

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

FORM 10-K

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

For the fiscal year ended December 31, 2002

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

PRIVATEBANCORP, INC.

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	36-3681151 (I.R.S. Employer Identification Number)
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Ten North Dearborn Street Chicago, Illinois 60602
(Address of principal executive offices)

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

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

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

Common Stock, no par value

**9.50% Cumulative Trust Preferred Securities
(and the Guarantee with respect thereto)**

Indicate by checkmark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting common equity of the Registrant held by non-affiliates of the Registrant was approximately \$107,273,278 based on the closing price of the common stock of \$20.10 on June 30, 2002, as reported by the NASDAQ National Market.

As of February 28, 2003, the Registrant had outstanding 7,738,164 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the 2003 Annual Meeting of Stockholders are incorporated by reference into Part III.

FORM 10-K

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PART I

ITEM 1. BUSINESS

Overview

We organized PrivateBancorp as a Delaware corporation in 1989 to serve as the holding company for a Chicago-based *de novo* (or start-up) bank designed to provide highly personalized financial services primarily to affluent individuals, professionals, entrepreneurs and their business interests. We were one of the first banks newly formed in the Chicago area at that time. The organizers had significant senior level banking experience and many potential client contacts from prior banking positions.

As the financial industry has consolidated, and smaller, independent banks have been acquired by national, multi-bank holding companies, many financial institutions have focused on a mass-market approach using automated customer service which de-emphasizes personal contact. We believe that the centralization of decision-making power at these large institutions has resulted in disruption of client relationships as frontline bank employees who have limited decision-making authority fill little more than a processor role for their customers. At many of these large institutions, services are provided by employees in the "home office" who evaluate requests without the benefit of personal contact with the customer or an overall view of the customer's relationship with the institution.

We believe that this trend has been particularly frustrating to affluent individuals, professionals, owners of closely held businesses and commercial real estate investors who traditionally have been accustomed to dealing directly with senior bank executives. These clients typically seek banking relationships managed by a decision-maker that can deliver a prompt response to their requests and custom tailor a banking solution to meet their needs. The St. Louis-based bank also focuses on clients who are seeking a higher level of service and a broad array of personalized banking and wealth management products and services. The PrivateBank (St. Louis) clients consist of individuals, small to medium-size businesses, commercial real estate investors and professionals.

We have two banking subsidiaries--The PrivateBank and Trust Company, which we also refer to as The PrivateBank (Chicago), and The PrivateBank, which we also refer to as The PrivateBank (St. Louis). Using the European tradition of "private banking" as our model, we provide our clients with traditional individual and corporate banking services, including a variety of loan and deposit products, and wealth management services. 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 each client's individual and corporate banking needs, and by tailoring our products and services to consistently meet those needs.

Our managing directors are strategically located in eight Midwestern United States locations. Currently, we have seven offices in the Chicago metropolitan area. These offices are strategically located in downtown Chicago; in the affluent North Shore communities of Wilmette, Winnetka and Lake Forest; in Oak Brook, centrally located in the fast growing west suburban DuPage County; and in St. Charles and Geneva, in the far western Fox Valley area. We currently operate from one location in the St. Louis market where we established The PrivateBank (St. Louis), a federally chartered savings bank, in June 2000. On December 30, 2002, we purchased a controlling interest in a Chicago-based investment adviser, Lodestar Investment Counsel, LLC.

Since year-end 1995 to December 31, 2002, we have grown our asset base at a compound annual rate of 35% to \$1.5 billion. During the same period, loans have grown at a compound annual rate of 34% to \$965,600, deposits at a compound annual rate of 32% to \$1.2 billion and trust assets under administration at a compound annual rate of 22% to \$757.8 million. Diluted earnings per share (EPS) have grown at a compound annual rate of 30% to \$1.42 (adjusted to reflect the 3-for-2 stock dividend effective January 17, 2003) since year-end 1995.

The PrivateBank Approach

- We are a client-driven organization and believe we have developed a unique approach to private banking designed to provide our clients with superior service. We emphasize personalized client relationships and custom-tailored financial services, complemented by the convenience of technology. We target the affluent segment of the market because we believe that there is significant unmet demand for personalized services within this

segment, and also because we believe it offers significant growth potential. The key aspects of our private banking approach are:

- *Personal Relationships.* Our approach begins with the development of strong, dedicated relationships with our clients. Each client is matched with a team of individuals headed by a managing director, who is our client's central point of contact with us. Our 18 managing directors, who are senior financial professionals, act as the financial partners of our clients, working with them to identify and service their banking 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 goals to quickly adapt our services to the client's individual needs. The purpose of this approach is to give 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 services provided to each client, often including banking needs related to the business affairs of our clients. Satisfied clients provide our most fertile source of new business and new client referrals as well. While we encourage our clients to contact us directly, we also utilize technology to complement and enhance client service. We offer products such as PrivateBank Access, our Internet banking service, Master Money debit cards and Private Line Access, our voice-response communication system, to enhance, not replace, personal contact. This technology allows us to afford our clients the convenience of accessing our services from remote locations at any time of day.

Our clients may connect to Trust Plus Online Access, Private NetBanking, and Business NetBanking directly through the Internet. Clients can also connect to PrivateLine Access directly through the telephone. Business NetBanking became available during 2001. Through Trust Plus Online Access, which became available late in 2000, wealth management clients may access account balance and history information in a read-only format through the Internet. Business NetBanking allows clients to access deposit and loan information, initiate stop payments, initiate bill payments, establish repetitive wire transfers and authorize transactions that clear through the Automated Clearing House (ACH). Private NetBanking and Business NetBanking are supported by a help desk that is staffed 60 hours per week. Currently, clients may:

- access information regarding their wealth management account balances and recent transactions;
- access deposit information;
- transfer funds among deposit accounts;
- utilize a bill payment service with a variety of options;
- export information to financial software packages;
- access the Private NetBanking and Business NetBanking help desk which is staffed 24 hours a day, seven days a week; and
- send e-mail messages to bank personnel.

As technology changes, we intend to modify and enhance our electronic banking products. We believe that in the future, a growing number of our clients will desire both personal and electronic services. We intend to work to improve and expand dual-delivery systems providing the quality of service to which our clients are accustomed.

- *Affluent Target Client.* In the Chicago and St. Louis metropolitan areas, we target affluent individuals, professionals, owners of closely-held businesses, and commercial real estate investors with annual incomes in excess of \$150,000 and their business interests, because we believe that they have significant unmet demand for personalized financial services. We offer our services to those members of this segment who are focused on building and preserving wealth. Our clients include affluent individuals, professionals, entrepreneurs and their business interests. We target service industries such as the accounting, legal and medical professions, as well as owners of closely-held businesses, commercial real estate investors and corporate executives. We believe that this segment of the market is most suited to our business and that these individuals are most likely to develop long-term relationships with us. Although we generally target individuals with high annual incomes and net

worth, we also recognize the growth potential of certain young professionals and extend our services to those individuals whose incomes or net worth do not initially meet our criteria.

- *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 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 portfolio of banking products, we believe that it is our personalized service that distinguishes us from our competitors. We encourage, not discourage, our clients to contact us. We use regular contact as a way to strengthen our relationships, increase services to existing clients and earn referral business.
- *Streamlined 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. Officers with credit approval authority 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, rather than structured meetings, to approve credit. As the amount and the complexity of the credit increases, we often use a more traditional approval process.
- *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, 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 contractual fee sharing agreement with an independent insurance brokerage firm. Through this affiliation, we offer a full range of personal and corporate insurance products to our clients. To complement our existing financial products and services, we have a contractual arrangement with a registered securities broker-dealer firm through which we offer our clients on-site securities brokerage services.

Strategy for Growth

We seek to enhance long-term stockholder value through internal growth, expanded product lines and selective geographic expansion. We expect to continue to evaluate possible acquisition candidates and new office locations and we intend to pursue opportunities that we perceive to be attractive to the long-term value of our franchise. Our growth strategy, which relies on our development, maintenance, and expansion of our superior management group, entails five key components:

- *Developing Our Existing Relationships.* An important part of our future growth will be the continued development of our existing client relationships. 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 follow our clients from the purchase of their homes, through the financing of their own business, to the development and planning of their estate and continuing the relationship tradition with their children and grandchildren. We believe we have a significant opportunity to further develop our existing client relationships in each of our offices. In particular, we seek to develop our wealth management business through our existing clients.
- *Increasing the Reach of Our Existing Offices.* In addition to increasing the services provided to our existing clients, we seek to expand the market presence of our existing offices, particularly in our newer offices. We believe that the growing need for private banking services in these markets is still largely unmet and we believe there is a significant opportunity to increase our client base in these offices, particularly in the wealth management area. Key to this strategy is attracting quality people. We hope to capitalize on our reputation and the reputations of our managing directors in increasing our market presence. Our managing directors, with their personal and professional contacts in the financial and corporate arenas, have been instrumental in developing

our business. We encourage our senior executives to attend and host business receptions, charitable activities and promotional gatherings so that we may interact with our clients in a unique and personal manner. We also hope to grow our business through referrals from our existing clients. Referrals have been a significant source of new business for us. We value this system of networking because it allows us to further develop and strengthen our personal and professional relationships with both new and existing clients.

- *Acquisition of Asset Management Firms.* We intend to continue to direct our energies towards building the breadth and depth of our wealth management area. We are very focused on acquiring additional asset management and financial planning capabilities as well as other fee income generating lines of business. As part of this ongoing strategy, we acquired a controlling interest in Lodestar, a Chicago-based investment advisor, in December 2002.
- *Expanding into New Product Lines and Services.* Our goal is to be the primary source of financial products and services for our clients. We believe that by broadening our product line and adding additional financial services not currently offered by us, we should be able to achieve an increase in our franchise value through diversification of our fee income and strengthening of our client relationships. To reach this goal, we intend to consider acquisitions, joint ventures or strategic alliances with other financial service companies that emphasize quality service and the value of relationships. Our targets are businesses that complement our services and enable us to broaden our product line to better serve our clients and help us develop new client relationships.
- *Expanding into New Markets.* We believe that the trend toward bank consolidation and centralized decision-making that has created a demand for our private banking services is not unique to Chicago or St. Louis. As we identify other markets with over 1 million people in the Midwest that present opportunities for growth and development similar to those in the Chicago and St. Louis markets, we will consider selective geographic expansion through possible acquisitions of existing institutions or by establishing new banking offices. We organized The PrivateBank (St. Louis) as a federal savings bank to create flexibility in pursuing these geographic expansion opportunities.

