loan Documents, to collect the Obligations Secured Hereby (as hereinafter defined) and to maintain and preserve the Pledged Stock, with such costs including, without limitation, expenditures made by Lender for attorneys' fees and other legal expenses and expenses of collection, possession and sale of the Pledged Stock, together with interest on all such costs at the Default Rate (the foregoing subsections (a) through (i) are collectively referred to herein as the "**Obligations Secured Hereby**"). Notwithstanding anything above in this Section 2 to the contrary, the Pledged Stock shall not be collateral security for amounts outstanding under the Subordinated Debenture that are deemed to be Tier 2 Capital of Pledgor in accordance with the rules and regulations of the FRB applicable to the capital status of the subordinated debt of bank holding companies, without giving effect to the limitation imposed by the second sentence of 12 C.F.R. §250.166(e), which limits the capital treatment of subordinated debt during the five years immediately preceding the maturity date of the subordinated debt."

**E. Representations and Warranties.** Pledgor hereby represents and warrants to Lender as follows:

- (i) No Event of Default or event which, with the giving of notice, the passage of time, or both would constitute an Event of Default has occurred and is continuing (or would result from the amendments contemplated hereby).
- (ii) The execution, delivery and performance by Pledgor of this Second Amendment have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, or notice to or action by any Person (including any Governmental Agency) in order to be effective and enforceable.
- (iii) This Second Amendment and the Pledge Agreement (as amended by this Second Amendment) constitute the legal, valid and binding obligations of Pledgor, enforceable against Pledgor in accordance with their respective terms.
- (iv) All representations and warranties of the Pledgor in the 2005 Pledge Agreement (as modified by this Second Amendment) are true and correct.
- (v) Pledgor's obligations under the Pledge Agreement are not subject to any defense, counterclaim, set-off, right to recoupment, abatement or other claim, and the Pledge Agreement and the pledge contemplated thereby continues to secure the Obligations Secured Hereby.

**F. Conditions.** Notwithstanding anything to the contrary contained elsewhere in the Pledge Agreement, the obligation of Lender to reduce the principal amount of the Senior Notes shall be subject to the performance by Pledgor prior to the date on which this Second Amendment is executed of all of its agreements theretofore to be performed under the Agreement and to the closing on the date hereof under that certain Second Amendment to Loan and Subordinated Debenture Agreement between Pledgor and Lender.

**G. Additional Terms.**

(i) The Pledge Agreement. All references in the 2005 Pledge Agreement to the term "Pledge Agreement" shall be deemed to refer to the Pledge Agreement referenced in this Second Amendment.

(ii) Second Amendment and 2005 Pledge Agreement to be Read Together. This Second Amendment supplements and is hereby made a part of the 2005 Pledge Agreement, and the 2005 Pledge Agreement and this Second Amendment shall from and after the date hereof be read together and shall constitute the Pledge Agreement. Except as otherwise set forth herein, the 2005 Pledge Agreement shall remain in full force and effect.

(iii) Counterparts. This Second Amendment may be executed by facsimile and in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same document.

(iv) Acknowledgments. Pledgor acknowledges that (i) it has been advised by counsel of its choice with respect to this Second Amendment and the transactions contemplated thereby, (ii) each of the waivers set forth herein was knowingly and voluntarily made, and (iii) the obligations of Lender hereunder shall be strictly construed and shall be expressly subject to Pledgor's compliance in all respects with the terms and conditions of the Pledge Agreement.

(v) Amendment to Financing Statement. Without limitation of the obligations of Pledgor pursuant to Section 6.4 of the Pledge Agreement, Pledgor hereby authorizes Lender to file an amendment to the UCC-1 financing statement currently on file with respect to the Pledged Stock to reflect the entirety of the Pledged Stock in the description of collateral in such financing statement.

(vi) Delivery of Acknowledgments. If not previously done, Pledgor shall promptly (A) deliver the certificates evidencing the outstanding capital stock of PrivateBank Georgia and PrivateBank Wisconsin, and irrevocable stock powers executed in blank with respect thereto, to the custodian under and in accordance with the Collateral Safekeeping Agreement, and (B) cause to be executed and delivered to Lender the Acknowledgment of PrivateBank Georgia and PrivateBank Wisconsin in the form of Schedule B to this Second Amendment.

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IN WITNESS WHEREOF, the parties have executed this Second Amendment as of the date first written above.

**PRIVATEBANCORP, INC.**

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

**LASALLE BANK NATIONAL ASSOCIATION**

By: \_\_\_\_\_  
Name: Michael A. Tighe, Jr.  
Title: First Vice President

SCHEDULE B

EXHIBIT D

**FORM OF SECOND AMENDMENT TO COLLATERAL SAFEKEEPING AGREEMENT**

This SECOND AMENDMENT TO COLLATERAL SAFEKEEPING AGREEMENT ("**Second Amendment**"), dated as of April 3, 2007, is entered into by and between PRIVATEBANCORP, INC., a Delaware corporation ("**Pledgor**"), LASALLE BANK NATIONAL ASSOCIATION, a national banking association ("**Lender**") and LASALLE BANK MIDWEST, N.A., a national banking association (the "**Custodian**").

**R E C I T A L S:**

A. The parties hereto have entered into that certain Collateral Safekeeping Agreement, dated as of October 13, 2005, as previously amended, restated, supplemented or modified from time to time including by the Second Amendment thereto dated as of December 12, 2006 (the "**2005 Agreement**").

B. The parties hereto desire to amend and modify the 2005 Agreement in accordance with the terms and subject to the conditions set forth in this Second Amendment. As amended and modified by this Second Amendment, the 2005 Agreement may be referred to as the "**Agreement**."

C. The parties desire to amend the terms of the 2005 Agreement to reflect the inclusion of the outstanding capital stock of The PrivateBank, a Georgia stated-chartered, non-member bank, and The PrivateBank, N.A., a national banking association. The parties agree to undertake such modifications in accordance with the terms, subject to the conditions, and in reliance upon the recitals, representations, warranties, and covenants set forth herein, in the Agreement, and in the other Loan Documents, irrespective of whether entered into or delivered on or after October 13, 2005.

D. Capitalized terms used but not otherwise defined in this Second Amendment shall have the meanings respectively ascribed to them in the Agreement.

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

**A G R E E M E N T:**

**A. Amendment to Recital "B" of the 2005 Agreement.** Recital "B" to the 2005 Agreement are hereby deleted and replaced in their entirety with the following:

"B. The Loan evidenced by a \$75,000,000 Subordinated Debenture is unsecured. The remaining two Loans are secured by, among other things: (i) 88,450 shares (100%) of the common stock, \$20.00 par value per share, of The PrivateBank and Trust Company, an Illinois state-chartered, non-member bank with its main office located in Chicago, Illinois, and a wholly owned subsidiary of the Borrower (the "**PrivateBank Shares**"); (ii) 40,000 shares (100%) of the common stock, \$100.00 par value per share, of The PrivateBank, a federal savings bank with its main office located in St. Louis, Missouri (the "**PrivateBank St. Louis Shares**"); (iii) 50,000 shares (100%) of the common stock, \$10.00 par value per share, of The PrivateBank, a Michigan

state-chartered, non-member bank with its main office located in Bloomfield Hills, Michigan, and a wholly owned subsidiary of the Borrower (the "**PrivateBank Michigan Shares**"); (iv) 1,050,666 shares (100%) of the common stock, \$5.00 par value per share, and 260,870 shares (100%) of the preferred stock, \$1.00 par value per share, of The PrivateBank, a Georgia state-chartered, non-member bank with its main office located in Atlanta, Georgia (formerly known as Piedmont Bank of Georgia) (the "**PrivateBank Georgia Shares**"); (v) 100,000 shares (100%) of the common stock, \$10.00 par value per share, of the PrivateBank, N.A., a national association with its main office located in Milwaukee, Wisconsin (the "**PrivateBank Wisconsin Shares**"). The PrivateBank Shares, PrivateBank St. Louis Shares, PrivateBank Michigan Shares, PrivateBank Georgia Shares and PrivateBank Wisconsin Shares may be referred to herein collectively as, the "**Subsidiary Bank Shares**".

**B. Amendment to Section 1.2 of the 2005 Agreement.** Section 1.2 of the 2005 Agreement is hereby deleted and replaced in its entirety with the following:

"**1.2.** The Collateral that has not previously been delivered to the Custodian is concurrently herewith being delivered to the Custodian for safekeeping."

**C. Representations and Warranties.** Pledgor hereby represents and warrants to Lender as follows:

(i) The execution, delivery and performance by Pledgor of this Second Amendment have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, or notice to or action by any Person (including any Governmental Agency) in order to be effective and enforceable.

(ii) This Second Amendment and the Agreement (as amended by this Second Amendment) constitute the legal, valid and binding obligations of Pledgor, enforceable against Pledgor in accordance with their respective terms.

(iii) Pledgor's obligations under the Agreement are not subject to any defense, counterclaim, set-off, right to recoupment, abatement or other claim. between Pledgor and Lender.

**D. Additional Terms.**

(i) The Pledge Agreement. All references in the 2005 Agreement to the term "Agreement" shall be deemed to refer to the Agreement referenced in this Second Amendment.

(ii) Second Amendment and 2005 Agreement to be Read Together. This Second Amendment supplements and is hereby made a part of the 2005 Agreement, and the 2005 Agreement and this Second Amendment shall from and after the date hereof be read together and shall constitute the Agreement. Except as otherwise set forth herein, the 2005 Agreement shall remain in full force and effect.

(iii) Counterparts. This Second Amendment may be executed by facsimile and in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same document.

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IN WITNESS WHEREOF, the parties have executed this Second Amendment as of the date first written above.

**LASALLE BANK NATIONAL ASSOCIATION**

By: \_\_\_\_\_  
Name: Michael A. Tighe, Jr.  
Title: First Vice President

**PRIVATEBANCORP, INC.**

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

**LASALLE BANK MIDWEST, N.A.**

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

EXHIBIT E  
FORM OF LEGAL OPINION

[OMITTED]

E-1

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**Section 12: EX-10.18 (THIRD AMENDMENT TO AMENDED AND  
RESTATED LOAN AND SUBORDINATED DEBENTURE PURCHASE  
AGREEMENT)**

**THIRD AMENDMENT  
TO  
LOAN AND SUBORDINATED DEBENTURE PURCHASE AGREEMENT  
BETWEEN  
LASALLE BANK NATIONAL ASSOCIATION  
AND  
PRIVATEBANCORP, INC.**

Third Amendment dated as of December 31, 2007  
Second Amendment dated as of April 3, 2007  
First Amendment dated as of December 12, 2006  
Original Loan Agreement dated as of September 29, 2005

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**AMENDMENT PROVISIONS:**

**PAGE**

- A. Amendment to Recital "C" of the 2005 Loan Agreement
- B. Amendment to Section 1.1 of the 2005 Loan Agreement
- C. Representations and Warranties
- D. Conditions
- E. Additional Terms

1  
2  
2  
2  
3

Exhibit A – Form of Amended and Restated Revolving Note

Exhibit B – Form of Legal Opinion

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### THIRD AMENDMENT TO LOAN AND SUBORDINATED DEBENTURE PURCHASE AGREEMENT

This THIRD AMENDMENT TO LOAN AND SUBORDINATED DEBENTURE PURCHASE AGREEMENT ("**Third Amendment**"), dated as of December 31, 2007, is entered into by and between PRIVATEBANCORP, INC., a Delaware corporation ("**Borrower**"), and LASALLE BANK NATIONAL ASSOCIATION, a national banking association ("**Lender**").

#### RECITALS :

A. The parties hereto have entered into that certain Loan and Subordinated Debenture Purchase Agreement, dated as of September 29, 2005, as previously amended, restated, supplemented or modified from time to time, including by that certain First Amendment to Loan and Subordinated Debenture Purchase Agreement dated as of December 12, 2006 and that certain Second Amendment to Loan and Subordinated Debenture Purchase Agreement dated as of April 3, 2007 (the "**2005 Loan Agreement**").

B. The parties hereto desire to amend and modify the 2005 Loan Agreement in accordance with the terms and subject to the conditions set forth in this Third Amendment. As amended and modified by this Third Amendment, the 2005 Loan Agreement may be referred to as the "**Agreement**."

C. The parties desire to amend the terms of the 2005 Loan Agreement to (i) decrease the Revolving Loan Amount, (ii) extend the Revolving Loan Maturity Date, and (iii) otherwise modify the Agreement as set forth herein. The parties agree to undertake such modifications, and the other modifications described in this Third Amendment, in accordance with the terms, subject to the conditions, and in reliance upon the recitals, representations, warranties and covenants set forth herein, in the Agreement, and in the other Loan Documents, irrespective of whether entered into or delivered on or after September 29, 2005.