The PrivateBank (Chicago) and The PrivateBank (St. Louis)

We offer banking services to our clients at a personal level. We believe this is not the same as personal banking service. We define private banking as offering banking products and services to our clients when they want it, how they want it and where they want it. We tailor our products and services to fit our clients instead of making our clients fit our products and services. Our services fall into four general categories:

- *Commercial 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 lockbox, cash concentration accounts, merchant credit card processing, electronic funds transfer, other cash management products and insurance. 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 Services.* We provide real estate loan products to businesses and individuals. Our commercial real estate lending products are designed for real estate investors. We provide a full range of fixed and floating rate permanent and mini-permanent mortgages for our clients to finance a variety of properties such as apartment buildings, office buildings, strip shopping centers, and other income properties. In certain circumstances, we also provide construction lending for residential and commercial developments. We believe that our lending products are competitively priced with terms that are tailored to our clients' individual needs. Our residential mortgage products range from 30-year fixed rate products to personal construction lending. The home mortgage market is very competitive and we believe that our service is what separates us from our competition. Many mortgage lenders cannot work with borrowers who have non-traditional income sources or non-traditional properties, such as co-ops. Our mortgage lending staff is trained to work with successful individuals who have complex personal financial profiles. We have developed a proficiency for mortgages in excess of \$1.0 million per loan and will work with our clients and our 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.* Our services include investment management, personal trust and estate services, custodial services, retirement accounts and brokerage 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 and work to tailor the investment program accordingly. During 1999, we introduced PrivateBank Counselor, an asset allocation program that combines outside professional portfolio management with an investment plan that our wealth management personnel tailor to the individual client's personal financial goals. Our wealth management and estate account administrators work with our clients and their attorneys to establish their estate plans. We work closely with our clients and their beneficiaries to ensure that their needs are met and to advise them on financial matters. When serving as management agent, trustee or executor, we often structure and periodically monitor the performance of the investment management of our clients' investment portfolios. We also provide our clients with custodial services for safekeeping of their assets. Consistent with our private banking approach, we emphasize a high level of personal service in our wealth management area, including prompt collection and reinvestment of interest and dividend income, weekly valuation, tracking of tax information, customized reporting and ease of security settlement. We also offer retirement products such as individual retirement accounts, 401(k)s, IRA rollovers, and administrative services for retirement vehicles such as profit sharing plans and employee stock option plans, as well as a full line of brokerage and investment products. Wealth management services are currently offered at The PrivateBank (St. Louis) through the wealth management department of The PrivateBank (Chicago). In December 2002, we acquired a controlling interest in Lodestar Investment Counsel, a Chicago-based investment adviser. We expect that this acquisition will provide additional sources of revenue in our wealth management segment.
- *Individual Banking Services.* Our typical private banking client has several of the following products: interest bearing checking with credit line, money market deposit accounts, certificates of deposit, ATM/debit cards, and brokerage accounts. Some of our clients also use the PrivateBank Access Internet PC banking product. In addition to residential mortgages, we provide clients a variety of secured and unsecured personal loans and lines of credit as well as domestic and international wire transfers and foreign currency exchange. Through our affiliations and contractual arrangements with an independent insurance brokerage firm and a registered securities broker-dealer firm, we offer insurance products and securities brokerage services.

Lending Activities

We work with our clients to provide a full range of commercial, real estate and personal lending products and services. Our loans are concentrated in six major areas: (1) commercial real estate; (2) commercial; (3) residential real estate; (4) personal; (5) home equity; and (6) construction. We have adopted a loan policy that contains general lending guidelines and is subject to review and revision by our board of directors. We extend credit consistent with this comprehensive loan policy.

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 contacts with our clients, continual portfolio review, careful monitoring of delinquency reports and reliance on our loan review function.

We have retained an independent, outside resource to perform our loan review function, which ensures that our loan review process remains independent of the loan production and administration processes. Our loan reviewer examines individual credits to critique individual problems and the entire portfolio to comment on systemic weaknesses. The reviewer reports directly to the audit committee of our board of directors on a quarterly basis. In addition to loan review, the loan/investment committee of our board reviews the adequacy of the allowance for loan losses on a quarterly basis. The committee assesses management's loan loss provisions based on the loan reviewer's findings, delinquency trends, historical loan loss experience and current economic trends.

Our legal lending limits, based on our banks' statements of financial condition, are calculated to not exceed 25% of capital plus unencumbered reserves. At December 31, 2002, The PrivateBank (Chicago)'s legal lending limit was \$25.5 million and The PrivateBank (St. Louis)'s legal lending limit was \$1.25 million. A bank's legal lending limit is the maximum amount of credit that the bank may commit to any one individual or business entity after aggregating

all related credit.

In addition to our chief credit officer, certain individuals have been designated acting chief credit officers, credit officers, officers with lending authority, and residential real estate lending officers. No single individual has sole authority to approve a loan. As the size of aggregate credit exposure increases, additional officers are required to approve the loan requests. This serves several purposes: (a) larger credits get more scrutiny, (b) most senior credit officers become involved in the decision-making process for the vast majority of dollars loaned without approving a proportionate number of loan requests, and (c) we become more consistent in administration of credit as credit officers gain a better understanding of our overall portfolio and credit culture.

Our chief credit officer, or his designee, is involved in all credit decisions when the aggregate credit exposure is in excess of \$250,000. The loan/investment committee of The PrivateBank (Chicago) reviews all credit decisions over \$2.5 million and the loan/investment committee of The PrivateBank (St. Louis) reviews all credit decisions over \$250,000. Prior approval is required for credit exposure in excess of \$5.0 million and for all credits related to our board members or our managing directors. Loans are approved at the bank level by a management loan committee or by obtaining the approval of credit officers as required by the loan policy. We believe that this process allows us to be more responsive to our clients' needs by being able to approve credit without waiting for scheduled committee meetings. We also use management committee meetings to discuss complex credits or when we feel that a particular credit may be informative to everyone in the loan approval process. As a thrift, The PrivateBank (St. Louis) is required to maintain a specific percentage of its loan portfolio in qualified residential real estate loans. To address this regulatory requirement, from time to time, The PrivateBank (St. Louis) intends to purchase qualifying loans from The PrivateBank (Chicago) in exchange for loans generated in the St. Louis market that do not meet the criteria for qualified-thrift-loans. We expect to price sales of loans between the banks so as to allow each bank to achieve equal risk rewards from a yield perspective. Prior to purchasing any loans, the chief credit officer of The PrivateBank (Chicago) will apply the same credit policies and procedures as are followed for any other loan approval. Likewise, The PrivateBank (St. Louis) will apply the same lending discipline to loans purchased from The PrivateBank (Chicago) as it does for externally generated loans.

The following table sets forth our loan portfolio by category as of December 31, 2002 and 2001:

	December 31, 2002	Percentage of total loans (dollars in thousands)	December 31, 2001	Percentage of total loans
Commercial real estate.....	\$452,703	47%	\$310,869	40%
Commercial.....	165,993	17%	163,279	21%
Construction.....	123,204	13%	92,528	12%
Home equity.	80,776	8%	59,795	8%
Residential real estate.....	72,289	8%	89,889	11%
Personal	<u>70,676</u>	<u>7%</u>	<u>64,411</u>	<u>8%</u>
Total loans.....	<u>\$965,641</u>	<u>100%</u>	<u>\$780,771</u>	<u>100%</u>

Commercial Real Estate Loans. Our commercial real estate portfolio is comprised primarily of loans secured by multi-family housing units located in the Chicago metropolitan area. Other types of commercial real estate collateral include: commercial properties owned by clients housing their manufacturing, warehousing or service businesses, investments in small retail centers, and investments in other business properties.

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.

Commercial real estate loan products include mini-permanent and permanent financing, transaction loans to purchase properties prior to permanent financing, and lines of credit secured by commercial real estate portfolios. We

typically structure mini-permanent and permanent financing as adjustable rate mortgages, or ARMs. ARM structure allows our clients to lock in an interest rate for a fixed period of time in order to avoid interest rate risk during the lock-in period. The vast majority of our ARM loans have initial fixed pricing for between one to five years. Each ARM loan has language defining repricing beyond the initial fixed pricing term. Transaction loans to purchase commercial property typically have maturities of one year or less. Lines of credit secured by commercial real estate portfolios are typically granted for one year with annual extensions after a successful underwriting review. Interest rates for our lines of credit typically are based on a floating rate formula.

In our credit analysis process for commercial real estate loans, we typically review the appraised value of the property, the ability of the property as collateral 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 our board loan/investment committee.

Commercial Loans. Our commercial loan portfolio is comprised of lines of credit for working capital, term loans for equipment and expansion, and letters of credit. These loans are made to businesses affiliated with our clients, or to clients directly for business purposes. The vast majority of our commercial loans are personally guaranteed. 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 typically also 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 personal and corporate 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 is comprehensive. We typically review 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 policy has guidelines for advances on different types of collateral, we establish eligible asset values on a case-by-case basis for each borrower. Our officer on the account must be able to validate his or her position during the approval process.

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. This is a significant business activity in our residential real estate lending unit. For our own portfolio, we originate ARM loans typically structured with 30-year maturities and initial rates fixed for between one to five years with annual repricing beyond the initial term.

Our credit review process mirrors the standards set by traditional secondary market sources. We review appraised value and debt service ratios, and we gather data during the underwriting process in accordance with the various laws and regulations governing residential real estate lending. Our real estate appraisal policy sets specific standards for valuing residential property.

We require pre-approval from secondary market sources before we approve loans to be sold into the secondary market. Our internal approval process is less stringent for loans pre-approved by our secondary market sources. This allows us to be responsive to the tight time commitments dictated for locking in rates in the secondary market.

We believe that we have a competitive advantage in our ability to offer financing for our clients who have non-traditional income sources or require large mortgage loans. We have developed secondary market sources for mortgages, including several able to provide financing in amounts in excess of \$1.0 million per loan which is occasionally required by our clients. By offering our own ARM loans, we can offer credit to individuals who are self-employed or have significant income from partnerships or investments. The secondary market often will not take the time or will be unable to make exceptions for otherwise qualified borrowers. We also have experience in making loans to qualified borrowers secured by co-ops. We believe that we are one of a limited number of financial institutions in the Chicago area making these loans.