D. Capitalized terms used but not otherwise defined in this Third Amendment shall have the meanings respectively ascribed to them in the 2005 Loan Agreement.

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

#### AGREEMENT :

**A. Amendment to Recital "C" of the 2005 Loan Agreement.** Recital "C" to the 2005 Loan Agreement is hereby deleted and replaced in its entirety with the following:

"C. Borrower has requested that Lender provide it with three credit facilities in the aggregate principal amount of \$100,000,000 consisting of (a) a term loan (the "**Term Loan**") in the principal amount of \$250,000 (the "**Term Loan Amount**"), (b) a revolving line-of-credit (the "**Revolving Loan**") in the principal amount of up to \$24,750,000 (the "**Revolving Loan Amount**"), and (c) subordinated debt (the "**Subordinated Debt**") in the principal amount of up to \$75,000,000 ("**Subordinated Debt Amount**"). The Term Loan and the Revolving Loan may be referred to collectively as the "**Senior Loans**" and the Senior Loans and the Subordinated Debt may be referred to collectively as the "**Loans**.""

**B. Amendment to Section 1.1 of the 2005 Loan Agreement.**

The term "Revolving Loan Maturity Date" is hereby deleted from Section 1.1 of the 2005 Loan Agreement and replaced in its entirety with the following:

“**Revolving Loan Maturity Date**” means December 31, 2008.”

**C. Representations and Warranties.** The Borrower hereby represents and warrants to the Lender as follows:

(i) Except as provided in that certain default waiver letter, dated as of January 22, 2008, by and between Lender and Borrower, no Event of Default or Potential Event of Default has occurred and is continuing (or would result from the amendments contemplated hereby).

(ii) The execution, delivery and performance by Borrower of this Third Amendment have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, or notice to or action by any Person (including any Governmental Agency) in order to be effective and enforceable.

(iii) This Third Amendment and the other Loan Documents (as amended by this Third Amendment) constitute the legal, valid and binding obligations of Borrower, enforceable against the Borrower in accordance with their respective terms.

(iv) All representations and warranties of Borrower in the 2005 Loan Agreement (as modified by this Third Amendment) are true and correct, except, for the purposes of this Third Amendment only, all references in Section 4.4 of the 2005 Loan Agreement to (x) the term “Financial Statements” shall be deemed to refer to “the consolidated financial statements as of and for the year ending December, 31, 2006, and as of and for the nine months ending September 30, 2007, audited in the case of Borrower’s year end financial statements by the Borrower’s certified public accountants.”

(v) Borrower’s obligations under the Agreement and under the other Loan Documents are not subject to any defense, counterclaim, set-off, right to recoupment, abatement or other claim.

**D. Conditions.** Notwithstanding anything to the contrary contained elsewhere in the Agreement, the obligation of Lender to extend the Revolving Loan Maturity Date, decrease the Revolving Loan Amount and agree to the other modifications contemplated by this Third Amendment, shall be subject to the performance by Borrower prior to the date on which this Third Amendment is executed (the “**Amendment Closing Date**”) of all of its agreements theretofore to be performed under the Agreement and to the satisfaction of the following conditions precedent. The obligations to continue to make disbursements of proceeds under the Loans are, and shall remain, subject to the conditions precedent in the 2005 Loan Agreement and to the receipt by Lender of all the following in form and substance satisfactory to Lender and its counsel, and, where appropriate, duly executed and dated the Amendment Closing Date:

(i) an amended and restated Revolving Note, substantially in the form of Exhibit A attached hereto;

(ii) a certificate of good standing of Borrower, certified by the appropriate governmental official in its jurisdiction of incorporation and dated within the five business days preceding the date hereof;

(iii) (a) copies, certified by the Secretary or Assistant Secretary of Borrower, of the (I) resolutions duly adopted by the board of directors of Borrower (or the appropriate committee thereof) authorizing the execution, delivery and performance of this Third Amendment and the other documents to be delivered by Borrower pursuant to this Third Amendment (including the Third Amendment, the “Amendment-Related Documents”), and (II) the Bylaws of Borrower as currently in effect; and (b) a certification by the Secretary or Assistant Secretary of Borrower that there has been no amendment to the articles of incorporation of Borrower from and after

September 29, 2005, and that the articles of incorporation delivered by Borrower to the Lender on September 29, 2005, remain in full force and effect;

(iv) a written opinion of Vedder Price P.C., counsel to the Borrower, addressed to the Lender, substantially in the form of Exhibit B attached hereto; and

(v) such other documents, agreements or instruments as Lender may reasonably request.

#### **E. Additional Terms.**

(i) Acknowledgment of Indebtedness under Agreement. The Borrower acknowledges and confirms that, as of the date hereof, the Borrower is indebted to the Lender, without defense, setoff, or counterclaim, in the aggregate principal amount of (i) Two Hundred Fifty Thousand and No/100 Dollars (\$250,000) under the Term Loan, (ii) Zero Dollars (\$0) under the Revolving Loan and (iii) Seventy-Five Million and No/100 Dollars (\$75,000,000) under the Subordinated Debt.

(ii) The Agreement. All references in the 2005 Loan Agreement to the term "Agreement" shall be deemed to refer to the Agreement referenced in this Third Amendment.

(iii) Third Amendment and 2005 Loan Agreement to be Read Together. This Third Amendment supplements and is hereby made a part of the 2005 Loan Agreement, and the 2005 Loan Agreement and this Third Amendment shall from and after the date hereof be read together and shall constitute the Agreement. Except as otherwise set forth herein, the 2005 Loan Agreement shall remain in full force and effect.

(iv) Loan Documents. The term "Loan Documents," as used in the Agreement, shall from and after the date hereof include the Amendment-Related Documents.

(v) Counterparts. This Third Amendment may be executed by facsimile and in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same document.

(vi) Acknowledgments. Borrower acknowledges that (i) it has been advised by counsel of its choice with respect to this Third Amendment, the Loan Documents and the transactions contemplated thereby, (ii) each of the waivers set forth herein was knowingly and voluntarily made, and (iii) the obligations of Lender hereunder shall be strictly construed and shall be expressly subject to Borrower's compliance in all respects with the terms and conditions of the Agreement.

(vii) No Novation. The terms and conditions of the 2005 Loan Agreement and the Notes issued in favor of the Lender thereunder (as such Notes have been amended, restated, supplemented or modified, the "**Original Notes**") are amended as set forth in, and superceded and, with respect to the Revolving Note, restated in their entirety by, the Agreement as modified by this Third Amendment and the Revolving Note issued hereunder in favor of Lender. It is expressly understood and acknowledged that nothing in this Third Amendment shall be deemed to cause or otherwise give rise to a novation of the Original Notes. Notwithstanding any provision of this Third Amendment, any Amendment-Related Document or any Loan Document to the contrary, the execution and delivery of the restated Revolving Note pursuant to this Third Amendment in favor of Lender shall be in substitution for, but not in payment of, the Revolving Note that constitutes a part of the Original Notes, respectively. All "Borrower's Liabilities" under the 2005 Loan Agreement shall in all respects be continuing and this Third Amendment shall not be deemed to evidence or result in a novation or repayment and re-borrowing of such "Borrower's Liabilities."

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IN WITNESS WHEREOF, the parties have executed this Third Amendment as of the date first written above.

**PRIVATEBANCORP, INC.**

By: /s/ Dennis Klaeser

Name: Dennis Klaeser

Title: Chief Financial Officer

**LASALLE BANK NATIONAL ASSOCIATION**

By: /s/ Michael A. Tighe, Jr.

Name: Michael A. Tighe, Jr.

Title: First Vice President

## EXHIBIT A

### FORM OF AMENDED AND RESTATED REVOLVING NOTE

#### AMENDED AND RESTATED REVOLVING NOTE

\$24,750,000.00

Chicago, Illinois

Restatement Date: December 31, 2007

Original Note Date: February 11, 2000 (as amended)

**FOR VALUE RECEIVED**, the undersigned, PRIVATEBANCORP, INC., a Delaware corporation ("**Borrower**"), promises to pay to the order of LASALLE BANK NATIONAL ASSOCIATION, a national banking association, or the holder hereof from time to time ("**Lender**"), at such place as may be designated in writing by Lender, the principal sum of TWENTY FOUR MILLION SEVEN HUNDRED FIFTY THOUSAND AND NO/100THS DOLLARS (\$24,750,000.00) (or so much thereof that has been advanced and remains outstanding), with interest thereon as hereinafter provided. It is contemplated that there will be advances and payments under this note (this "**Note**") from time to time, but no advances or payments under this Note (including payment in full of the unpaid balance of principal hereof prior to maturity) shall affect or impair the validity or enforceability of this Note as to future advances hereunder. This Note is issued pursuant to the terms of an Amended and Restated Loan and Subordinated Debenture Purchase Agreement dated as of September 29, 2005, by and between Borrower and Lender (said Amended and Restated Loan and Subordinated Debenture Purchase Agreement together with the Agreed Upon Terms and Procedures, as each may be amended, restated, supplemented or modified from time to time, is referred to hereinafter as the "**Loan Agreement**"). All capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Loan Agreement.

This Note represents a continuation of the indebtedness represented by that certain Revolving Note dated February 11, 2000 made by Borrower to Lender in the original principal amount of \$18,000,000, as such note has been amended prior to the date hereof (the "**Original Revolving Note**"). The Original Revolving Note is amended, restated and replaced by this Note. This Note does not constitute a novation, discharge or satisfaction of the Original Revolving Note replaced hereby or of the indebtedness evidenced by said Original Revolving Note.

Interest shall accrue on all sums as advanced and outstanding from time to time under this Note and Loan Agreement as set forth in the Loan Agreement. Such interest shall be due and payable, in arrears (i) for any LIBO Rate Tranche, on the last day of each LIBOR Period, and (ii) for any Base Rate Tranche, on the last day of each March, June, September and December, beginning December 31, 2007, and as otherwise set forth in the Loan Agreement.

The outstanding principal balance of this Note, together with all accrued and unpaid interest, shall be due and payable on the Revolving Loan Maturity Date. Additional principal payments shall be made in accordance with the provisions of the Loan Agreement.

This Note is issued pursuant to the terms of the Loan Agreement and is secured by and entitled to the benefits of, among other things, the Collateral Documents. In case an Event of Default shall occur and be continuing, the principal of this Note together with all accrued interest thereon may, at the option of the holder hereof, immediately become due and payable on demand; provided, however, that if any document related to this Note provides for automatic acceleration of payment of sums owing hereunder, all sums owing hereunder shall be automatically due and payable in accordance with the terms of that document.

Unless otherwise provided in the Loan Agreement, all payments on account of the indebtedness evidenced by this Note shall be first applied to the payment of costs and expenses of Lender which are due and payable, then to past-due interest on the unpaid principal balance and the remainder to principal.

Provided that no Event of Default then exists, this Note may be prepaid only upon those terms and conditions set forth in the Loan Agreement.

If any interest payment required hereunder is not received by Lender on or before the tenth day following the date it becomes due, Borrower shall pay, at Lender's option, a late or collection charge equal to 4% of the amount of such unpaid interest payment.

From and after the Revolving Loan Maturity Date, or such earlier date as all sums owing on this Note become due and payable by acceleration or otherwise, or after the occurrence of an Event of Default, interest shall be computed on all amounts then due and payable under this Note at a "**Default Rate**" equal to 2% per annum (based on a 360-day year and charged on the basis of actual days elapsed) in excess of the interest rate otherwise accruing under this Note.

If any attorney is engaged by Lender to enforce or defend any provision of this Note or any of the other Loan Documents, or as a consequence of any Event of Default, with or without the filing of any legal action or proceeding, then Borrower shall pay to Lender immediately upon demand all attorneys' fees and expenses, together with interest thereon from the date of such demand until paid at the rate of interest applicable to the principal balance owing hereunder as if such unpaid attorneys' fees and expenses had been added to the principal.

No previous waiver and no failure or delay by Lender in acting with respect to the terms of this Note or any of the other Loan Documents shall constitute a waiver of any breach, default or failure of condition under this Note, the Loan Agreement or any of the other Loan Documents or the obligations secured thereby. A waiver of any term of this Note or any of the other Loan Documents or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver. In the event of any inconsistencies between the terms of this Note and the terms of any other document related to the Loan evidenced by this Note, the terms of this Note shall prevail.

Except as otherwise provided in the Loan Agreement, Borrower expressly waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest thereon, notice of late charges, and diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights or interests in or to properties securing payment of this Note. In addition, Borrower expressly agrees that this Note and any payment coming due hereunder may be extended from time to time without in any way affecting the liability of any such party hereunder.

Time is of the essence with respect to every provision hereof. This Note shall be construed and enforced in accordance with the laws of the State of Illinois, except to the extent that federal laws preempt the laws of the State of Illinois, and all persons and entities in any manner obligated under this Note consent to the jurisdiction of any Federal or State court within the State of Illinois having proper venue and also consent to service of process by any means authorized by Illinois or Federal law. Any reference contained herein to attorneys' fees and expenses shall be deemed to be to reasonable fees and expenses and to include all reasonable fees and expenses of in-house or staff attorneys and the reasonable fees and expenses of any other experts or consultants.

All agreements between Borrower and Lender (including, without limitation, this Note and the Loan Agreement, and any other documents securing all or any part of the indebtedness evidenced hereby) are expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid to Lender exceed the highest lawful rate of interest permissible under applicable law. If, from any circumstances whatsoever, fulfillment of any provision hereof, the Loan Agreement or any other documents securing all or any part of the indebtedness evidenced hereby at the time performance of such provisions shall be due, shall involve exceeding the limit of validity prescribed by law which a court

of competent jurisdiction may deem applicable hereto, then, *ipso facto*, the obligation to be fulfilled shall be reduced to the highest lawful rate of interest permissible under such applicable laws, and if, for any reason whatsoever, Lender shall ever receive as interest an amount which would be deemed unlawful under such applicable law, such interest shall be automatically applied to the payment of the principal of this Note (whether or not then due and payable) and not to the payment of interest or refunded to Borrower if such principal has been paid in full.

Any notice which either party hereto may be required or may desire to give hereunder shall be governed by the notice provisions of the Loan Agreement.

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BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT THAT IT MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION ARISING IN ANY WAY IN CONNECTION WITH THIS NOTE OR ANY OF THE OTHER LOAN DOCUMENTS, OR ANY OTHER STATEMENTS OR ACTIONS OF BORROWER OR LENDER. BORROWER ACKNOWLEDGES THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS NOTE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS DISCUSSED THIS WAIVER WITH SUCH LEGAL COUNSEL. BORROWER FURTHER ACKNOWLEDGES THAT (i) IT HAS READ AND UNDERSTANDS THE MEANING AND RAMIFICATIONS OF THIS WAIVER, (ii) THIS WAIVER HAS BEEN REVIEWED BY BORROWER AND BORROWER'S COUNSEL AND IS A MATERIAL INDUCEMENT FOR LENDER TO ENTER INTO THE LOAN DOCUMENTS, AND (iii) THIS WAIVER SHALL BE EFFECTIVE AS TO EACH OF THE LOAN DOCUMENTS AS IF FULLY INCORPORATED THEREIN.

**IN WITNESS WHEREOF**, the undersigned has executed this Note or caused this Note to be executed by its duly authorized representative as of the date first above written.

**PRIVATEBANCORP, INC.**

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

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EXHIBIT B  
FORM OF LEGAL OPINION  
[OMITTED]

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**Section 13: EX-10.19 (FORM OF INDUCEMENT PERFORMANCE  
SHARE AWARD AGREEMENT)**

## FORM OF PRIVATEBANCORP, INC.

INDUCEMENT PERFORMANCE SHARE AWARD AGREEMENT

As an inducement to the undersigned Grantee (“Grantee”) to accept an offer of employment with the Company, this Inducement Performance Share Award Agreement (“Agreement”) is entered into as of the date set forth on the signature page hereof by and between PrivateBancorp, Inc., a Delaware corporation (the “Company”), and the Grantee. Except as otherwise indicated or defined herein, all words with initial capitals shall have the same meaning as ascribed to them in the PrivateBancorp, Inc. Strategic Long-Term Incentive Compensation Plan (the “Plan”). Grantee acknowledges receipt of a copy of the Plan.

WHEREAS, the Company desires to grant to Grantee a certain number of shares of Common Stock, subject to the restrictions, and on the terms and conditions, set forth in the Plan and this Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant of Award; Form of Award.

(a) Upon the execution and delivery of this Agreement and the related Performance Share Award Certificate of even date herewith attached hereto (the “Performance Share Award Certificate”), and subject to the terms and conditions of the Plan (the terms and provisions of which are incorporated herein and expressly made a part hereof), the Company hereby grants to Grantee the aggregate number of shares of Common Stock of the Company set forth on the Performance Share Award Certificate issued in connection with this award (“Performance Shares”), subject to the restrictions and on the terms and conditions set forth herein, the Performance Share Award Certificate and in the Plan (the “Award”) and subject to any adjustment as provided in the Performance Share Award Certificate and the Plan. As soon as practicable after Grantee has executed this Agreement and the documents described in Section 1(b) below, and delivered the same to the Company, the Company shall cause to be issued in Grantee’s name a stock certificate representing the total number of shares of Common Stock covered by this Award in accordance with Section 4, below. In the discretion of the Committee, the Performance Shares awarded to Grantee hereunder may be non-certificated and, accordingly, issuances and transfers shall be reflected on the stock ledger books and records of the Company and no certificate of shares of Common Stock in respect of Grantee’s shares will be issued to Grantee, to the extent not prohibited by applicable law, the Company’s certificate of incorporation and by-laws, or the rules of any stock exchange.

(b) Grantee shall indicate acceptance of the terms of the Award by signing and returning a copy hereof and shall sign and return the irrevocable stock power attached hereto to facilitate the transfer of some or all of the shares covered by the Award to the Company (or its assignee or nominee) if required under the terms of this Agreement or applicable laws or regulations.

2. Restrictions. The Performance Shares granted under this Award shall be subject to the restrictions set forth in Section 9 of the Plan and a prohibition on the sale, transfer, assignment, pledge or encumbrance of the Performance Shares, prior to the date on which such Performance Shares vest upon satisfaction of the Performance Objectives and continuous

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employment requirements set forth in Section 5 hereof and on the Performance Share Award Certificate. For the purposes of this Award, the period from January 1, 2008 through December 31, 2012 is hereinafter referred to as the "Performance Period." For all purposes under this Award, Performance Shares shall be "vested" as to such Performance Shares for which the Grantee has been continuously employed with the Company or a Subsidiary and the Performance Objectives (or other conditions) have been satisfied in accordance with Section 5 hereof, and upon such satisfaction the restrictions on such Performance Shares shall lapse and the Performance Shares shall become unrestricted. Sale, transfer and other disposition of the Performance Shares following vesting as to any portion of the Performance Shares awarded hereunder may be limited by the absence of an established trading market for such shares and/or the provisions of applicable securities laws. The Performance Shares shall not be vested upon expiration of the Performance Period as to any shares awarded hereunder if such vesting would constitute a violation of any applicable federal or state securities or other law or regulation and shall only vest as may be permitted under such law or regulation upon the termination of such violation.

3. Voting Rights; Dividends. Grantee shall have the right to vote the shares of Common Stock covered by this Award. Grantee shall have the right to receive dividends on the shares of Common Stock covered by this Award unless and until such shares are forfeited pursuant to Section 5 hereof; provided, any such dividends payable hereunder on unvested Performance Shares shall be deferred and paid to the Grantee (without interest), only to the extent such Performance Shares subsequently vest, as soon as practicable after the date of vesting but not later than the first March 15 following the date of vesting.

4. Custody and Delivery of Shares. Each certificate representing the shares of Common Stock covered by this Award that may be issued in the name of Grantee shall bear appropriate legends regarding this Agreement and such other restrictions on transferability, which are substantially similar to the legend set forth as follows:

"The shares represented by this certificate are deemed to be performance shares subject to transfer restrictions based on continuous service until December 31, 2012 (which is the fiscal year ending date that immediately follows the fifth anniversary of the date the Award was made) and the attainment of certain Performance Objectives, or other conditions, as applicable to awards of performance shares pursuant to the PrivateBancorp, Inc. Strategic Long-Term Incentive Compensation Plan and the Performance Share Award Agreement covering these shares, copies of which are available from PrivateBancorp, Inc."

The Company shall hold any certificate for shares of Common Stock covered by this Award until the Performance Shares represented hereby vest pursuant to the Performance Share Award Certificate and Section 5 of this Agreement, and if so certificated shall thereupon, subject to the satisfaction of any applicable federal, state, local or other tax withholding obligations and applicable securities laws, deliver the certificate for the unrestricted shares to Grantee, and destroy the stock power referred to in Section 1(b) relating to the unrestricted shares, or use it to authorize the withholding of shares for payment of taxes, pursuant to Section 7, below.



#### 5. Vesting; Effect of Termination of Employment.

(a) Except to the extent provided in Section 5(b), (c) or (d) below, the Performance Shares covered by this Award shall vest to the extent of the attainment of Performance Objectives (or other conditions) and Grantee's continuous employment with the Company or a Subsidiary, as set forth in the Performance Share Award Certificate.

(b) In the event of the termination of Grantee's employment with the Company and its Subsidiaries for any reason prior to the last day of the Performance Period and prior to the occurrence of a Change of Control, other than due to Grantee's death, Disability, involuntary termination of employment by the Company and all Subsidiaries without Cause or voluntary termination of Grantee's employment with the Company and all Subsidiaries for Good Reason (as such terms are defined below), Grantee shall forfeit all of the Performance Shares covered by this Award which had not become vested on or prior to the date of such termination in accordance with the terms of the Performance Share Certificate, and Grantee shall have no further rights to said shares or any amounts attributable thereto.

(c) In the event of a Termination of Grantee by the Company without Cause, Grantee's Resignation for Good Reason or after the Grantee has attained age 62 and has been credited with 10 or more years of service with the Company and its Subsidiaries (including prior service with LaSalle Bank, N.A. and its affiliates) or Grantee's death or Disability, prior to the occurrence of a Change of Control, on the last day of the fiscal year in which such Termination, Resignation, death or Disability occurs:

(i) Grantee shall become vested in such number of unvested Performance Shares as is required for Grantee to be vested (including all Performance Shares that had previously vested) in the greater of:

(1) The number of Performance Shares in which Grantee would have been vested had Grantee's employment continued until the last day of the fiscal year in which such employment termination occurs; and

(2) The number of Performance Shares that equals the product of (x) the total number of Performance Shares covered by this Award multiplied by (y) 5% multiplied by (z) the number of whole or partial fiscal years of Grantee's continuous employment with the Company or a Subsidiary during the Performance Period; and

(ii) To the extent that any portion of the Performance Shares became Time-Vesting Restricted Shares pursuant to Section 3 of the Performance Share Award Certificate prior to the date of termination, (x) such Time-Vesting Restricted Shares shall not be considered Performance Shares for purposes of Section (5)(c)(i), and (y) 20% of the total number of Time-Vesting Restricted Shares shall become immediately vested on the date of employment termination (in addition to any Time-Vesting Restricted Shares that previously became vested).

(iii) In the case of Grantee's death, any such vested Performance Shares or Time-Vesting Restricted Shares under this Section 5(c) shall be paid to Grantee's beneficiary or beneficiaries designated pursuant to Section 8, below.

(d) If a Change of Control occurs during the Performance Period while Grantee has been continuously employed with the Company or its Subsidiaries, all of the Performance Shares covered by this Award shall be immediately vested, to the extent not previously vested.

(e) Definitions. For purposes of this Agreement, the following terms shall have the meaning defined below:

(i) “Cause,” in connection with an involuntary termination of Grantee’s employment, means:

(1) In the case in which Grantee has entered into an employment agreement (including, but not limited to, a term sheet agreement) with the Company or a Subsidiary as in effect on the date hereof, or Grantee otherwise is at any time participating in a severance plan for executives of the Company or a Subsidiary, which provides for an involuntary termination of Grantee’s employment for any reason set forth as constituting “Cause” under such of Grantee’s employment agreement or severance plan for executives (as the case may be).