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 secure funds for investment or personal acquisitions. 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. When personal loans are unsecured, we believe that the character and integrity of the borrower becomes as important as the borrower's financial statement.

Our clients request a combination of lines of credit, floating-rate term loans and fixed-rate term loan products. Many of our clients use their personal investment portfolios as collateral for personal loans. Personal lines of credit are used for a variety of purposes such as the comfort of having funds available for future uses or establishing a line of credit as overdraft protection. We respond quickly to the needs of our clients within the limits set by our loan policy.

Personal loans are subject to the same approval process as all other types of loans. Each loan is underwritten to ensure that it has adequate collateral coverage and/or cash flow. Annual financial statements are required of each personal borrower.

Home Equity Loans. Our home equity loan portfolio consists of traditional home equity lines of credit prevalent in the market today. In general, we advance up to 80% on the value of a home, less the amount of prior liens. However, we may vary from that percentage depending on the value of the home, type of dwelling, and the personal financial situation of the borrower. Home equity loans are funded either through draws requested by our clients or by special home equity credit drafts that function as bank checks. Home equity loans are approved using the same standards as residential mortgage loans. Our borrower's personal cash flow is compared to debt service requirements to determine our borrower's ability to repay. Home equity loans are competitively priced and are based on a floating rate formula.

Construction Loans. Our construction loan portfolio consists of single residential properties, multi-family properties, and commercial projects. 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. We use a title company to disburse periodic draws from the construction line to ensure that there will be no title problems at the end of the project.

Our construction loans are often the highest yielding loans in our portfolio due to the inherent risks and the monitoring requirements. These loans typically have floating rates, commitment fees and release fees. During our credit approval process, factors unique to construction loans are considered. These include assessment of the market for the finished product, reasonableness of the construction budget, ability of the borrower to fund cost overruns, and the borrower's ability to liquidate and repay the loan at the point when the loan-to-value ratio is the greatest. 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. 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.

Investment Activities

The objective of our investment policy is to maximize income consistent with asset/liability objectives, liquidity, asset quality and regulatory constraints. The policy is to be reviewed at least annually by our board of directors. Our board is provided quarterly information recapping purchases and sales with the resulting gains or losses, average maturity, federal taxable equivalent yields and appreciation or depreciation by investment categories.

We invest primarily in direct obligations of the United States, obligations of agencies of the United States, bank-qualified tax-exempt obligations of state and local political subdivisions, mortgage-backed pools, and collateralized mortgage obligations. We also may invest from time to time in corporate debt or other securities as permitted by our investment policy. In addition, we enter into federal funds transactions with our principal correspondent banks, and primarily act as a net buyer of such funds. The purchase of federal funds are effectively short-term loans by us from other banks.

Our investment portfolio also includes equity investments in the Federal Home Loan Bank of Chicago and the Federal Home Loan Bank of Des Moines. We invest in the Federal Home Loan Bank in order to be a member, which qualifies us to use their services including Federal Home Loan Bank borrowings. In addition, we have purchased participations in pools of loans from Neighborhood Housing Services ("NHS"). NHS is a not-for-profit organization that helps provide affordable housing to low and moderate income residents in the Chicago area. The size of our investment is proportionate to the volume of loans in certain credit programs offered by NHS. NHS is an important vehicle in our Community Reinvestment Act ("CRA") lending program.

Our Investment Committee has responsibility for the oversight of management of our investment portfolio as well as the implementation of our investment strategy. Our loan portfolio is primarily floating-rate and when market rates decline, loans that are tied to floating rates reprice downward immediately. Our investment portfolio is currently structured to perform well in a 'rates down' scenario. Alternatively, in a 'rates up' environment, our loan portfolio performs very well due to the large percentage of floating rate loans. As currently structured, The investment portfolio will not outperform our loan portfolio in a rates up environment. During periods of volatility, we actively monitor the investment securities portfolio to maximize total returns in the construct of our asset-liability management structure. The Investment Committee meets periodically with our Asset-Liability Committee to discuss our investment policies.

Wealth Management

We offer our clients a wide variety of trust and asset management services designed to meet their individual needs and investment goals. Many of our wealth management clients have long-standing relationships with our managing directors. In administering a trust, we work closely with our client, the beneficiaries and the trustees' attorneys and accountants on personal and tax matters to assist the client in accomplishing their stated objectives. As fiduciaries of a trust or estate, our responsibilities may include:

- administering the account pursuant to the applicable document;
- collecting, holding and valuing assets;
- monitoring investment portfolios;
- paying debts, expenses and taxes;
- distributing property;
- advising beneficiaries; and
- preparation of tax returns.

In addition to trust and estate administration, we offer:

- financial planning accounts;

- investment agency accounts;
- guardianship administration;
- Section 1031 exchanges; and
- custodial accounts.

The average account value of trusts administered by us was approximately \$2.1 million as of December 31, 2002. We seek to continue to grow our wealth management business as we expand our client base and our clients increasingly reach retirement age and focus on their estate plans. Trust assets under administration totaled \$758.0 million at December 31, 2002. This is the result of continued new business, which more than offset declines in existing account balances due to deterioration in the equity markets throughout the year. The acquisition of Lodestar Investment Counsel added \$482.0 million of assets under management as of December 31, 2002. On a consolidated basis, the Wealth Management Area had approximately \$1.2 billion in assets under management at December 31, 2002. The following table indicates the breakdown of our trust assets under administration at December 31, 2002 by account classification and related gross revenue for the twelve months ended December 31, 2002 (not including Lodestar):

<u>Account Type</u>	At or for the twelve months ended December 31, 2002	
	<u>Market Value</u>	<u>Revenue</u>
	(in thousands)	
Personal trust--managed	\$ 247,530	\$ 1,295
Agency--managed.....	181,599	907
Custody	277,598	580
Employee benefits--managed.....	<u>51,148</u>	<u>74</u>
Total.....	\$ 757,875	\$ 2,856

We have chosen to outsource some of the investment management aspect of our wealth management business so that we may offer our clients diversity and flexibility of investment representation and to allow us to impartially evaluate investment performance. This structure also allows our clients to independently designate one or more specific advisors enabling them to maintain existing relationships they may have within the financial community. If the client does not have such a relationship in place, we help them select an investment management firm to best service their needs. Based on the client's investment strategy and objectives and the account attributes, one or more investment managers will be selected from a selected group of approved advisors. We continue to direct our energies towards building the breadth and depth of our wealth management area. To that end, The PrivateBank (Chicago) acquired Lodestar Investment Counsel, a Chicago-based investment adviser with \$482 million of assets under management at December 31, 2002. Lodestar manages equity, balanced, and fixed income accounts primarily for high net-worth individuals, retirement plans and charitable organizations with investable assets in excess of \$1.0 million, and shares a similar focus on highly personalized client service.

Our wealth management policy has established controls over our trust activities to safeguard the assets of our clients against operational and administrative risk. We have a system of internal controls that is designed to keep our operating risk at appropriate levels. Our system of internal controls includes policies and procedures relating to authorization, approval, documentation and monitoring of transactions. Administrative risk is the risk of loss that may occur as a result of breaching a fiduciary duty to a client. To manage this risk, our wealth management policy has established corporate policies and procedures to ensure that obligations to clients are discharged faithfully and in compliance with applicable legal and regulatory requirements. These policies and procedures provide guidance and establish standards related to the creation, sale, and management of investment products, trade execution, and counterparty selection.

Asset-Liability Management Committee

We have an asset/liability committee ("ALCO") comprised of selected senior executives 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 economic conditions;
- current interest rate outlook;
- current forecast on loans and deposits;
- mix of interest rate sensitive assets and liabilities;
- bank liquidity position;
- investment portfolio purchases and sales; and
- other matters as presented.

ALCO is also responsible for monitoring compliance with our investment policy. On a quarterly basis, ALCO reports to the loan/investment committee who reviews the portfolio of reports we prepare for our board of directors and all the decisions made by ALCO affecting net interest income.

Competition

We do business in the highly competitive financial services industry. Our geographic market is primarily the greater Chicago and St. Louis metropolitan areas. The financial services industry is comprised of commercial banks, thrifts, credit unions, investment banks, brokerage houses, money managers, and other providers of financial products and services. These firms compete with us for one or more of the following: loans, deposits, wealth management services, or investment products. Some of these firms have business units that promote themselves as "private banks." The typical private banking competitor is a unit of a large commercial bank catering to the upper echelon of that bank's customer base.

We view ourselves as the only private bank in the Chicago and St. Louis markets focused solely on offering an extended range of traditional banking and wealth management products to affluent professionals, entrepreneurial individuals and their business interests. While our products may be similar to those of our competitors, we attempt to distinguish ourselves by emphasizing consistent delivery of the superior levels of personal service and responsiveness desired by our clients. For commercial and commercial real estate lending, we compete with a number of major Chicago-area financial institutions and suburban banks and, in the St. Louis market, with St. Louis-based financial institutions and banking offices. For wealth management services, we compete with the largest Chicago-area banks and some investment managers. For private banking services, we compete with the private banking departments of major Chicago and St. Louis-area financial institutions, some suburban banks, and brokerage houses. For residential mortgage lending, we compete with banks, savings and loans, mortgage brokers and numerous other financial services firms offering mortgage loans in our market areas. Several of our competitors are national or international in scope.

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 and deposits more aggressively. In addition, the larger banking organizations, investment banks and brokerage houses have significantly greater resources than we do. As a result, some of our competitors have advantages over us in name recognition and market penetration.

Employees

As of December 31, 2002, we had approximately 184 full-time equivalent employees and an additional 6 full-time employees including our controlling interest in Lodestar Investment Counsel, LLC. The salaries of all of our employees are paid by either The PrivateBank (Chicago) or The PrivateBank (St. Louis), with the exception of Messrs. Mandell and Svec and Lisa M. O'Neill, our Director of Financial Reporting, a portion of whose salaries are paid by

PrivateBancorp.

We provide our employees with a comprehensive program of benefits, some of which are on a contributory basis, including comprehensive medical and dental plans, life insurance plans, and 401(k) plans. We consider our relationship with our employees to be good.