(2) In the case in which there is no employment agreement in effect between Grantee and the Company or any Subsidiary or severance plan for executives of the Company or a Subsidiary in which Grantee is at any applicable time participating, any of the following reasons:

a. The commission by Grantee, as reasonably determined by the Committee, of any theft, embezzlement or felony against the Company or any Subsidiary;

b. The commission of an unlawful or criminal act by Grantee resulting in material injury to the business or property of the Company or any Subsidiary or of an act generally considered to involve moral turpitude, all as reasonably determined by the Committee;

c. The commission of an intentional act by Grantee in the performance of Grantee’s duties as an employee of the Company or any Subsidiary amounting to gross negligence or misconduct or resulting in material injury to the business or property of the Company or Subsidiaries, all as reasonably determined by the Committee; or

d. The habitual drunkenness or drug addiction of Grantee, as reasonably determined by the Committee.

(ii) “Change of Control” shall be deemed to have occurred upon the happening of any of the following events:

(1) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (“Exchange Act”)), other than (A) a trustee or other fiduciary holding securities under an employee

benefit plan of the Company or any of its subsidiaries, or (B) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the “beneficial owner” (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 30% or more of the total voting power of the then outstanding shares of capital stock of the Company entitled to vote generally in the election of directors (the “Voting Stock”), provided, however, that the following shall not constitute a change in control: (x) such person becomes a beneficial owner of 30% or more of the Voting Stock as the result of an acquisition of such Voting Stock directly from the Company, or (y) such person becomes a beneficial owner of 30% or more of the Voting Stock as a result of the decrease in the number of outstanding shares of Voting Stock caused by the repurchase of shares by the Company; provided, further, that in the event a person described in clause (x) or (y) shall thereafter increase (other than in circumstances described in clause (x) or (y)) beneficial ownership of stock representing more than 1% of the Voting Stock, such person shall be deemed to become a beneficial owner of 30% or more of the Voting Stock for purposes of this Section 5(e)(ii)(1), provided such person continues to beneficially own 30% or more of the Voting Stock after such subsequent increase in beneficial ownership, or

(2) Individuals who, as of November 1, 2007, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director, whose election or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose, any individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 promulgated under the Exchange Act); or

(3) Consummation of a reorganization, merger or consolidation or the sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case, unless (x) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the total voting power represented by the voting securities entitled to vote generally in the election of directors of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of the Business Combination owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to the Business Combination of the Voting Stock of the Company, and (y) at least a majority of the members of the board of directors of the corporation resulting from the Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Incumbent Board, providing for such Business Combination; or

(4) Approval by the stockholders of the Company of a plan of complete liquidation or dissolution of the Company; or

(5) (x) a sale or other transfer of the voting securities of the Bank, whether by stock, merger, joint venture, consolidation or otherwise, such that following said transaction the Company does not directly, or indirectly through majority owned subsidiaries, retain more than 50% of the total voting power of the Bank represented by the voting securities of the Bank entitled to vote generally in the election of the Bank's directors; or (y) a sale of all or substantially all of the assets of the Bank other than to the Company or any Subsidiary.

(iii) "Disability" means a termination of Grantee's employment as a result of a permanent disability, as determined by the Committee in accordance with either Section 23(e)(3) of the Code, after receipt of medical advice, or as entitles Grantee to payments of benefits under a long-term disability benefit plan of the Company or a Subsidiary in which he participates.

(iv) "Good Reason," in connection with a voluntary termination of Grantee's employment, means only (x) such term (or comparable term) as is defined in any employment agreement (including, but not limited to, a term sheet agreement) between Grantee and either of the Company or a Subsidiary as in effect on the date hereof, or (y) such term (or comparable term) as is defined in any severance plan for executives of the Company or a Subsidiary in which Grantee is participating at any time on or after the date hereof, which in the case of (x) or (y) provides for severance benefits payable to Grantee upon such a voluntary termination thereunder.

6. Adjustment Upon Changes in Capitalization. Any additional share of Common Stock or other securities or property issued with respect to the Common Stock covered by this Award, as a result of any declaration of stock dividends, through recapitalization resulting in stock splits, combinations or exchanges of shares or otherwise, shall be subject to the restrictions and terms and conditions set forth herein.

7. Payment of Taxes. Grantee or Grantee's legal representative shall be required to pay to the Company the amount of any federal, state, local or other taxes which the Company determines it is required to withhold and pay over to governmental tax authorities with respect to shares of Common Stock covered by this Award on the date on which the Company's tax liability arises with respect to such shares (the "Tax Date"). Grantee may satisfy such obligation by any of the following means: (a) cash payment to the Company, (b) delivery to the Company of Previously-Acquired Shares of Common Stock having an aggregate Fair Market Value determined as of the Tax Date that equals the amount required, (c) with the consent or the direction of the Committee, authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered having an aggregate Fair Market Value determined as of the Tax Date that equals the amount required, or (d) any combination of (a), (b), and (c). The value of any shares withheld may not be in excess of the amount of taxes required to be withheld by the Company determined by applying the applicable minimum statutory withholding tax rates.

8. Beneficiary. Grantee may name, from time to time, any beneficiary or beneficiaries to whom the shares of Common Stock covered in this Award shall be paid in case of his death before receipt of such shares. Each designation shall be on a form prescribed for such purpose by the Committee and shall be effective only as set forth therein.

9. Compliance with Certain Laws and Regulations. If the Committee shall determine, in its discretion, that:

(a) the listing, registration or qualification of the Performance Shares covered by this Award upon any securities exchange or under any law or regulation, or that the consent or approval of any governmental regulatory body is necessary or desirable in connection with the granting of Performance Shares hereunder and, as a condition to receipt of Performance Shares covered by this Award, Grantee shall supply the Committee or Company, as the case may be, with such certificates, representations and information as the Committee or Company, as the case may be, may request and shall otherwise cooperate with the Company in obtaining any such listing, registration, qualification, consent or approval, or

(b) despite the Committee's commercially reasonable efforts, and in the absence of approval of the Plan and this Award by stockholders holding shares representing a majority of the votes entitled to vote thereunder prior to the date on which the Performance Shares vest (or any such portion thereof), such listing, registration or qualification of shares subject to the Award shall not be obtainable, the shares of Common Stock awarded hereunder shall be automatically repurchased from Grantee by the Company and the Award shall be settled in cash in an amount per share equal to the Fair Market Value of a share of Common Stock on the date that is six months and one day after the date of such vesting (or portion thereof) (and subject to applicable cash tax withholding therefrom in accordance with Section 7 hereof) and shall be payable at the same time and in the same manner as dividends are payable under Section 3 hereof, subject to Section 18 hereof.

10. Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, delivered by overnight courier, or mailed by first class mail, to Grantee at the address set forth on the records of the Company, to the Company at its offices at 70 West Madison Street, Suite 900, Chicago, Illinois 60602, or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when received.

11. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

12. Complete Agreement. This Agreement and those documents expressly referred to herein embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

13. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

14. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Grantee, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), and is intended to bind all successors and assigns of the respective parties, except that Grantee may not assign any of Grantee's rights or obligations under this Agreement except to the extent and in the manner expressly permitted hereby.

15. Remedies. Subject to the provisions of Section 19, each of the parties to this Agreement shall be entitled to enforce its rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its favor. Subject to the provisions of Section 19, the parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

16. Waiver or Modification. Any waiver or modification of any of the provisions of this Agreement shall not be valid unless made in writing and signed by the parties hereto. Waiver by either party of any breach of this Agreement shall not operate as a waiver of any subsequent breach.

17. Miscellaneous.

(a) The Company shall pay all original issue or transfer taxes with respect to the issuance or delivery of shares of Common Stock pursuant hereto and all other fees and expenses incurred by the Company in connection therewith, and shall use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Company, shall be applicable thereto.

(b) This Agreement shall not be construed as an employment contract and does not give Grantee any right to continued employment by the Company or any affiliate of the Company or to the receipt of any future Performance Share or other awards under the Plan.

(c) This Agreement and the Award is subject to (i) the terms and conditions of the Plan and (ii) all good faith determinations of the Committee and of the Company pursuant to the Plan.

18. Section 409A. To the extent that any portion of this Award shall be subject to Section 409A of the Code ("Section 409A") pursuant to Section 3 or Section 9(b) (as other than a short-term deferral thereunder), it is intended that the Award and all amounts payable hereunder, and exercise of authority or discretion hereunder, shall comply with Section 409A so as not to subject Grantee to the payment of any interest or additional tax imposed under Section 409A. In furtherance of thereof, anything in this Award to the contrary notwithstanding, any amount under this Award that is subject to the provisions of Section 409A that is payable upon a termination of Grantee's employment involuntarily by the Company without Cause or

voluntarily by Grantee for Good Reason under Section 5(c) occurring while Grantee shall be a “specified employee” (within the meaning of Treasury Regulation Section 1.409A-1(i)) of the Company, shall be paid on the earlier of (i) the date that is six months following such termination or (ii) the date of the Grantee’s death following such termination, or, if applicable, six months following a later date constituting a “separation from service” under Treasury Regulation Section 1.409A-1(h). To the extent that any United States Department of the Treasury regulations, guidance, interpretations or changes to Section 409A would result in Grantee becoming subject to interest and additional tax under Section 409A, the Company and Grantee agree to amend this Award Agreement to bring the Award into compliance with Section 409A.

19. Remedy for Breach of Non-Competition Covenant. Grantee acknowledges and agrees that, as a condition to the Award of Performance Shares to Grantee, Grantee is subject to a covenant prohibiting Grantee’s competition, as particularly set forth in Grantee’s term sheet agreement (“Term Sheet Agreement”), governing the terms of Grantee’s employment with The PrivateBank and Trust Company (the “Bank”), a Subsidiary of the Company, the terms of which covenant are incorporated by reference herein. Pursuant to the terms of such non-competition covenant, in the Term Sheet Agreement Grantee agreed, and hereby reaffirms such agreement, that as the Company’s and the Bank’s sole remedy for Grantee’s breach (or threatened breach) of the non-competition covenant, respecting this Award:

(a) Grantee shall immediately forfeit all Performance Shares (whether then vested or unvested) then held by Grantee (and thereupon this Award shall terminate and any certificate issued in respect of this Award shall be canceled);

(b) Grantee shall immediately repay to the Company a cash sum in the principal amount equal to all gross proceeds (before-tax) realized by Grantee upon the sale or other disposition of the Performance Shares occurring at any time during the period commencing on the date that is three years before the date of termination of Grantee’s employment with the Bank (the Company and all Subsidiaries of the Company) and ending on the date that the non-competition covenant under the Term Sheet Agreement lapses (“Refund Period”), together with interest accrued thereon, from the date of such breach or threatened breach, at the prime rate (compounded calendar monthly) as published from time to time in The Wall Street Journal, electronic edition (“Interest”); and

(c) Grantee shall repay to the Company a cash sum equal to the fair market value of all of the Performance Shares transferred by Grantee as a gift or gifts at any time during the Refund Period, together with Interest, and for which purpose, “fair market value” shall be the Fair Market Value of one share of Common Stock on the date such gift occurs.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the \_\_\_\_day of \_\_\_\_\_, 200\_.

PRIVATEBANCORP, INC.

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

Name:

Title:

GRANTEE

\_\_\_\_\_  
Signature

Name:



Grant Date:

Number of Shares:

\_\_\_\_\_, 200\_

\_\_\_\_\_

**PRIVATEBANCORP, INC.**

**PERFORMANCE SHARE AWARD CERTIFICATE**

THIS CERTIFIES THAT \_\_\_\_\_ has been awarded \_\_\_\_\_ shares of Common Stock, without par value, of PRIVATEBANCORP, INC. ("Performance Shares"), subject to the terms and conditions of this Performance Share Award Certificate, the related Performance Share Award Agreement of even date herewith and the PrivateBancorp, Inc. Strategic Long-Term Incentive Compensation Plan ("Plan").

The terms and conditions upon which the restrictions under the Performance Shares shall lapse and become unrestricted (*i.e.*, upon which such Performance Shares shall vest) are set forth as follows:

1. Except as otherwise may be provided in Section 2 or Section 3 of this Performance Share Award Certificate, the Performance Share Award Agreement or the Plan, all or a portion of the Performance Shares shall vest on the last day of the fiscal year in which the applicable Share Price Performance Objective, below, is attained during such fiscal year, provided that Grantee was continuously employed with the Company or a Subsidiary through such fiscal year-end date:

| <b>Share Price Performance Objective:</b>   | <b>Portion of Performance Shares<br/>Becoming Vested:<br/>(including Performance Shares that<br/>previously became vested)</b> |
|---|--|
| Attainment of a Share Price of \$33.49 during any 20 consecutive trading days during the fiscal year ending December 31, 2008 | 20%  |
| Attainment of a Share Price of \$40.19 during any 20 consecutive trading days during the fiscal year ending December 31, 2009 | 40%  |
| Attainment of a Share Price of \$48.23 during any 20 consecutive trading days during the fiscal year ending December 31, 2010 | 60%  |
| Attainment of a Share Price of \$57.87 during any 20 consecutive trading days during the fiscal year ending December 31, 2011 | 80%  |
| Attainment of a Share Price of \$69.45 during any 20 consecutive trading days during the fiscal year ending December 31, 2012 | 100%   |

Any Performance Shares for which the Share Price Performance Objective, above, is not attained during the applicable fiscal year, above, shall be forfeited as of December 31, 2012.