Available Information

Our Internet address is www.privatebankandtrust.com. We make available at this 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 several applicable statutes and regulations. However, these summaries are not complete, 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 depositors 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.

For bank holding companies, Tier 1, or "core," capital consists of:

- common stockholders' equity;
- qualifying noncumulative perpetual preferred stock;
- qualifying cumulative perpetual preferred stock (subject to some limitations); and
- minority interests in the common equity accounts of consolidated subsidiaries.

less:

- goodwill; and
- specified intangible assets.

Tier 2, or "supplementary," capital consists of:

- the allowance for loan and lease losses;
- perpetual preferred stock and related surplus;
- hybrid capital instruments;
- unrealized holding gains on equity securities;
- perpetual debt and mandatory convertible debt securities;
- term subordinated debt, including related surplus; and
- intermediate-term preferred stock, including related securities.

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.

In its capital adequacy guidelines, the Federal Reserve emphasizes that the foregoing standards are supervisory minimums and that banking organizations generally are expected to operate well above the minimum ratios. These guidelines also 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, 2002, we had regulatory capital in excess of the Federal Reserve's minimum requirements. Our total risk-based capital ratio at December 31, 2002 was 8.29% and our leverage ratio was 5.47%.

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 which 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 which 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, 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. 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. The passage of the Gramm-Leach-Bliley Act, however, allows bank holding companies to become financial holding companies. Financial holding companies do not face the same prohibitions to entering into certain business transactions that bank holding companies currently face. See the discussion of the Gramm-Leach-Bliley Act below.

Interstate Banking and Branching Legislation. Under the Interstate Banking and Branching Efficiency Act, bank holding companies are allowed to acquire banks across state lines subject to various requirements of the Federal Reserve. 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. 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 person who acquires more than 10% of our stock may be required to obtain the prior approval of the commissioner of the Illinois Office of Banks and Real Estate (the "Commissioner"). Under the 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.

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 experiencing earnings weaknesses should not pay cash dividends exceeding its net income or which could only be funded in ways that weakened the bank holding company's financial health, such as by borrowing. 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.

Under a longstanding policy of the Federal Reserve, we are expected to act as a source of financial 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.

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, we may not pay dividends to our stockholders if, after giving effect to the dividend, we would not be able to pay our debts as they become due. 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

The PrivateBank (Chicago) is subject to supervision and examination by the Commissioner and, as a non-member, FDIC-insured bank, to supervision and examination by the Federal Deposit Insurance Corporation ("FDIC"). As an affiliate of The PrivateBank (Chicago), we are also subject to examination by the Commissioner. The PrivateBank (Chicago) is a member of the Federal Home Loan Bank ("FHLB") of Chicago and may be subject to examination by the FHLB of Chicago. The Federal Deposit Insurance Act ("FDIA") requires prior FDIC approval 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. The FDIA also gives the FDIC the power to issue cease and desist orders. A cease and desist order could either prohibit a bank from engaging in certain unsafe and unsound bank activities or could require a bank to take certain affirmative action. The FDIC also supervises compliance with the federal law and regulations which, in addition to several other mandates, place restrictions on loans by FDIC-insured banks to an executive officer, director or principal shareholder of the bank, the bank holding company which owns the bank, and any subsidiary of such bank holding company. The FDIC also examines The PrivateBank (Chicago) for its compliance with statutes which restrict and, in some cases, prohibit certain transactions between a bank and its affiliates. Among other provisions, these laws place restrictions upon:

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

Also, The PrivateBank (Chicago) is subject to restrictions with respect to engaging in the issuance, underwriting, public sale or distribution of certain types of securities and to restrictions upon:

- the nature and amount of loans which it may make to a single borrower (and, in some instances, a group of affiliated borrowers),
- the nature and amount of securities in which it may invest,
- the amount of investment in The PrivateBank (Chicago) premises, and
- the manner in and extent to which it may borrow money.

Furthermore, all banks are affected by the credit policies of the Federal Reserve, which regulates 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. The Illinois Banking Act provides that an Illinois bank may not pay dividends of an amount greater than its current net profits after deducting losses and bad debts while such bank continues to operate a banking business. 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.

In addition to the foregoing, the ability of PrivateBancorp and The PrivateBank (Chicago) 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.

Federal Reserve System. The PrivateBank (Chicago) is subject to Federal Reserve regulations requiring depository institutions to maintain noninterest-earning reserves against their transaction accounts (primarily NOW and regular checking accounts). The Federal Reserve regulations generally require 3% reserves on the first \$42.8 million of transaction accounts plus 10% on the remainder. The first \$5.5 million of otherwise reservable balances (subject to adjustments by the Federal Reserve) are exempted from the reserve requirements. The PrivateBank (Chicago) is in compliance with that requirement.

Standards for Safety and Soundness. The FDIA, as amended by FDICIA and the Riegle Community Development and Regulatory Improvement Act of 1994, requires 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 FDIC and the other 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 FDIC adopted regulations that authorize, but do not require, the FDIC to order an institution that has been given notice by the FDIC 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 FDIC 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 FDIC may seek to enforce its order in judicial proceedings and to impose civil money penalties. The FDIC and the other federal bank regulatory agencies have also proposed guidelines for asset quality and earning standards.

Prompt Corrective Action. FDICIA requires the federal banking regulators, including the Federal Reserve and the FDIC, to take prompt corrective action with respect to depository institutions that fall below minimum capital standards and prohibits any depository institution from making any capital distribution that would cause it to be undercapitalized. Institutions that are not adequately capitalized may be subject to a variety of supervisory actions, including 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 under-capitalized 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. Also, under FDICIA, insured depository institutions with assets of \$500 million or more at the beginning of a fiscal year, must submit an annual report for that year, including financial statements and a management report, to each of the FDIC, any appropriate federal banking agency, and any appropriate bank supervisor. The PrivateBank

(Chicago) had assets of \$500 million or more at the beginning of fiscal year 2002, and must therefore provide an annual report as required by FDICIA.

As of December 31, 2002, The PrivateBank (Chicago) had capital in excess of the requirements for a "well-capitalized" institution under the prompt corrective action provisions of FDICIA.

Insurance of Deposit Accounts. Under FDICIA, as an FDIC-insured institution, The PrivateBank (Chicago) is required to pay deposit insurance premiums based on the risk it poses to the Bank Insurance Fund ("BIF"). The FDIC has authority to raise or lower assessment rates on insured deposits in order to achieve statutorily required reserve ratios in the insurance funds and to impose special additional assessments. Each depository institution is assigned to one of three capital groups: "well capitalized," "adequately capitalized" or "undercapitalized." Within each capital group, institutions are assigned to one of three supervisory subgroups: "A" (institutions with few minor weaknesses), "B" (institutions which demonstrate weaknesses which, if not corrected, could result in significant deterioration of the institution and increased risk of loss to BIF), and "C" (institutions that pose a substantial probability of loss to BIF unless effective corrective action is taken). Accordingly, there are nine combinations of capital groups and supervisory subgroups to which varying assessment rates would be applicable. An institution's assessment rate depends on the capital category and supervisory category to which it is assigned. During 2002, The PrivateBank (Chicago) paid deposit insurance premiums in the aggregate amount of \$148,350. During 2001, The PrivateBank (St. Louis) paid deposit insurance premiums in the aggregate amount of \$38,017.

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 our deposit insurance.

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.

The PrivateBank (Chicago) was assigned a "satisfactory" rating in February 2002 as a result of its last CRA examination.

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 cash transactions involving more than \$10,000 to the United States Treasury. 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, enacted in response to the September 11, 2001 terrorist attacks, requires bank regulations to consider a financial institutions compliance with the BSA when reviewing applications. Finalized rulings regarding customer identification procedures are expected to be released in 2003 by the United States Treasury Department for this Act.

Compliance with Consumer Protection Laws. The PrivateBank (Chicago) is subject to many federal consumer protection statutes and regulations including the CRA, the Truth in Lending Act, the Truth in Savings Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Real Estate Settlement Procedures Act and the Home Mortgage

Disclosure Act. Among other things, these acts:

- require banks to meet the credit needs of their communities;
- require banks to disclose credit terms in meaningful and consistent ways;
- prohibit discrimination against an applicant in any consumer or business credit transaction;
- prohibit discrimination in housing-related lending activities;
- require banks to collect and report applicant and borrower data regarding loans for home purchases or improvement projects;
- require lenders to provide borrowers with information regarding the nature and cost of real estate settlements;
- prohibit certain lending practices and limit escrow account amounts with respect to real estate transactions; and
- prescribe possible penalties for violations of the requirements of consumer protection statutes and regulations.

From time to time we have been made aware of certain deficiencies in our consumer compliance program. Management believes that any deficiencies have already been or are in the process of being corrected. In the event that consumer compliance deficiencies were to continue over time, enforcement or administrative actions by the appropriate federal banking regulators could result. Such action could in turn affect the implementation of our growth strategies.

Enforcement Actions. Federal and state statutes and regulations provide financial institution regulatory agencies with great flexibility to undertake an enforcement action against an institution that fails to comply with regulatory requirements, particularly capital requirements. Possible enforcement actions range from the imposition of a capital plan and capital directive to civil money penalties, cease and desist orders, receivership, conservatorship or the termination of deposit insurance.

Impact of the Gramm-Leach-Bliley Act. The Gramm-Leach-Bliley Act (the "GLB Act") amended or repealed certain provisions of the Glass-Steagall Act and other legislation that restricted the ability of bank holding companies, securities firms and insurance companies to affiliate with one another. The GLB Act has established a comprehensive framework to permit affiliations among commercial banks, insurance companies and securities firms. Also, a bank holding company that meets certain criteria may certify that it satisfies certain criteria and become a financial holding company, and thereby engage in a broader range of activity than permitted for a bank holding company.

The GLB Act imposes new requirements on financial institutions with respect to customer privacy by generally prohibiting disclosure of non-public personal information to non-affiliated third parties unless the customer has been given the opportunity to object and has not objected to such disclosure. Financial institutions are further required to disclose their privacy policies to customers annually. The FDIC and the other federal regulators have promulgated implementing regulations outlining the duties or responsibilities of financial institutions with regard to customer privacy. These regulations do not supersede state regulations regarding privacy, except to the extent that state regulations conflict with these regulations. The privacy regulations of the Illinois Banking Act continue to apply to The PrivateBank, except to the extent they conflict with the GLB Act and its implementing regulations.

To the extent the GLB Act permits banks, securities firms and insurance companies to affiliate, the financial services industry may experience further consolidation. This consolidation could result in a growing number of larger financial institutions that offer a wider variety of financial services than we currently offer and that can aggressively compete in the markets we currently serve.

The PrivateBank (St. Louis). The PrivateBank (St. Louis) is a federally chartered savings bank. Accordingly, it is governed by and subject to extensive regulation, examination and supervision by the Office of Thrift Supervision ("OTS"), and is required to comply with the rules and regulations of the OTS under the Home Owners' Loan Act ("HOLA"). As a federally chartered savings bank, The PrivateBank (St. Louis) has greater flexibility in pursuing interstate branching than an Illinois state bank. The activities of The PrivateBank (St. Louis) are also governed by the

Federal Deposit Insurance Act. The FDIC has back-up regulatory authority over The PrivateBank (St. Louis). Although The PrivateBank (St. Louis) has a different primary federal regulator from The PrivateBank (Chicago), most, if not all, of the federal statutes and regulations applicable to The PrivateBank (Chicago) are also applicable to The PrivateBank (St. Louis).

Under such regulation and supervision, The PrivateBank (St. Louis) is required to file reports with the OTS and the FDIC concerning its activities and financial condition in addition to obtaining regulatory approvals prior to establishing branches or entering into certain transactions such as mergers with, or acquisitions of, other financial institutions. In addition, the PrivateBank (St. Louis) is required in many situations to either apply to or provide notice to the OTS before declaring a dividend. The OTS also conducts periodic examinations to test The PrivateBank's (St. Louis) compliance with various regulatory and safety and soundness requirements. This regulation and supervision establishes a comprehensive framework of supervision and is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including discretion with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulatory requirements and policies, whether by the OTS, the FDIC or the Congress, could have a material adverse impact on us, The PrivateBank (St. Louis) and our operations.

The PrivateBank (St. Louis) is also required to be a qualified thrift lender ("QTL"). The HOLA 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. As part of its application process, The PrivateBank (St. Louis) submitted a three-year business plan to the FDIC and the OTS which commits to compliance with the QTL test among other objectives, including the maintenance of sufficient capital. A savings institution that fails the QTL test is subject to certain operating restrictions, such as not being able to retain or operate out-of-state branches, and may be required to convert to a bank charter. In meeting the QTL test, The PrivateBank (St. Louis) may be assisted by The PrivateBank (Chicago) through the purchase by The PrivateBank (Chicago) of certain loans and/or assets from The PrivateBank (St. Louis).

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

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. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain and actual results may differ materially from the results discussed in forward-looking statements. Factors which might cause such a difference include, but are not limited to, further decline in market rates of interest and fluctuations in loan and deposit pricing; greater than anticipated deterioration in asset quality due to a prolonged economic downturn in the greater Chicago and St. Louis metropolitan areas or nationally, or other unanticipated circumstances; legislative or regulatory changes; adverse developments in our loan or investment portfolios; significant increases in competition; difficulties in identifying attractive acquisition opportunities or strategic partners to complement our private banking approach; and the possible dilutive effect of potential acquisitions or expansion. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

EXECUTIVE OFFICERS

The following persons serve as executive officers of PrivateBancorp:

Ralph B. Mandell (62), a director since 1989, is a co-founder of PrivateBancorp and The PrivateBank (Chicago). A Managing Director of The PrivateBank (Chicago) and a director of The PrivateBank (St. Louis), he has served as Chairman and Chief Executive Officer of PrivateBancorp and The PrivateBank (Chicago) since 1994 and assumed the additional title of President of both entities in March 1999. From inception until 1994, Mr. Mandell had the title of Co-Chairman. Prior to starting The PrivateBank (Chicago) and PrivateBancorp, 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 1989. First United, a company that was traded on the NASDAQ National Market, was sold to First Chicago Corporation in 1987. He also served as President of Oak Park Trust & Savings Bank from 1985 until 1988. Prior thereto, Mr. Mandell had served as Executive Vice President of Oak Park Trust & Savings Bank since 1979.

Gary S. Collins (44) has been a Managing Director of The PrivateBank (Chicago) since 1991. As a specialist in real estate lending, Mr. Collins has spent more than 20 years managing diverse real estate transactions and the full range of mortgage financing. Before joining the bank in 1991, he held senior positions at several Chicago metropolitan area financial institutions, including First Chicago Bank of Oak Park, First Colonial Bancshares and Avenue Bank of Oak Park.

Richard C. Jensen (57), has been a Director since January 2000. Mr. Jensen has been a Managing Director of The PrivateBank (Chicago) since November 1999. He became Chairman, Chief Executive Officer and a Managing Director of The PrivateBank (St. Louis) upon receipt of its banking charter in June 2000. From May 1998 until joining us, Mr. Jensen served as Chairman and Chief Executive Officer of Missouri Holding, Inc. From March to May 1998, he served as President and Chief Executive Officer of Royal Banks of Missouri. For the previous 18 years, Mr. Jensen served in various executive positions with National Bank and its predecessor, Boatmen's Bank, in St. Louis.

Hugh H. McLean (44) has been a Managing Director of The PrivateBank (Chicago) since 1996. He serves as head of credit marketing and manager of the Oak Brook office. Prior to joining the bank, he served as a regional manager with Firststar Bank Illinois and its predecessor from 1990 to 1996, and as head of a commercial banking division at American National Bank and Trust Company in Chicago from 1987 to 1990, where he was employed from 1980 to 1990.

Kathleen Jackson (51) was named director of wealth management, Managing Director and senior trust officer in August 2002. Ms. Jackson began her career in 1978 as an agent with Aetna Life and Casualty. She left Aetna in the mid-1980's to work in a variety of entrepreneurial endeavors advising financial services companies on marketing and sales strategies. In 1993, she joined Experian, a lending provider of direct marketing resources, as director of marketing. Two years later she joined Bank One Investment Management Company, Chicago (formerly

First Chicago NBD Investment Management Company) as national sales manager. She was promoted to senior managing director of product management in 1998. In 1999, she joined The Chicago Trust Company, then a wholly owned subsidiary of Alleghany Asset Management, as senior vice president responsible for P & L, strategy and overall leadership of the \$2 billion personal trust and investment services business.

James A. Ruckstaetter (56) has been a Managing Director since 1999 and the Chief Credit Officer of The PrivateBank (Chicago) since January, 2002. His diverse experience includes credit and loan administration, commercial lending and residential real estate lending. Mr. Ruckstaetter's career spans 30 years including various executive positions with leading Chicago area financial institutions. From January 1998 until June 1999, he was President and CEO of Pan American Bank, a community bank on the west side of Chicago. From September 1994 to December 1997, Mr. Ruckstaetter served as a Senior Vice President Relationship Manager at Bank of America.

Gary L. Svec (37), has been the Secretary/Treasurer and Chief Financial Officer of PrivateBancorp since August 2000. Prior to joining the company, Mr. Svec served as Vice President and as Investment and Asset/Liability Specialist for Betzold, Berg, Nussbaum & Heitman, Inc., working with the firm's financial institutions clients, from August 1995 to August 2000. He also served as Chief Financial Officer of Betzold Berg Investment Management from August 1995 to August 1998. From 1988 until July 1995, Mr. Svec was employed by Crowe, Chizek & Company as an auditor, tax advisor and consultant to their financial institutions group. Mr. Svec is a certified public accountant. On January 27, 2003, Mr. Svec announced his intent to resign his position at PrivateBancorp.

William A. Goldstein (63), is the Chief Executive Officer of Lodestar Investment Counsel, LLC, an investment advisory firm recently acquired by the Company, and has over 39 years of experience in the investment industry. Mr. Goldstein was appointed to the Board of Directors of The PrivateBank (Chicago) in January 2003 following completion of the acquisition and is also considered an executive officer of the Company. Prior to founding Lodestar in 1989, he was a Principal in the founding of Burton J. Vincent, Chesley & Co. where he served as Executive Vice President and Director. In 1983 the firm was acquired by Prescott, Ball & Turben (a subsidiary of Kemper Corporation). There Mr. Goldstein was Chairman and Director of Prescott Asset Management, and President of Selected Special Shares, a publicly traded mutual fund.

ITEM 2. PROPERTIES

We currently have seven physical banking locations and recently added the space of Lodestar Investment Counsel, LLC. We have a variety of renewal options in each of our properties and certain rights to secure additional space. The main offices of PrivateBancorp and The PrivateBank (Chicago) are located in the central business and financial district of Chicago. We lease 35,579 square feet comprising the entire second, seventh, eighth, ninth and tenth floors and part of the eleventh floor of a building located at Ten North Dearborn Street. This lease expires on or about August 31, 2006.

We established a north suburban office in the affluent North Shore area located at 517 Green Bay Road, Wilmette, Illinois, in October 1994. We lease approximately 5,300 square feet on the first floor of a commercial building. This lease expires on June 30, 2004.

In January 1997, we opened a third office of The PrivateBank (Chicago) in rapidly growing, west suburban DuPage County at 1603 West Sixteenth Street, Oak Brook, Illinois. We lease approximately 4,200 square feet on the first floor of a two-story office building. This lease expires on December 14, 2006.

In January 2000, we opened our Fox Valley office at 24 South Second Street, St. Charles, Illinois. The Company purchased this building from Towne Square Realty in June of 2002. The branch currently pays rent to the Holding company.

In May 2001, we opened a second branch office in the Fox Valley area at the Herrington Train Station at 308 Crescent Place in Geneva, Illinois. We lease approximately 1,700 square feet within the commuter station building. This lease expires March 1, 2006.

Our St. Louis office is located at 1401 South Brentwood Boulevard, St. Louis, Missouri. We lease approximately 12,400 square feet on the first and second floors of a commercial building. This lease expires on

February 4, 2009.

Our offices in Lake Forest and Winnetka, Illinois, were both acquired as part of the purchase of Johnson Bank Illinois. Our Lake Forest office is on the first floor of a two-story office building located at 920 South Waukegan Road, Lake Forest, Illinois. The lease is for approximately 9,400 square feet and expires on July 31, 2005. Our Winnetka office leases approximately 5,100 square feet and is located at 1000 Green Bay Road, Winnetka, Illinois. This lease expires on June 30, 2003.