For purposes hereof, "Share Price" shall mean the closing price (determined without regard for any after-hours trading) for Company Common Stock as reported by the NASDAQ Global Select Market on the relevant valuation date during which the NASDAQ Global Select Market is open for trading.

2. To the extent that, upon completion of the Performance Period, Grantee had become vested in fewer than 25% of the total number of Performance Shares Awarded hereunder as a result of the attainment of the Share Price Performance Objectives set forth under Section 1, above, on December 31, 2012 Grantee shall become vested in such number of Performance Shares such that Grantee is then vested in 25% of the total number of Performance Shares awarded hereunder including all Performance Shares that previously became vested, provided that Grantee was continuously employed with the Company or a Subsidiary through December 31, 2012.

3. In the event that the Company (or a Subsidiary) fails to consummate a transaction raising at least \$150 million of new cash capital on or before March 31, 2008, on April 1, 2008 all of the Share Price Performance Objectives shall immediately lapse as to one-quarter of the Performance Shares Awarded hereunder and such Performance Shares shall thereafter be regarded as "Time-Vesting Restricted Shares" which shall vest and become unrestricted upon Grantee's satisfaction of the Continuous Employment Vesting Requirement below:

| <b>Continuous Employment Vesting Requirement:</b>                              | <b>Portion of Time-Vesting Restricted Shares<br/>Becoming Vested:</b>               |
|--|---|
|  | <b>(including Time-Vesting Restricted Shares<br/>that previously became vested)</b> |
| Continuous employment with the Company or a Subsidiary until December 31, 2008 | 20%   |
| Continuous employment with the Company or a Subsidiary until December 31, 2009 | 40%   |
| Continuous employment with the Company or a Subsidiary until December 31, 2010 | 60%   |
| Continuous employment with the Company or a Subsidiary until December 31, 2011 | 80%   |
| Continuous employment with the Company or a Subsidiary until December 31, 2012 | 100%  |

Any Performance Shares becoming Time-Vested Performance Shares under this Section 3 shall thereafter not be regarded as Performance Shares for purposes of Sections 1 and 2 of this Performance Share Award Certificate.

4. The Committee shall have the authority to modify any and all of the Share Price Performance Objectives, in the Committee's good faith discretion, as the Committee deems appropriate in connection with any acquisition, reorganization, recapitalization, merger, consolidation, spin-off, extraordinary dividend or other distribution, or similar transaction.

IN WITNESS WHEREOF, PRIVATEBANCORP, INC. has caused this Performance Share Award Certificate to be signed by its duly authorized officer this \_\_\_\_ day of \_\_\_\_\_, 200\_\_.

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

**ASSIGNMENT SEPARATE FROM CERTIFICATE**

FOR VALUE RECEIVED, I, \_\_\_\_\_, hereby assign and transfer unto \_\_\_\_\_ shares of the Common Stock of PrivateBancorp, Inc. (the "Company") in my name on the books of the Company.

I do hereby irrevocably constitute and appoint \_\_\_\_\_ as my attorney-in-fact to transfer the said stock on the books of the within named Company with full power of substitution in the premises. By execution hereof, I represent that such shares now stand in my name on the books of the Company.

\_\_\_\_\_  
Signature

Name:

Dated as of \_\_\_\_\_, 20\_\_\_\_

IN THE PRESENCE OF:

## BENEFICIARY DESIGNATION FORM FOR PERFORMANCE SHARE

Performance Share Award Agreement(s) (the "Performance Share Award(s)") dated (fill in Performance Share Award Dates):

|  |  |
|--|--|
|  |  |
|  |  |
|  |  |

You may designate a primary beneficiary and a secondary beneficiary to whom rights under your Performance Share Award Agreements will pass in the event of your death. You may name more than one person as a primary or secondary beneficiary. For example, you may wish to name your spouse as primary beneficiary and your children as secondary beneficiaries. Your secondary beneficiary(ies) will have no rights with respect to your Performance Share Award(s) if any of your primary beneficiaries survive you. All primary beneficiaries will have equal rights with respect to your Performance Share Award(s) unless you indicate otherwise. The same rule applies for secondary beneficiaries.

Designate Your Beneficiary(ies):

Primary Beneficiary(ies) (give name, address and relationship to you): \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Secondary Beneficiary(ies) (give name, address and relationship to you): \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I certify that my designation of beneficiary set forth above is my free act and deed and acknowledge that when effective it will revoke any prior designation I may have made with regard to the Performance Share Award(s) set forth above.

\_\_\_\_\_  
Signature

Printed Name: \_\_\_\_\_

Dated as of \_\_\_\_\_, 20\_\_\_\_.

This Beneficiary Designation Form for Performance Share shall be effective on the day it is received by the Chief Financial Officer (or his designee) of the Company at 70 West Madison Street, Chicago, Illinois 60602. This Form shall be (i) delivered to the Chief Financial Officer (or his designee) by personal delivery, facsimile, United States mail or by express courier service, and (ii) deemed to be received upon personal delivery, upon confirmation of receipt of facsimile transmission or upon receipt by the Chief Financial Officer (or his designee) if by United States mail or express courier service; provided, however, that if this Form is not received

during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

RECEIVED AND ACKNOWLEDGED:

PRIVATEBANCORP, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Chief Human Resources Officer or a  
Duly Authorized Designee

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## **Section 14: EX-10.20 (FORM OF NONQUALIFIED INDUCEMENT PERFORMANCE STOCK OPTION AGREEMENT)**

## FORM OF PRIVATEBANCORP, INC.

NONQUALIFIED INDUCEMENT PERFORMANCE STOCK OPTION AGREEMENT

As an inducement to the undersigned Optionee ("Optionee") to accept an offer of employment with the Company, this Nonqualified Inducement Stock Option Agreement (this "Agreement") is made as of the date set forth on the signature page hereof by and between PrivateBancorp, Inc., a Delaware corporation (the "Company"), and the Optionee. Except as otherwise indicated or defined in Section 1 hereof, all words with initial capitals shall have the same meaning as ascribed to them in the PrivateBancorp, Inc. Strategic Long-Term Incentive Compensation Plan (the "Plan"). Optionee acknowledges receipt of a copy of the Plan.

WHEREAS, the Company desires to grant to Optionee an option ("Option") to buy shares of the Company's Common Stock, pursuant to the Plan and this Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

1. Definitions. For the purposes of this Agreement:

(a) "Change of Control" shall be deemed to have occurred upon the happening of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, or (B) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 30% or more of the total voting power of the then outstanding shares of capital stock of the Company entitled to vote generally in the election of directors (the "Voting Stock"), provided, however, that the following shall not constitute a change in control: (1) such person becomes a beneficial owner of 30% or more of the Voting Stock as the result of an acquisition of such Voting Stock directly from the Company, or (2) such person becomes a beneficial owner of 30% or more of the Voting Stock as a result of the decrease in the number of outstanding shares of Voting Stock caused by the repurchase of shares by the Company; provided, further, that in the event a person described in clause (1) or (2) shall thereafter increase (other than in circumstances described in clause (1) or (2)) beneficial ownership of stock representing more than 1% of the Voting Stock, such person shall be deemed to become a beneficial owner of 30% or more of the Voting Stock for purposes of this Section 1(a)(i), provided such person continues to beneficially own 30% or more of the Voting Stock after such subsequent increase in beneficial ownership, or

(ii) Individuals who, as of November 1, 2007, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director, whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds

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(2/3) of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose, any individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 promulgated under the Exchange Act); or

(iii) Consummation of a reorganization, merger or consolidation or the sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case, unless (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the total voting power represented by the voting securities entitled to vote generally in the election of directors of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of the Business Combination owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to the Business Combination of the Voting Stock of the Company, and (2) at least a majority of the members of the board of directors of the corporation resulting from the Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Incumbent Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a plan of complete liquidation or dissolution of the Company; or

(v) (1) a sale or other transfer of the voting securities of the Bank, whether by stock, merger, joint venture, consolidation or otherwise, such that following said transaction the Company does not directly, or indirectly through majority owned subsidiaries, retain more than 50% of the total voting power of the Bank represented by the voting securities of the Bank entitled to vote generally in the election of the Bank’s directors; or (2) a sale of all or substantially all of the assets of the Bank other than to the Company or any Subsidiary.

(b) “Disability” means a termination of Optionee’s employment due to his permanent disability (as determined by the Committee) in accordance with either Section 23(e)(3) of the Code, after receipt of medical advice, or as entitles Optionee to payments of benefits under a long-term disability benefit plan of the Company or a Subsidiary in which he participates.

(c) “Resignation” means Optionee’s voluntary relinquishment of employment with the Company and all Subsidiaries.

(d) “Termination” means a termination of the employment of Optionee (i) by the Company and all of its Subsidiaries for any reason, other than a Termination For Cause, or (ii) due to Optionee’s death or Disability.



(e) "Termination Date" means the date on which a Resignation, Termination, Termination For Cause or Termination For Good Reason occurs.

(f) "Termination For Cause" means a termination of the employment of Optionee by the Company or any Subsidiary for any of the following reasons:

(i) In the case in which Optionee has entered into an employment agreement (including, but not limited to, a term sheet agreement) with the Company or a Subsidiary as in effect on the date hereof, or Optionee otherwise is at any time participating in a severance plan for executives of the Company or a Subsidiary, which provides for an involuntary termination of Optionee's employment for any reason set forth as constituting "Cause" under such of Optionee's employment agreement or severance plan for executives (as the case may be).

(ii) In the case in which there is no employment agreement (including, but not limited to, a term sheet agreement) in effect between Optionee and the Company or any Subsidiary or severance plan for executives in which Optionee is at any applicable time participating, any of the following reasons:

(1) The commission by Optionee, as reasonably determined by the Committee, of any theft, embezzlement or felony against the Company or any Subsidiaries;

(2) The commission of an unlawful or criminal act by Optionee resulting in material injury to the business or property of the Company or Subsidiaries or of an act generally considered to involve moral turpitude, all as reasonably determined by the Committee;

(3) The commission of an intentional act by Optionee in the performance of Optionee's duties as an employee of the Company or any Subsidiary amounting to gross negligence or misconduct or resulting in material injury to the business or property of the Company or Subsidiaries, all as reasonably determined by the Committee; or

(4) The habitual drunkenness or drug addiction of Optionee, as reasonably determined by the Committee.

(g) "Termination For Good Reason" means, in the case in which Optionee has entered into an employment agreement (including, but not limited to, a term sheet agreement) with the Company or a Subsidiary as in effect on the date hereof, or Optionee otherwise is at any time participating in a severance plan for executives of the Company or a Subsidiary, which provides for a voluntary termination of Optionee's employment for "Good Reason" (or comparable term) thereunder, a Resignation of Optionee for any reason set forth as constituting "Good Reason" (or such comparable term) under such of Optionee's employment agreement or severance plan for executives (as the case may be).

2. Grant and Designation of Option. Upon the execution and delivery of this Agreement and the related Stock Option Certificate of even date herewith, and subject to the

Plan (the terms and provisions of which are incorporated herein and expressly made a part hereof, including, but not limited to, adjustments required pursuant to Section 11 thereof), the Company hereby grants to Optionee the Option to purchase the aggregate number of shares of Common Stock set forth on the Stock Option Certificate at the price per share ("Option Price") set forth on such Certificate.

3. Term of Option; Vesting and Exercisability. Subject to earlier termination or cancellation of the Option as provided herein, the term of the Option shall be for the period set forth on the Stock Option Certificate. Subject to the provisions of this Agreement (including the Stock Option Certificate), the Option shall be "vested" and exercisable at such times and as to such number of shares for which Optionee has been continuously employed with the Company or a Subsidiary and the Performance Objectives (or other conditions) have been satisfied in accordance with the terms of the Stock Option Certificate (subject to the applicability of Section 6 hereof), and upon such satisfaction the vested portion of the Option shall thereupon become exercisable. The foregoing to the contrary notwithstanding, to the extent not previously terminated or canceled, upon and after the occurrence of a Change of Control, the Option shall be 100% vested and thereupon Optionee shall be entitled to exercise the Option in whole or in part with respect to all of the shares covered thereby, provided Optionee has been continuously employed by the Company or a Subsidiary from the date hereof until the occurrence of such Change of Control.

#### 4. Method of Exercise.

(a) Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Company (the "Exercise Notice") at its offices at 70 West Madison Street, Suite 900, Chicago, Illinois 60602 (or such other offices of the Company which are hereinafter designated by the Company) to the attention of the Secretary of the Company. The Exercise Notice (i) shall state (A) the election to exercise the Option and (B) the total number of full shares of Common Stock in respect to which it is being exercised, and (ii) shall be signed by the person or persons exercising the Option.

(b) Optionee shall pay the total amount due resulting from such exercise in any of the following forms: (i) by certified or cashier's check for the full amount of the purchase price of such shares; (ii) by delivery of certificates for shares of Previously-Acquired Shares (or deemed delivery based on attestation to the ownership of Previously-Acquired Shares) having a Fair Market Value equal to the total payment due from Optionee; (iii) through a simultaneous exercise of Optionee's Option and sale of the shares of Common Stock hereby acquired pursuant to a brokerage arrangement approved in advance by the Committee to assure its conformity with the terms and conditions of the Plan; or (iv) by a combination of the methods described in (i), (ii) and (iii) above. To the extent applicable, Optionee shall also pay the amount, in cash, of any federal, state and local income, Social Security and Medicare taxes required to be withheld as a result of the exercise, unless Optionee delivers Previously-Acquired Shares or elects with the consent of the Committee or is directed by the Committee to have the Company withhold from the shares purchased, shares having a Fair Market Value equal to such required tax withholding amount. The value of any shares withheld may not be in excess of the amount of taxes required to be withheld by the Company determined by applying the applicable minimum statutory withholding tax rates. Upon receipt of the foregoing, the Company shall issue the shares of

Common Stock as to which the Option has been duly exercised and shall return the Stock Option Certificate, duly endorsed to reflect such exercise, to Optionee. In the discretion of the Committee, the shares of Common Stock to be issued upon the exercise of all or a portion of the Option may be non-certificated and, accordingly, issuances and transfers shall be reflected on the stock ledger books and records of the Company and no certificate of shares of Common Stock in respect of Grantee's shares will be issued to Grantee, to the extent not prohibited by applicable law or the rules of any stock exchange.

5. Restriction on Exercise. This Option may not be exercised if the issuance of such shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

6. Effect of Termination of Employment. The Option, to the extent not theretofore vested and exercised, shall become vested and shall terminate on the date of or following Optionee's termination of employment as set forth below:

(a) In the event a Termination Date occurs due to Optionee's Resignation or Termination (other than in circumstances described in Sections 6 (b) or (d) below), Optionee may during the 90-day period following such Resignation or Termination exercise the Option as to such portion or all of the Option which had become vested and exercisable in accordance with the terms of the Stock Option Certificate prior to Optionee's Termination Date, and such portion of the Option which had not so previously become vested and exercisable shall be immediately forfeited and canceled.

(b) In the event of a Termination of Optionee by the Company without Cause, Optionee's Resignation for Good Reason or after the Optionee has attained age 62 and has been credited with 10 or more years of service with the Company and its Subsidiaries (including prior service with LaSalle Bank, N.A. and its affiliates) or Optionee's death or Disability, prior to the occurrence of a Change of Control, on the last day of the fiscal year in which such Termination, Resignation, death or Disability occurs, Optionee shall become vested in such unvested portion of the Option as equals the greater of (i) and (ii) below:

(i) Optionee shall become vested in such unvested portion of the Option as to which Optionee would have become vested pursuant to the terms and conditions of the Stock Option Certificate had Optionee's employment continued until the last day of the fiscal year in which such Termination, Resignation, death or Disability occurs; or

(ii) Optionee shall become vested in such portion of the Option that, upon such vesting, Optionee is vested in such portion of the total number of shares of Common Stock covered by this Option (including such portion that had become vested prior to the Termination Date, whether or not exercised, or becomes vested pursuant to Section 6(b)(i)) as equals the positive difference, if any, between

(1) the product of (A) the total number of shares of Common Stock covered by this Option as set forth in the Stock Option Certificate multiplied by (B) 5% multiplied by (C) the number of whole or partial fiscal years of Optionee's continuous employment with the Company or a Subsidiary since January 1, 2008, minus

(2) the sum of (A) the number of shares of Common Stock covered by this Option that had become vested prior to the Termination Date, whether or not exercised, plus (B) the number of shares of Common Stock covered by this Option that becomes vested pursuant to the provisions of Section 6(b)(i).

(iii) The portion of the Option that had become vested and exercisable prior to the occurrence of Optionee's Termination, Resignation, death or Disability shall be exercisable until the first anniversary of Optionee's Termination Date. The portion of the Option that becomes vested and exercisable pursuant to Section 6(b)(i) or (ii) in respect of the fiscal year in which such Termination, Resignation, death or Disability occurs shall be exercisable until the first anniversary of the date on which such portion of the Option becomes so vested and exercisable.

(c) In the event of Optionee's death during the 90-day period or one-year period described in Sections 6(a) and (b), Optionee's personal representative may, during the unexpired portion of such 90-day period or one-year period, as the case may be, following the date of Optionee's death, exercise the Option to the extent that the Option was so vested and exercisable at the time of Optionee's death.

(d) In the event of Optionee's Termination for Cause, the unexercised portion of the Option, whether vested or not vested, shall immediately terminate and be forfeited.

(e) The foregoing provisions of this Section 6 to the contrary notwithstanding, in no event shall any portion of the Option be exercised after the expiration of the term of the Option described in the Stock Option Certificate.

7. Compliance with Certain Laws and Regulations. If the Committee shall determine, in its discretion, that:

(a) the listing, registration or qualification of the shares of Common Stock subject to this Option upon any securities exchange or under any law or regulation, or that the consent or approval of any governmental regulatory body is necessary or desirable in connection with the granting of the Option or the acquisition of shares thereunder, Optionee shall supply the Committee or Company, as the case may be, with such certificates, representations and information as the Committee or Company, as the case may be, may request and shall otherwise cooperate with the Company in obtaining any such listing, registration, qualification, consent or approval, or

(b) despite the Committee's commercially reasonable efforts, and in the absence of approval of the Plan and this Option by stockholders holding shares representing a majority of the votes entitled to vote thereunder prior to the date on which the Option (or any

portion thereof) shall be exercisable, such listing, registration or qualification of shares subject to the Option shall not be obtainable, upon exercise by the Optionee this Option shall be repurchased from Optionee by the Company and the Option shall be settled in cash in an amount equal to the excess (if any) of the Fair Market Value of Common Stock on the date of exercise of such Option (or portion thereof) over the Option Price hereunder therefor (and subject to applicable cash tax withholding therefrom in accordance with Section 4(b) hereof).

8. Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, delivered by overnight courier, or mailed by first class mail, to Optionee at the address set forth on the records of the Company, to the Company at the address set forth or established pursuant to Section 4(a), or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when received.

9. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

10. Complete Agreement. This Agreement and those documents expressly referred to herein embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

11. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

12. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Optionee, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), and is intended to bind all successors and assigns of the respective parties, except that Optionee may not assign any of Optionee's rights or obligations under this Agreement except to the extent and in the manner expressly permitted hereby.

13. Remedies. Each of the parties to this Agreement shall be entitled to enforce its rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

14. Waiver or Modification. Any waiver or modification of any of the provisions of this Agreement shall not be valid unless made in writing and signed by the parties hereto. Waiver by either party of any breach of this Agreement shall not operate as a waiver of any subsequent breach.

15. Rights of Employment and Future Awards. In no event shall the granting of this Option or Optionee's acceptance hereof give or be deemed to give Optionee any right to be retained in the employ of the Company or to the receipt of any future Option or other awards under the Plan.

16. Remedy for Breach of Non-Competition Covenant. Optionee acknowledges and agrees that, as a condition to the award of this Option to Optionee, Optionee is subject to a covenant prohibiting Optionee's competition, as particularly set forth in Optionee's term sheet agreement ("Term Sheet Agreement"), governing the terms of Optionee's employment with The PrivateBank and Trust Company (the "Bank"), a Subsidiary of the Company, the terms of which covenant are incorporated by reference herein. Pursuant to the terms of such non-competition covenant, in the Term Sheet Agreement Optionee agreed, and hereby reaffirms such agreement, that as the Company's and the Bank's sole remedy for Optionee's breach (or threatened breach) of the non-competition covenant, respecting this Option:

(a) Optionee shall immediately forfeit the unexercised portion of the Option (whether then vested or unvested) then held by Optionee (and thereupon this Option shall terminate and be canceled) and all shares of Common Stock acquired upon the exercise of the vested portion of the Option and then held by Optionee (and thereupon any certificate issued in respect of such shares shall be canceled);

(b) Optionee shall immediately repay to the Company a cash sum in the principal amount equal to all gross proceeds (before-tax) realized by Optionee upon the sale or other disposition of shares of Common Stock occurring at any time during the period commencing on the date that is three years before the Termination Date and ending on the date that the non-competition covenant under the Term Sheet Agreement lapses ("Refund Period"), together with interest accrued thereon, from the date of such breach or threatened breach, at the prime rate (compounded calendar monthly) as published from time to time in The Wall Street Journal, electronic edition ("Interest"); and

(c) Optionee shall repay to the Company a cash sum equal to the fair market value of all shares of Common Stock and all or any portion of the Option transferred by Optionee as a gift or gifts at any time during the Refund Period, together with Interest, and for which purpose, "fair market value" per share of Common Stock shall be the Fair Market Value of one share of Common Stock on the date such gift occurs and per Option share shall be the positive difference, if any, between the Fair Market Value of a share of Common Stock, above, and the Option Price set forth in the Stock Option Certificate.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_.

PRIVATEBANCORP, INC.

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

Name:

Title:

OPTIONEE

\_\_\_\_\_  
Name:

Grant Date:

Number of Shares:

\_\_\_\_\_, 200 \_\_\_\_\_

\_\_\_\_\_

**PRIVATEBANCORP, INC.**  
**STOCK OPTION CERTIFICATE**  
**(PERFORMANCE-VESTED)**

THIS CERTIFIES THAT \_\_\_\_\_ has been awarded a STOCK OPTION to purchase \_\_\_\_\_ shares of Common Stock, without par value, of PRIVATEBANCORP, INC. (the "Company") ("Option") at a price per share of \$ \_\_\_\_\_ ("Option Price") (which is the closing price of the Company's Common Stock on the date hereof and which shall for all purposes constitute the "Fair Market Value," as defined under the Plan), subject to the terms and conditions of this Stock Option Certificate, the related Stock Option Agreement of even date herewith and the PrivateBancorp, Inc. Strategic Long-Term Incentive Compensation Plan ("Plan").

The terms and conditions upon which the Option shall vest and become exercisable are set forth as follows:

Subject to earlier termination as provided in the Stock Option Agreement or the Plan, this Option shall expire, and cease to be exercisable to the extent then vested, ten (10) years from the Grant Date under this Stock Option Certificate.

1. Except as otherwise may be provided in this Stock Option Agreement or the Plan, all or a portion of the Option shall vest and become exercisable upon the certification by the Compensation Committee (not later than March 10), based on the published financial results of the Company, following the fiscal year-end date in which the Earnings Per Share Performance Objective, below, is attained, provided that Optionee was continuously employed with the Company or a Subsidiary through such fiscal year-end date:

| <b>Earnings Per Share Performance Objectives:</b>                        | <b>Portion of Option<br/>Becoming Vested:</b> |
|--|---|
| Earnings per Share of \$1.98 for the fiscal year ended December 31, 2008 | 20%   |
| Earnings per Share of \$2.38 for the fiscal year ended December 31, 2009 | 20%   |
| Earnings per Share of \$2.85 for the fiscal year ended December 31, 2010 | 20%   |
| Earnings per Share of \$3.42 for the fiscal year ended December 31, 2011 | 20%   |
| Earnings per Share of \$4.11 for the fiscal year ended December 31, 2012 | 20%   |



2. Any failure to attain, with respect to any fiscal year, the Earnings Per Share Performance Objective set forth in Section 1 of this Stock Option Certificate notwithstanding, a portion of the total number of shares of Common Stock covered by this Option shall be vested and exercisable (including such portion that had previously become vested and exercisable) upon the certification by the Compensation Committee (not later than March 10), based on the published financial results of the Company, following the December 31, 2012 fiscal year-end as to the attainment of the Performance Objective as to cumulative Earnings Per Share for the fiscal years 2008 through 2012, provided below, provided that Optionee has been continuously employed with the Company or a Subsidiary through December 31, 2012.

| <b>2008-2012 Cumulative Earnings Per Share<br/>Performance Objective:</b> | <b>Portion of Option to be Vested:<br/>(including any portion of the Option that<br/>previously vested, whether or not exercised)</b> |
|---|---|
| \$12.80   | 50%   |
| \$13.75   | 75%   |
| \$14.74   | 100%  |

Upon the certification by the Compensation Committee following the December 31, 2012 fiscal year-end, if a greater number of shares covered by this Option are vested without regard to the application of this Section 2 as are vested pursuant to this Section 2 (in each case, including the previously exercised vested portion of the Option), then this Section 2 shall be disregarded.