On December 31, 2002, The PrivateBank and Trust Company acquired a controlling interest in an asset management company, Lodestar Investment Counsel, LLC. Lodestar leases approximately 4,759 square feet in a building located at 208 South Lasalle Street in downtown Chicago. The lease expires on December 31, 2007.

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 a party to any pending material legal proceedings that we believe will have a material adverse effect on our business, results of operations or financial condition.

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is quoted on the NASDAQ National Market under the symbol "PVTB." As of February 28, 2003, we had approximately 278 holders of record our common stock. The table below sets forth the high and low sales prices of our common stock as reported by NASDAQ for the periods indicated (on a split-adjusted basis).

	<u>High</u>	<u>Low</u>
2002		
First Quarter.	\$16.3333	\$12.8000
Second Quarter	21.9667	16.3333
Third Quarter.	20.9267	15.4633
Fourth Quarter	26.5533	20.5733
2001		
First Quarter.	\$10.6267	\$6.2067
Second Quarter	11.1533	9.0000
Third Quarter.	12.6667	10.0000
Fourth Quarter	13.3333	10.5933

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" 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.

2002	
First Quarter.	\$0.020
Second Quarter	0.020
Third Quarter.	0.027
Fourth Quarter	0.027
2001	
First Quarter.	\$0.017
Second Quarter	0.017
Third Quarter.	0.020
Fourth Quarter	0.020

Equity Compensation Plan Information

Information regarding our equity compensation plans are included in our Proxy Statement under the heading "Equity Compensation Plan Information" and is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The following table summarizes certain selected consolidated financial and other data of PrivateBancorp at or for the periods indicated. The balance sheet and statement of income data are derived from our December 31, 2002 consolidated financial statements that have been audited by Ernst & Young LLP. This information should be read in conjunction with our audited consolidated financial statements and related notes included pursuant to Item 8 of this report. See "Index to Consolidated Financial Statements" on page F-1.

Year Ended December 31,

	<u>2002</u> ⁽¹⁾	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
	<u>(dollars in thousands, except per share data)</u>				
Selected Statement of Income Data:					
Interest income:					
Loans, including fees	\$52,560	\$50,975	\$48,633	\$26,597	\$19,619
Federal funds sold and interest-bearing deposits	126	244	1,058	330	2,181
Securities	<u>19,156</u>	<u>14,377</u>	<u>7,455</u>	<u>5,141</u>	<u>3,492</u>
Total interest income	<u>71,842</u>	<u>65,596</u>	<u>57,146</u>	<u>32,068</u>	<u>25,292</u>
Interest expense:					
Interest-bearing demand deposits	636	923	869	604	487
Savings and money market deposit accounts	7,328	11,365	13,711	7,671	6,651
Time deposits	16,014	17,291	14,635	7,399	6,155
Funds borrowed	5,325	6,327	4,116	931	19
Long term debt - trust preferred securities	<u>1,939</u>	<u>1,731</u>	--	--	--
Total interest expense	<u>31,242</u>	<u>37,637</u>	<u>33,331</u>	<u>16,605</u>	<u>13,312</u>
Net interest income	40,600	27,959	23,815	15,463	11,980
Provision for loan losses	<u>3,862</u>	<u>3,179</u>	<u>1,690</u>	<u>1,208</u>	<u>362</u>
Net interest income after provision for loan losses	<u>36,738</u>	<u>24,780</u>	<u>22,125</u>	<u>14,255</u>	<u>11,618</u>
Non-interest income:					
Banking, trust services and other income	7,081	4,028	3,077	1,947	1,280
Securities gains	11	2,095	92	57	40
Trading losses	<u>(943)</u>	--	--	--	--
Total non-interest income	<u>6,149</u>	<u>6,123</u>	<u>3,169</u>	<u>2,004</u>	<u>1,320</u>
Non-interest expense:					
Salaries and employee benefits	13,979	9,111	8,174	5,156	4,077
Severance charge	--	--	562	--	--
Occupancy expense, net	4,891	4,158	2,987	1,563	1,379
Data processing	1,509	1,295	820	478	508
Marketing	1,648	1,208	1,202	692	567
Professional fees	3,689	2,939	2,135	1,295	561
Goodwill amortization	--	824	731	--	--
Insurance	455	354	303	214	134
Towne Square Financial Corporation acquisition	--	--	--	1,300	--
Other expense	<u>2,436</u>	<u>2,763</u>	<u>1,692</u>	<u>1,389</u>	<u>863</u>
Total non-interest expense	<u>28,607</u>	<u>22,652</u>	<u>18,606</u>	<u>12,087</u>	<u>8,089</u>
Income before income taxes	14,280	8,251	6,688	4,172	4,849
Income tax provision	<u>3,273</u>	<u>2,051</u>	<u>2,263</u>	<u>1,257</u>	<u>1,839</u>
Net income	<u>\$11,007</u>	<u>\$6,200</u>	<u>\$4,425</u>	<u>\$2,915</u>	<u>\$3,010</u>
Per Share Data (2):					
Basic earnings	\$1.49	\$0.88	\$0.64	\$0.49	\$0.61
Diluted earnings	\$1.42	0.85	0.62	0.46	0.57
Dividends	0.09	0.07	0.07	0.07	0.05
Book value (at end of period)	11.56	8.65	7.82	6.84	5.69
Selected Financial Condition Data (at end of period):					
Total securities ⁽³⁾	\$487,020	\$332,933	\$172,194	\$71,134	\$116,891
Total loans	965,641	780,771	598,724	397,277	281,965
Total assets	1,543,414	1,176,768	829,509	518,697	416,308
Total deposits	1,205,271	850,495	670,246	453,092	364,994
Funds borrowed	209,954	231,488	96,879	15,000	20,000
Total stockholders' equity	89,092	62,304	54,249	47,080	29,274
Trust assets under administration	1,239,779	722,713	777,800	729,904	611,650

Year Ended December 31,
2002 2001 2000 1999 1998
(dollars in thousands, except per share data)

Selected Financial Ratios and Other Data:(3)

Performance Ratios:

Net interest margin(4).....	3.44 %	3.27 %	3.63 %	3.79 %	3.64 %
Net interest spread(5).....	3.25	2.87	3.02	3.15	2.98
Non-interest income to average assets	0.47	0.64	0.45	0.45	0.37
Non-interest expense to average assets (10).....	2.17	2.37	2.64	2.71	2.29
Net overhead ratio(6)(10)	1.70	1.73	2.19	2.26	1.91
Efficiency ratio(7)(10)	57.63	63.17	66.76	65.76	60.82
Return on average assets(8)(10).....	0.83	0.65	0.63	0.65	0.85
Return on average equity(9)(10).....	15.17	10.59	8.81	7.66	11.27
Dividend payout ratio.....	6.27	8.39	10.43	13.78	8.74

Asset Quality Ratios:

Non-performing loans to total loans	0.14 %	0.41 %	0.24 %	0.21 %	0.36 %
Non-accrual loans to total loans	0.08	0.09	0.00	0.00	0.00
Allowance for probable loan losses to:					
Total loans.....	1.20	1.06	1.02	1.14	1.21
Non-performing loans	828	262	423	548	336
Net charge-offs to average total loans.....	0.07	0.15	0.18	.03	--
Non-performing assets to total assets.....	0.09	0.27	0.17	0.16	0.24

Balance Sheet Ratios:

Loans to deposits.....	80.1 %	91.8 %	89.3 %	87.7 %	77.3 %
Average interest-earning assets to average interest-bearing liabilities.....	107.9	109.8	112.2	116.3	116.4

Capital Ratios:

Average equity to average assets.....	5.50 %	6.13 %	7.13 %	8.51 %	7.03 %
Total risk-based capital ratio.....	8.29	9.71	8.15	13.96	11.53
Tier 1 risk-based capital ratio.....	6.91	8.18	6.47	12.84	10.40
Leverage ratio	5.47	6.64	5.54	10.77	7.88

Ratio of Earnings to Fixed Charges(11):

Including deposit interest	1.46 x	1.22 x	1.20 x	1.25 x	1.36 x
Excluding deposit interest.....	2.97	2.02	2.62	5.48	256.21

(1) Audited by Ernst & Young LLP. Prior year results audited by Arthur Andersen LLP.

(2) Per share data has been adjusted to reflect the 3-for-2 dividend of our common stock effective January 17, 2003.

(3) For all periods, the entire securities portfolio was classified "Available for Sale."

(4) Net interest income divided by average interest-earning assets.

(5) Yield on average interest-earning assets less rate on average interest-bearing liabilities.

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

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

(8) Net income divided by average total assets.

(9) Net income divided by average common equity.

(10) 2000 performance ratios presented in the table above include a third quarter one-time severance and recruitment of new executive officers charge, and 1999 performance ratios include one-time charges related to the Towne Square Financial Corporation acquisition and St. Louis start-up costs incurred in the third and fourth quarter, respectively, in the following amounts (in thousands):

	Pre-Tax	After-Tax
Severance charges.....	\$562	\$377
Towne Square Corporation acquisition.	1,433	1,382
St. Louis start-up costs.....	324	214

2000 and 1999 performance ratios excluding the special charges described above are as follows:

	<u>Year Ended December 31,</u>	
	<u>2000</u>	<u>1999</u>
Non-interest expense to average assets	2.56 %	2.32 %
Net overhead ratio	2.11	1.87
Efficiency ratio	64.75	57.52
Return on average assets	0.68	1.01
Return on average equity	9.56	11.86

- (11) In computing the ratio of earnings to fixed charges: (a) earnings have been based on income before income taxes and fixed charges, and (b) fixed charges consist of interest and amortization of debt discount and expense including amounts capitalized and the estimated interest portion of rents.