3. To the extent that, upon the certification by the Compensation Committee following the December 31, 2012 fiscal year-end, Optionee had become vested in fewer than 25% of the total number of shares covered by this Option pursuant to Section 1 or Section 2 of this Stock Option Certificate (whether or not exercised), on December 31, 2012 Optionee shall become vested in such number of shares covered by this Option such that Optionee is then vested in 25% of the shares covered by this Option (including the previously vested portion of the Option, whether or not exercised), provided that Optionee was continuously employed with the Company or a Subsidiary through December 31, 2012.

4. For purposes hereof, “Earnings Per Share” shall mean the Company’s “primary earnings per share,” as determined on a fully-diluted basis (including, without limitation all outstanding performance share awards, stock option awards, restricted stock unit awards and stock appreciation right awards denominated in shares of Common Stock (whether payable in cash or shares of Common Stock thereunder, provided that no such shares, options or rights shall be included to the extent reflected on the books and records of the Company as a liability), without regard for the satisfaction of continuous service requirements and performance objectives thereunder), published by the Company in accordance with generally accepted accounting principles, consistently applied, as publicly reported by the Company on its fiscal year financial reports.

5. The Committee shall have the authority to modify any and all of the Earnings Per Share Performance Objectives and Cumulative Earnings Per Share Performance Objectives under Sections 1 and 2 of this Stock Option Certificate, in the Committee’s good faith discretion, as the Committee deems appropriate in connection with any repurchases by the Company of its Common Stock from shareholders, acquisition, reorganization, recapitalization, merger, consolidation, spin-off, extraordinary dividend or other distribution, or similar transaction.

IN WITNESS WHEREOF, PRIVATEBANCORP, INC. has caused this Stock Option Certificate to be signed by its duly authorized officer as of the date set forth above.

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

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## **Section 15: EX-10.21 (FORM OF NONQUALIFIED INDUCEMENT TIME-VESTED STOCK OPTION AGREEMENT)**

## FORM OF PRIVATEBANCORP, INC.

**NONQUALIFIED INDUCEMENT TIME-VESTED STOCK OPTION AGREEMENT**

As an inducement to the undersigned Optionee ("Optionee") to accept an offer of employment with the Company, this Nonqualified Inducement Stock Option Agreement (this "Agreement") is made as of the date set forth on the signature page hereof by and between PrivateBancorp, Inc., a Delaware corporation (the "Company"), and the Optionee. Except as otherwise indicated or defined in Section 1 hereof, all words with initial capitals shall have the same meaning as ascribed to them in the PrivateBancorp, Inc. Strategic Long-Term Incentive Compensation Plan (the "Plan"). Optionee acknowledges receipt of a copy of the Plan.

WHEREAS, the Company desires to grant to Optionee an option ("Option") to buy shares of the Company's Common Stock, pursuant to the Plan and this Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

1. Definitions. For the purposes of this Agreement:

(a) "Change of Control" shall be deemed to have occurred upon the happening of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, or (B) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 30% or more of the total voting power of the then outstanding shares of capital stock of the Company entitled to vote generally in the election of directors (the "Voting Stock"), provided, however, that the following shall not constitute a change in control: (1) such person becomes a beneficial owner of 30% or more of the Voting Stock as the result of an acquisition of such Voting Stock directly from the Company, or (2) such person becomes a beneficial owner of 30% or more of the Voting Stock as a result of the decrease in the number of outstanding shares of Voting Stock caused by the repurchase of shares by the Company; provided, further, that in the event a person described in clause (1) or (2) shall thereafter increase (other than in circumstances described in clause (1) or (2)) beneficial ownership of stock representing more than 1% of the Voting Stock, such person shall be deemed to become a beneficial owner of 30% or more of the Voting Stock for purposes of this Section 1(a)(i), provided such person continues to beneficially own 30% or more of the Voting Stock after such subsequent increase in beneficial ownership, or

(ii) Individuals who, as of November 1, 2007, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director, whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds

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(2/3) of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose, any individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 promulgated under the Exchange Act); or

(iii) Consummation of a reorganization, merger or consolidation or the sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case, unless (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the total voting power represented by the voting securities entitled to vote generally in the election of directors of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of the Business Combination owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to the Business Combination of the Voting Stock of the Company, and (2) at least a majority of the members of the board of directors of the corporation resulting from the Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or action of the Incumbent Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a plan of complete liquidation or dissolution of the Company; or

(v) (1) a sale or other transfer of the voting securities of the Bank, whether by stock, merger, joint venture, consolidation or otherwise, such that following said transaction the Company does not directly, or indirectly through majority owned subsidiaries, retain more than 50% of the total voting power of the Bank represented by the voting securities of the Bank entitled to vote generally in the election of the Bank’s directors; or (2) a sale of all or substantially all of the assets of the Bank other than to the Company or any subsidiary of the Company.

(b) “Disability” means a termination of Optionee’s employment due to his permanent disability (as determined by the Committee) in accordance with either Section 23(e)(3) of the Code, after receipt of medical advice, or as entitles Optionee to payments of benefits under a long-term disability benefit plan of the Company or a Subsidiary in which he participates.

(c) “Resignation” means Optionee’s voluntary relinquishment of employment with the Company and all Subsidiaries.

(d) “Termination” means a termination of the employment of Optionee (i) by the Company and all of its Subsidiaries for any reason, other than a Termination For Cause, or (ii) due to Optionee’s death or Disability.

(e) "Termination Date" means the date on which a Resignation, Termination, Termination For Cause or Termination For Good Reason occurs.

(f) "Termination For Cause" means a termination of the employment of Optionee by the Company or any Subsidiary for any of the following reasons:

(i) In the case in which Optionee has entered into an employment agreement (including, but not limited to, a term sheet agreement) with the Company or a Subsidiary as in effect on the date hereof, or Optionee otherwise is at any time participating in a severance plan for executives of the Company or a Subsidiary, which provides for an involuntary termination of Optionee's employment for any reason set forth as constituting "Cause" under such of Optionee's employment agreement or severance plan for executives (as the case may be).

(ii) In the case in which there is no employment agreement in effect between Optionee and the Company or any Subsidiary or severance plan for executives in which Optionee is at any applicable time participating, any of the following reasons:

(1) The commission by Optionee, as reasonably determined by the Committee, of any theft, embezzlement or felony against the Company or any Subsidiaries;

(2) The commission of an unlawful or criminal act by Optionee resulting in material injury to the business or property of the Company or Subsidiaries or of an act generally considered to involve moral turpitude, all as reasonably determined by the Committee;

(3) The commission of an intentional act by Optionee in the performance of Optionee's duties as an employee of the Company or any Subsidiary amounting to gross negligence or misconduct or resulting in material injury to the business or property of the Company or Subsidiaries, all as reasonably determined by the Committee; or

(4) The habitual drunkenness or drug addiction of Optionee, as reasonably determined by the Committee.

(g) "Termination For Good Reason" means, in the case in which Optionee has entered into an employment agreement (including, but not limited to, a term sheet agreement) with the Company or a Subsidiary as in effect on the date hereof, or Optionee otherwise is at any time participating in a severance plan for executives of the Company or a Subsidiary, which provides for a voluntary termination of Optionee's employment for "Good Reason" (or comparable term) thereunder, a Resignation of Optionee for any reason set forth as constituting "Good Reason" (or such comparable term) under such of Optionee's employment agreement or severance plan for executives (as the case may be).

2. Grant and Designation of Option. Upon the execution and delivery of this Agreement and the related Stock Option Certificate of even date herewith, and subject to the Plan (the terms and provisions of which are incorporated herein and expressly made a part

hereof, including, but not limited to, adjustments required pursuant to Section 11 thereof), the Company hereby grants to Optionee the Option to purchase the aggregate number of shares of Common Stock set forth on the Stock Option Certificate at the price per share ("Option Price") set forth on such Certificate.

3. Term of Option; Vesting and Exercisability. Subject to earlier termination, acceleration or cancellation of the Option as provided herein, the term of the Option shall be for the period set forth on the Stock Option Certificate. Subject to the provisions of this Agreement, the Option shall be "vested" and exercisable at such times and as to such number of shares of Common Stock as determined on the schedule set forth on the Stock Option Certificate. The foregoing to the contrary notwithstanding, to the extent not previously terminated or canceled, upon and after a Change in Control, the Option shall be 100% vested and Optionee shall be entitled to exercise the Option in whole or in part with respect to all of the shares covered thereby, provided Optionee has been continuously employed by the Company or a Subsidiary from the date hereof until the occurrence of such Change of Control.

4. Method of Exercise.

(a) Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Company (the "Exercise Notice") at its offices at 70 West Madison Street, Suite 900, Chicago, Illinois 60602 (or such other offices of the Company which are hereinafter designated by the Company) to the attention of the Secretary of the Company. The Exercise Notice (i) shall state (A) the election to exercise the Option and (B) the total number of full shares of Common Stock in respect to which it is being exercised, and (ii) shall be signed by the person or persons exercising the Option.

(b) Optionee shall pay the total amount due resulting from such exercise in any of the following forms: (i) by certified or cashier's check for the full amount of the purchase price of such shares; (ii) by delivery of certificates for shares of Previously-Acquired Shares (or deemed delivery based on attestation to the ownership of Previously-Acquired Shares) having a Fair Market Value equal to the total payment due from Optionee; (iii) through a simultaneous exercise of Optionee's Option and sale of the shares of Common Stock hereby acquired pursuant to a brokerage arrangement approved in advance by the Committee to assure its conformity with the terms and conditions of the Plan; or (iv) by a combination of the methods described in (i), (ii) and (iii) above. To the extent applicable, Optionee shall also pay the amount, in cash, of any federal, state and local income, Social Security and Medicare taxes required to be withheld as a result of the exercise, unless Optionee delivers Previously-Acquired Shares or elects with the consent of the Committee or is directed by the Committee to have the Company withhold from the shares purchased, shares having a Fair Market Value equal to such required tax withholding amount. The value of any shares withheld may not be in excess of the amount of taxes required to be withheld by the Company determined by applying the applicable minimum statutory withholding tax rates. Upon receipt of the foregoing, the Company shall issue the shares of Common Stock as to which the Option has been duly exercised and shall return the Stock Option Certificate, duly endorsed to reflect such exercise, to Optionee. In the discretion of the Committee, the shares of Common Stock to be issued upon the exercise of all or a portion of the Option may be non-certificated and, accordingly, issuances and transfers shall be reflected on the stock ledger books and records of the Company and no certificate of shares of Common Stock in

respect of Grantee's shares will be issued to Grantee, to the extent not prohibited by applicable law or the rules of any stock exchange.

5. Restriction on Exercise. This Option may not be exercised if the issuance of such shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

6. Effect of Termination of Employment. The Option, to the extent not theretofore vested and exercised, shall become vested and shall terminate on the date of or following Optionee's termination of employment as set forth below:

(a) In the event a Termination Date occurs due to Optionee's Resignation or Termination (other than in circumstances described in Sections 6 (b) or (e) below), Optionee may during the 90-day period following such Resignation or Termination exercise the Option as to such portion or all of the Option which had become vested and exercisable in accordance with the terms of the Stock Option Certificate prior to Optionee's Termination Date, and such portion of the Option which had not so previously become vested and exercisable shall be immediately forfeited and canceled.

(b) In the event of a Termination of Optionee by the Company without Cause, Optionee's Resignation for Good Reason, or Optionee's death or Disability, prior to the occurrence of a Change of Control, Optionee shall become immediately 100% vested in the unvested portion of the Option. The Option shall be exercisable until the first anniversary of Optionee's Termination Date.