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

Overview

PrivateBancorp was organized as a Delaware corporation in 1989 to serve as the holding company for a Chicago-based *de novo* (start-up) bank. Our flagship downtown Chicago location opened in 1991. We expanded to Wilmette in north suburban Cook County in 1994 and the Oak Brook facility in west suburban DuPage County was established in 1997. We established the St. Charles office in January 2000, in connection with our purchase of Towne Square Financial Corporation (a company which was in the process of forming a *de novo*, or start-up bank) on August 3, 1999. On February 11, 2000, we consummated our acquisition of Johnson Bank Illinois adding two additional locations of in Lake Forest and Winnetka, Illinois. During the second quarter 2000, we received regulatory approval to create a new banking subsidiary and on June 23, 2000, PrivateBancorp capitalized The PrivateBank (St. Louis). In May 2001, The PrivateBank (Chicago) opened a second branch in the Fox Valley area in Geneva, Illinois. In December 2002, The PrivateBank and Trust Company acquired a controlling interest in Lodestar Investment Counsel, a Chicago-based investment advisor with \$482.0 million of assets under management at December 31, 2002. Lodestar manages equity, balanced, and fixed income accounts primarily for high net-worth individuals, retirement plans and charitable organizations with investable assets in excess of \$1.0 million, and shares a similar focus on highly personalized client service.

Since year-end 1995 to December 31, 2002, we have grown our asset base at a compound annual rate of 35% to \$1.5 billion. During the same period, loans have grown at a compound annual rate of 34% to \$965,600, deposits at a compound annual rate of 32% to \$1.2 billion and trust assets under administration at a compound annual rate of 22% to \$757.8 million. Diluted earnings per share (EPS) have grown at a compound annual rate of 30% to \$1.42 (split-adjusted) since year-end 1995.

For financial information regarding our four separate lines of business, The PrivateBank (Chicago), The PrivateBank (St. Louis), Wealth Management Services and Holding Company Activities, see "Note 2 -- Operating Segments" to our consolidated financial statements as of and for the year ended December 31, 2002, included on page F-11.

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 amounts and yields of interest-earning assets as compared to the amounts and rates 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 net security gains and Wealth Management fee income, and to a lesser extent, fees for ancillary banking services. Non-interest income from fees and deposit service charges are below peer group levels. This is largely the result of the profile of our typical client. Our clients tend to have larger deposit account balances than customers of traditional banks. Because average balances tend to be high, we do not earn high service charge income typical of many retail banks.

Non-interest expenses are heavily influenced by the growth of operations. Our growth directly affects the majority of our expense categories.

Critical Accounting Policies

The 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 critical accounting policies set out in the notes to consolidated financial statements, beginning on page F-8. Certain critical policies involve estimates and assumptions by management. By their nature, changes in these assumptions and estimates could significantly affect our financial position or results of operations. Actual results could differ from those estimates. Estimates and judgments regarding the determination of the adequacy of the reserve for loan losses, as described in both Management's Discussion and Analysis and in the financial statement notes, is of particular significance to us. In addition, effective January 1, 2002, we adopted FAS No. 142, which requires that goodwill is no longer amortized but is tested annually for impairment.

CONSOLIDATED RESULTS OF OPERATIONS

Net Income

Our net income for the year ended December 31, 2002 was \$11.0 million, or \$1.42 per diluted share, compared to \$6.2 million, or \$0.85 per diluted share, for the year ended December 31, 2001. Our 2002 earnings per share increased 67% as compared to the prior year earnings per share. Net income for the year ended December 31, 2001 was \$6.2 million, or \$0.85 per diluted share, compared to \$4.4 million, or \$0.62 per diluted share, for the year ended December 31, 2000. Excluding one-time charges, our earnings were \$4.8 million, or \$0.66 per diluted share, in 2000. Our 2001 earnings per share increased 29% as compared to the prior year earnings per share, adjusted to exclude the 2000 one-time charges. Net income for the year ended December 31, 2000 included a previously announced one-time charge of \$377,000 after-tax, or \$0.05 per diluted share, comprised of severance packages for two departing executives as well as amounts incurred to secure their replacements.

The increase in earnings from operations is primarily attributable to growth in the balance sheet, particularly in loans and investment securities, funded by growth in deposits and improvement in our net interest margin. Increased fee income, mainly from income from the sale of residential real estate loans in the secondary market, also contributed to the improvement in income.

Net Interest Income

Net interest income is the difference between interest income and fees on earning assets and interest expense and amortization of fees on deposits and borrowings. 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. Interest income includes loan origination fees recorded from loans. Interest expense includes amortization of prepaid fees on brokered deposits and issuance costs of trust preferred securities. The volume of non-interest bearing funds, largely comprised of demand deposits and capital, also affects the net interest margin.

Net interest income was \$40.6 million for the year ended December 31, 2002, compared to \$28.0 million for 2001, an increase of 45%. Net interest income is affected by both the volume of assets and liabilities held and the corresponding rates earned and paid. The increase in net interest income for 2002 is primarily attributable to growth in earning assets. Average earning assets for 2002 were \$1.3 billion compared to \$908.6 million for 2001, an increase of 43%. Our net interest margin was 3.44% for the year ended December 31, 2002, compared to 3.27% for the prior year. Increased volumes of interest earning assets at lower rates were offset by reduced interest rates on liabilities. While our cost of funds was significantly less during 2002 than 2001, 2.68% compared to 4.55%, respectively, our loans repriced less quickly, we received 7.61% in loan interest in 2001 compared to 6.12% in 2002. The effect of non-interest bearing funds was 0.19% at December 31, 2002 compared to 0.41% at December 31, 2001.

Net interest income was \$28.0 million for the year ended December 31, 2001, compared to \$23.8 million for 2000, an increase of 17%. Net interest income is affected by both the volume of assets and liabilities held and the corresponding rates earned and paid. The increase in net interest income for 2001 is primarily attributable to growth in earning assets. Average earning assets for 2001 were \$908.6 million compared to \$671.5 million for 2000, an increase of 35%. Our net interest margin was 3.27% for the year ended December 31, 2001, compared to 3.63% for the prior year.

During 2001, we experienced net interest margin pressure as compared to 2000 due to the decrease in market interest rates that occurred throughout 2001. In addition, during 2001 our floating rate assets repriced faster than our deposits and floating rate deposits. Also, we continued to utilize brokered deposit transactions as part of our asset-liability management strategy. These brokered deposits have staggered maturities and provide a lower costing source of funding compared to traditional deposits.

For 2003, we expect our net interest margin to improve if market interest rates increase relative to 2002 levels. Alternatively, if market interest rates decrease, we expect our net interest margin to continue to experience

pressure. A changing interest rate environment has an effect on our net interest margin. A large portion of our loan portfolio is based on floating interest rates and will likely reprice faster than our deposits and floating rate borrowings.

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):

	<u>2002</u>			<u>Year Ended December 31,</u>			<u>2001</u>			<u>2000</u>		
	<u>Average</u>	<u>Interest</u>	<u>Rate</u>	<u>Average</u>	<u>Interest</u>	<u>Rate</u>	<u>Average</u>	<u>Interest</u>	<u>Rate</u>	<u>Average</u>	<u>Interest</u>	<u>Rate</u>
	<u>Balance(1)</u>			<u>Balance(1)</u>			<u>Balance(1)</u>			<u>Balance(1)</u>		
Federal funds sold and other short-term investments.....	\$ 2,822	\$126	4.47%	\$4,862	\$244	5.02%	\$17,032	\$1,058	6.11%			
Investment securities(2)												
Investment securities(taxable).....	272,076	13,282	4.88%	162,192	10,901	6.68%	77,043	5,725	7.32%			
Investment securities(non-taxable)	119,408	8,768	7.34%	71,315	5,253	7.37%	37,101	2,615	7.05%			
Loans, net of unearned discount(3).....	<u>858,783</u>	<u>52,560</u>	<u>6.07%</u>	<u>670,235</u>	<u>50,975</u>	<u>7.61%</u>	<u>540,297</u>	<u>48,633</u>	<u>8.92%</u>			
Total earning assets.....	<u>\$1,253,089</u>	<u>74,736</u>	5.93%	<u>\$908,605</u>	<u>\$67,373</u>	7.41%	<u>\$671,473</u>	<u>\$58,031</u>	8.57%			
Deposits--interest bearing:												
Interest-bearing demand accounts.....	\$57,242	\$636	1.11%	\$44,231	\$923	2.09%	\$37,415	\$869	2.32%			
Savings and money market deposits	410,522	7,328	1.78%	326,198	11,365	3.48%	267,597	13,711	5.12%			
Time deposits.....	<u>537,296</u>	<u>16,014</u>	<u>2.97%</u>	<u>318,510</u>	<u>17,291</u>	5.43%	<u>235,049</u>	<u>14,635</u>	6.23%			
Total interest-bearing deposits	1,005,060	23,978	2.39%	688,939	29,579	4.29%	540,061	29,215	5.39%			
Funds borrowed	136,292	5,325	3.85%	120,585	6,327	5.25%	58,500	4,116	6.96%			
Long term debt - trust preferred securities	<u>20,000</u>	<u>1,939</u>	<u>9.70%</u>	<u>17,918</u>	<u>1,731</u>	9.66%	--	--	--			
Total interest bearing liabilities ..	<u>\$1,161,352</u>	<u>\$31,242</u>	2.68%	<u>\$827,442</u>	<u>\$37,637</u>	4.55%	<u>\$598,221</u>	<u>\$33,331</u>	5.55%			
Tax equivalent net interest income.....		<u>\$43,494</u>			<u>\$29,736</u>			<u>\$24,700</u>				
Non-interest-bearing demand accounts	\$74,743			\$53,230			\$48,940					
Net interest spread.....			3.25%			2.87%			3.02%			
Net interest margin			3.44%			3.27%			3.63%			

- (1) Average balances were generally computed using daily balances.
- (2) Interest income on tax advantaged investment securities reflects a tax equivalent adjustment based on a marginal federal corporate tax rate of 34%. The total tax equivalent adjustment reflected in the above table is approximately \$2,894,000, \$1,777,000, and \$885,000, in the years ending 2002, 2001 and 2000, respectively.
- (3) Non-accrual loans are included in the average balances and do not have a material effect on the average yield. Interest on non-accruing loans was not material for the periods presented.

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.