(c) If, upon an Optionee's termination of employment for any reason other than Cause, the Optionee has attained age 62 and has been credited with 10 or more years of service with the Corporation and all Subsidiaries (including prior service with LaSalle Bank, N.A. and its affiliates), the Optionee shall become vested in a pro rata portion of the Option then outstanding equal to the number of completed months during the vesting period divided by the number of full months necessary to achieve full vesting of such Option. Any vested Options upon such Optionee's retirement shall remain exercisable until the first anniversary of the Optionee's retirement date.

(d) In the event of Optionee's death during the 90-day period or one-year period described in Sections 6(a), (b) and (c), Optionee's personal representative may, during the unexpired portion of such 90-day period or one-year period, as the case may be, following the date of Optionee's death, exercise the Option to the extent that the Option was so vested and exercisable at the time of Optionee's death.

(e) In the event of Optionee's Termination for Cause, the unexercised portion of the Option, whether vested or not vested, shall immediately terminate and be forfeited.

(f) The foregoing provisions of this Section 6 to the contrary notwithstanding, in no event shall any portion of the Option be exercised after the expiration of the term of the Option set forth in Section 3.

7. Compliance with Certain Laws and Regulations. If the Committee shall determine, in its discretion, that:

(a) the listing, registration or qualification of the shares of Common Stock subject to this Option upon any securities exchange or under any law or regulation, or that the consent or approval of any governmental regulatory body is necessary or desirable in connection with the granting of the Option or the acquisition of shares thereunder, Optionee shall supply the Committee or Company, as the case may be, with such certificates, representations and information as the Committee or Company, as the case may be, may request and shall otherwise cooperate with the Company in obtaining any such listing, registration, qualification, consent or approval, or

(b) despite the Committee's commercially reasonable efforts, and in the absence of approval of the Plan and this Option by stockholders holding shares representing a majority of the votes entitled to vote thereunder prior to the date on which the Option (or any portion thereof) shall be exercisable, such listing, registration or qualification of shares subject to the Option shall not be obtainable, upon exercise by the Optionee this Option shall be repurchased from Optionee by the Company and the Option shall be settled in cash in an amount equal to the excess (if any) of the Fair Market Value of Common Stock on the date of exercise of such Option (or portion thereof) over the Option Price hereunder therefor (and subject to applicable cash tax withholding therefrom in accordance with Section 4(b) hereof).

8. Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, delivered by overnight courier, or mailed by first class mail, to Optionee at the address set forth on the records of the Company, to the Company at the address set forth or established pursuant to Section 4(a), or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when received.

9. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

10. Complete Agreement. This Agreement and those documents expressly referred to herein embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.



11. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

12. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Optionee, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), and is intended to bind all successors and assigns of the respective parties, except that Optionee may not assign any of Optionee's rights or obligations under this Agreement except to the extent and in the manner expressly permitted hereby.

13. Remedies. Each of the parties to this Agreement shall be entitled to enforce its rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

14. Waiver or Modification. Any waiver or modification of any of the provisions of this Agreement shall not be valid unless made in writing and signed by the parties hereto. Waiver by either party of any breach of this Agreement shall not operate as a waiver of any subsequent breach.

15. Rights of Employment and Future Awards. In no event shall the granting of this Option or Optionee's acceptance hereof give or be deemed to give Optionee any right to be retained in the employ of the Company or to the receipt of any future Option or other awards under the Plan.

16. Remedy for Breach of Non-Competition Covenant. Optionee acknowledges and agrees that, as a condition to the award of this Option to Optionee, Optionee is subject to a covenant prohibiting Optionee's competition, as particularly set forth in Optionee's term sheet agreement ("Term Sheet Agreement"), governing the terms of Optionee's employment with The PrivateBank and Trust Company (the "Bank"), a Subsidiary of the Company, the terms of which covenant are incorporated by reference herein. Pursuant to the terms of such non-competition covenant, in the Term Sheet Agreement Optionee agreed, and hereby reaffirms such agreement, that as the Company's and the Bank's sole remedy for Optionee's breach (or threatened breach) of the non-competition covenant, respecting this Option:

(a) Optionee shall immediately forfeit the unexercised portion of the Option (whether then vested or unvested) then held by Optionee (and thereupon this Option shall terminate and be canceled) and all shares of Common Stock acquired upon the exercise of the vested portion of the Option and then held by Optionee (and thereupon any certificate issued in respect of such shares shall be canceled);

(b) Optionee shall immediately repay to the Company a cash sum in the principal amount equal to all gross proceeds (before-tax) realized by Optionee upon the sale or

other disposition of shares of Common Stock occurring at any time during the period commencing on the date that is three years before the Termination Date and ending on the date that the non-competition covenant under the Term Sheet Agreement lapses (“Refund Period”), together with interest accrued thereon, from the date of such breach or threatened breach, at the prime rate (compounded calendar monthly) as published from time to time in The Wall Street Journal, electronic edition (“Interest”); and

(c) Optionee shall repay to the Company a cash sum equal to the fair market value of all shares of Common Stock and all or any portion of the Option transferred by Optionee as a gift or gifts at any time during the Refund Period, together with Interest, and for which purpose, “fair market value” per share of Common Stock shall be the Fair Market Value of one share of Common Stock on the date such gift occurs and per Option share shall be the positive difference, if any, between the Fair Market Value of a share of Common Stock, above, and the Option Price set forth in the Stock Option Certificate.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the \_\_\_\_day of \_\_\_\_\_, 200\_\_\_\_.

PRIVATEBANCORP, INC.

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

Name:

Title:

OPTIONEE

\_\_\_\_\_  
Signature

Name:

Grant Date:  
\_\_\_\_\_, 200\_

Number of Shares:  
\_\_\_\_\_

**PRIVATEBANCORP, INC.**

**STOCK OPTION CERTIFICATE  
(TIME-VESTED)**

THIS CERTIFIES THAT \_\_\_\_\_ has been awarded a STOCK OPTION to purchase \_\_\_\_\_ shares of Common Stock, without par value, of PRIVATEBANCORP, INC. (the "Company") ("Option") at a price per share of \$ \_\_\_\_\_ ("Option Price") (which is the closing price of the Company's Common Stock on the date hereof and which shall for all purposes constitute the "Fair Market Value," as defined under the Plan), subject to the terms and conditions of this Stock Option Certificate, the related Stock Option Agreement of even date herewith and the PrivateBancorp, Inc. Strategic Long-Term Incentive Compensation Plan ("Plan").

Subject to earlier termination as provided in the Stock Option Agreement or the Plan, this Option shall expire, and cease to be exercisable to the extent then vested, ten (10) years from the Grant Date under this Stock Option Certificate.

Except as may be otherwise provided in the Stock Option Agreement or Incentive Compensation Plan, this Option shall vest and be exercisable as to all or a portion of the number of shares set forth above on the date set forth below, provided that Optionee is continuously employed with the Company or a Subsidiary through such date, as follows:

| <b>On and After the Following Dates,<br/>But Prior to Expiration</b> | <b>Maximum Percentage Taking<br/>into Account Prior Exercises</b> |
|--|---|
| December 31, 2008  | 20%   |
| December 31, 2009  | 40%   |
| December 31, 2010  | 60%   |
| December 31, 2011  | 80%   |
| December 31, 2012  | 100%  |

IN WITNESS WHEREOF, PRIVATEBANCORP, INC. has caused this Stock Option Certificate to be signed by its duly authorized officer as of the date set forth above.

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

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## **Section 16: EX-21.1 (SUBSIDIARIES)**

**LIST OF SUBSIDIARIES**

The following is a list of the direct and indirect subsidiaries of PrivateBancorp, Inc. as of December 31, 2007:

| <u>Entity Official Name</u>              | <u>Jurisdiction of Formation or Organization</u>  |
|--|---|
| The PrivateBank and Trust Company        | State of Illinois Department of Financial and Professional Regulation                           |
| Lodestar Investment Counsel, LLC         | Delaware Secretary of State   |
| The PrivateBank Securities, LLC          | Delaware Secretary of State   |
| PB Real Estate, LLC                      | Illinois Secretary of State   |
| The PrivateBank                          | Office of Thrift Supervision  |
| TrustCo, LLC                             | Missouri Secretary of State   |
| The PrivateBank                          | State of Michigan Department of Labor and Economics, Office of Financial and Insurance Services |
| The PrivateBank Mortgage Company         | Michigan Secretary of State   |
| BBH Financial Advisors, Inc.             | Michigan Secretary of State   |
| The PrivateBank                          | Georgia Secretary of State and Georgia Banking Commission                                       |
| The PrivateBank, National Association    | Office of Comptroller of the Currency   |
| The PrivateBank Mortgage Company, LLC    | Illinois Secretary of State   |
| PrivateBancorp Statutory Trust I         | Delaware Secretary of State   |
| PrivateBancorp Statutory Trust III       | Connecticut Secretary of State  |
| Bloomfield Hills Statutory Trust I       | Delaware Secretary of State   |
| Private Investment Limited Partnership I | Illinois Secretary of State   |

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## **Section 17: EX-23.1 (CONSENT OF ERNST & YOUNG LLP)**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the following documents of PrivateBancorp, Inc. of our report dated February 28, 2008, with respect to the consolidated financial statements of PrivateBancorp, Inc. and the effectiveness of internal control over financial reporting of PrivateBancorp, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2007:

- Registration Statement (Form S-8 No. 333-147451) pertaining to the PrivateBancorp, Inc. Strategic Long-Term Incentive Compensation Plan.
- Registration Statement (Form S-3 No. 333-143424) pertaining to the registration of \$115 million of 3<sup>5</sup>/<sub>8</sub> contingent convertible senior notes due 2027 and the shares of common stock issuable upon conversion thereof, if any.
- Registration Statement (Form S-8 No. 333-132509) pertaining to the PrivateBancorp, Inc. Savings, Retirement & Employee Stock Ownership Plan
- Registration Statement (Form S-8 No. 333-124427) pertaining to the PrivateBancorp, Inc. Incentive Compensation Plan
- Registration Statement (Form S-8 No. 333-104807) pertaining to the PrivateBancorp, Inc. Incentive Compensation Plan and the PrivateBancorp, Inc. Deferred Compensation Plan
- Registration Statement (Form S-8 No. 333-43830) pertaining to the PrivateBancorp, Inc. Amended and Restated Stock Incentive Plan and the PrivateBancorp, Inc. Savings and Retirement Plan (formerly known as The PrivateBank and Trust Company Savings and Retirement Plan)
- Registration Statement (Form S-8 No. 333-88289) pertaining to the PrivateBancorp, Inc. Amended and Restated Stock Incentive Plan

/s/ Ernst & Young LLP

Chicago, Illinois  
February 28, 2008

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**Section 18: EX-31.1 (CERTIFICATION OF CEO)**

### CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Larry D. Richman, President and Chief Executive Officer of PrivateBancorp, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of PrivateBancorp, Inc.;
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 annual 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 annual report;
4. The registrant's other certifying officer(s) 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 15(d)-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 annual 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 annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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: February 29, 2008

/s/ LARRY D. RICHMAN

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**Larry D. Richman**  
**President and Chief Executive Officer**  
**PrivateBancorp, Inc.**

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## Section 19: EX-31.2 (CERTIFICATION OF CFO)



**CERTIFICATIONS**

I, Dennis L. Klaeser, Chief Financial Officer of PrivateBancorp, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of PrivateBancorp, Inc.;
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 annual 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 annual report;
4. The registrant's other certifying officer(s) 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 15(d)-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 annual 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 annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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: February 29, 2008

/s/ DENNIS L. KLAESER

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**Dennis L. Klaeser**  
**Chief Financial Officer**  
**PrivateBancorp, Inc.**

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## **Section 20: EX-32.1 (SECTION 906 CERTIFICATIONS)**

## Exhibit 32.1

The following certification is provided by the undersigned Chief Executive Officer and Chief Financial Officer of PrivateBancorp, Inc. On the basis of such officer's knowledge and belief for the sole purpose of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

### CERTIFICATION

In connection with the Annual Report of PrivateBancorp, Inc. (the "Company") on Form 10-K for the year ended December 31, 2007 as filed with the Securities and Exchange Commission on February 29, 2008 (the "Report"), the undersigned, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ LARRY D. RICHMAN  
Name: **Larry D. Richman**  
Title: **President and Chief Executive Officer**  
  
Date: February 29, 2008

By: /s/ DENNIS L. KLAESER  
Name: **Dennis L. Klaeser**  
Title: **Chief Financial Officer**  
  
Date: February 29, 2008

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

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