	Year Ended December 31,							
	2002 Compared to 2001			2001 Compared to 2000				
	Change due to rate	Change due to volume	Change due to mix	Total change (dollars in thousands)	Change due to rate	Change due to volume	Change due to mix	Total change
Federal funds sold and other short-term investments	\$(23)	\$(101)	\$7	\$(117)	\$(186)	\$(744)	\$116	\$(814)
Investment securities (taxable)	(2,983)	7,385	(2,021)	2,381	(461)	6,233	(595)	5,177
Investment securities (non-taxable)	(16)	3,543	(12)	3,515	119	2,412	106	2,637
Loans, net of unearned discount	<u>(9,919)</u>	<u>14,235</u>	<u>(2,730)</u>	<u>1,586</u>	<u>(7,078)</u>	<u>11,590</u>	<u>(2,170)</u>	<u>2,342</u>
Total interest income	<u>(12,941)</u>	<u>25,062</u>	<u>(4,756)</u>	<u>7,365</u>	<u>(7,606)</u>	<u>19,491</u>	<u>(2,543)</u>	<u>9,342</u>
Interest bearing deposits	(13,117)	13,562	(6,046)	(5,601)	(5,941)	8,025	(1,720)	364
Funds borrowed	(1,592)	812	(221)	(1,001)	(995)	4,345	(1,139)	2,211
Trust Preferred Securities	7	201	1	209	--	--	1,731	1,731
Total interest expense	<u>(14,702)</u>	<u>14,575</u>	<u>(6,266)</u>	<u>(6,393)</u>	<u>(6,936)</u>	<u>12,370</u>	<u>(1,128)</u>	<u>4,306</u>
Net interest income	<u>\$(1,761)</u>	<u>10,487</u>	<u>(1,510)</u>	<u>13,758</u>	<u>\$(670)</u>	<u>\$7,121</u>	<u>\$(1,415)</u>	<u>\$5,036</u>

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: the volume and quality of loans and commitments in the portfolio, loss experience, and economic conditions. A discussion of the allowance for loan losses and the factors on which provisions are based begins on page 36.

Our provision for loan losses was \$3.9 million for the year ended December 31, 2002, compared to \$3.2 million for the comparable period in 2001. Net charge-offs for the year ended December 31, 2002 were \$583,000 and net charge-offs for the year ended December 31, 2001 were \$981,000. Our provision for loan loss was \$1.7 million in 2000 and we recognized \$956,000 of net charge-offs during 2000.

Non-interest Income

Non-interest income increased slightly, by \$26,000 or 0.42%, to \$6.1 million for the year ended December 31, 2002. The relatively flat growth in non-interest income in 2002 is attributable primarily to the recognition of net investment securities gains of \$11,000 during 2002 which included a charge of \$1.0 million related to an other than temporary impairment write-down on the Company's interest-only collateralized mortgage obligation ("CMO") portfolio due to accelerated mortgage prepayments experienced during the second half of the year. The remaining carrying value of the Company's interest-only collateralized mortgage obligation ("CMO") portfolio at December 31, 2002 was \$1.1 million. The fair market value adjustment on a previously disclosed \$25.0 million 10-year for 3-month LIBOR interest rate swap resulted in trading losses of \$943,000 for the year ended December 31, 2002. Banking service charge income increased by \$444,000 over the prior year. Trust fee revenue increased 8% to \$2.9 million in 2002 compared to \$2.7 million in 2001. Trust assets under administration increased 66% to \$1.2 billion at year-end 2002, compared to \$722.7 million at December 31, 2001, primarily due to the acquisition of a controlling interest in the assets of Lodestar Investment Counsel. Lodestar's assets under administration at December 31, 2002 were \$482.0 million. Trust assets for The PrivateBank (Chicago), not including Lodestar, were \$757.9 million at December 31, 2002.

The following table presents the breakdown of banking, trust services and other income for the periods presented:

	For the year ended		
	December 31,		
	2002	2001	2000
	(in thousands)		
Trust services	\$2,878	\$2,671	\$2,292
Residential real estate secondary market fees	2,248	319	--
Banking and other services	1,354	910	877
BOLI	<u>601</u>	<u>128</u>	<u>--</u>
Total banking, trust services & other income	<u>\$7,081</u>	<u>\$4,028</u>	<u>\$3,169</u>

Non-interest income increased approximately \$2.9 million or 93%, to \$6.1 million for the year ended December 31, 2001, compared to \$3.2 million for 2000. The increase in non-interest income was attributable primarily to \$2.1 million of net gains on the sale of investment securities. Volatility in interest rates during 2001 provided us with the opportunity to sell available-for-sale securities for gains and replace the sold securities with securities that reflect better risk reward parameters and greater return opportunities. Banking service charge income increased by \$153,000 over the prior year. Trust fee revenue increased 17% to \$2.7 million in 2001 compared to \$2.3 million in 2000. Trust assets under administration decreased 7% to \$722.7 million at year-end 2001, compared to \$777.8 million at December 31, 2000 attributable primarily to declines in equity valuations since the prior year, which was partially offset by increases in new business generated during the year.

Non-interest Expense

	Year Ended December 31,		
	2002	2001	2000
	(in thousands)		
Salaries and employee benefits	\$13,979	\$9,111	\$8,174
Severance charge	--	--	562
Occupancy	4,891	4,158	2,987
Data processing	1,509	1,295	820
Marketing	1,648	1,208	1,202
Professional fees	3,689	2,939	2,135
Goodwill amortization	--	824	731
Insurance	455	354	303
Other expense	<u>2,436</u>	<u>2,763</u>	<u>1,692</u>
Total non-interest expense	<u>\$28,607</u>	<u>\$22,652</u>	<u>\$18,606</u>

Non-interest expense increased \$6.0 million or 26% to \$28.6 million for the year ended December 31, 2002 compared to \$22.6 million for 2001. The growth in non-interest expense during 2002 represents the continued focus on expansion at the Company. Increases in expenses for salaries and benefits, occupancy, professional services, data processing and insurance reflect the impact of growing our personnel, expanding to new locations and broadening the types of products we offered in 2002.

Non-interest expense increased \$4.1 million or 22% to \$22.7 million for the year ended December 31, 2001 compared to \$18.6 million for 2000. The 2000 results reflect a one-time severance charge of \$562,000 relating to severance packages for two departing executives and costs incurred in connection with the recruitment and hiring of their replacements. Excluding one-time charges, non-interest expense increased 26% from \$18.0 million during 2000 to \$22.7 million during 2001. Increases in expenses for salaries and benefits, occupancy, professional services, data processing and insurance reflect the impact of our personnel growth, the opening of our new banking office in Geneva, and broadening our array of products in 2001. We also incurred charges of \$561,000 during 2001 related to the completion of system-related conversions. During 2001, the Lake Forest and the Winnetka offices (formerly known as Johnson Bank Illinois) contributed \$3.1 million to operating expenses, including \$824,000 of goodwill

expense. Non-interest expense for the year ended December 31, 2001 includes operating expenses of \$1.2 million and \$2.7 million related to the St. Charles and St. Louis offices, respectively.

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

	<u>2002</u>	<u>December 31,</u>	
		<u>2001</u>	<u>2000(1)</u>
Non-interest expense to average assets	2.17%	2.37 %	2.56 %
Net overhead ratio(2)	1.70	1.73	2.11
Efficiency ratio(3)	57.63	63.17	64.75

(1) Excludes the one-time severance charge incurred in 2000 in the amount of \$562,000.

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

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

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, 2002 improved slightly to 57.6% as compared to an efficiency ratio of 63.2% for the year ended December 31, 2001.

The improvement in our efficiency ratio during 2002 as compared to prior years demonstrates that our business development efforts at our new offices are generating revenue sufficient to offset the related operating expenses. On a tax-equivalent basis, this ratio indicates that during 2002, we spent 57.6 cents to generate each dollar of revenue, compared to 63.2 cents in the prior year. The PrivateBank (St. Louis) became profitable during the fourth quarter of 2001. Our newest location in Geneva is not yet profitable as the costs of business development continued to exceed the related operating expenses in 2002. However, the location has exceeded its growth targets for loans and deposits during 2002. We expect to continue to report improvements in our efficiency ratio as income sources contribute to our profitability in excess of the operating expense growth impact.

Our efficiency ratio for 2000 was negatively impacted due to the start-up nature of the St. Charles office and the St. Louis office. Our St. Charles office first broke even on a monthly basis in July 2000, approximately within one year of the acquisition date.

Salary and employee benefit expense increased 53% to \$13.9 million for the year ended December 31, 2002 from \$9.1 million for the year ended December 31, 2001. During 2002, we added 29 full time equivalent employees to our organization, an increase of 18% to 190 full-time equivalent employees from 160.5 at December 31, 2001. This includes the addition of 14 Managing Directors and Associate Managing Directors.

Salary and employee benefit expense increased 11% to \$9.1 million for the year ended December 31, 2001 from \$8.2 million for the year ended December 31, 2000. Full-time equivalent employees increased 17% to 160.5 at December 31, 2001 from 137 at December 31, 2000. The increase in salary and benefits is due primarily to the full effect of the Johnson Bank Illinois acquisition, the opening and staffing of The PrivateBank (St. Louis), and the addition of two senior officers responsible for establishing the Geneva office. Our main office in Chicago also experienced personnel growth during 2001.

Professional fees, which include legal, accounting, consulting services and investment management fees, increased 26% to \$3.7 million for the year ended December 31, 2002 from \$2.9 for 2001. The increase between years is primarily due to higher legal, accounting and information-system consultation services as well as consulting services related to the remodeling of four floors at the downtown Chicago location. During the fourth quarter of 2002, the bank also commenced the implementation of a new telephone system. In addition, the increase in wealth management-related business has resulted in increased investment management fees paid to third parties during the years ended December 31, 2002 and 2001.

During 2002, expenditures for information technology totaled \$1.9 million, up from \$1.1 million at December 31, 2001, representing investments in software and hardware to upgrade the overall information technology infrastructure. The new infrastructure has improved information systems performance as well as strengthened the

organization's Business Continuity Strategy. The Information Technology Steering Committee, established in 2001, monitored and provided oversight for our information technology strategic plan.

In 2002, we also hired additional Information Technology staff, which has provided greater technical support to the organization and ensured that the new technological infrastructure is fully leveraged. Information technology expenditures will continue in 2003 but are not expected to exceed technology initiatives undertaken during 2002.

The other expense category of non-interest expense consists primarily of postage, telephone, delivery, office supplies, training and other miscellaneous expenses. During 2002 these expenses decreased slightly relative to 2001 by 12%. During 2001 these expenses increased relative to 2000 by 63% due to the continued implementation of our expansion strategy. These expenses have stabilized during 2002.

Income Taxes

The following table shows our income before income taxes, applicable income taxes and effective tax rate for the years ended December 31, 2002, 2001, and 2000, respectively.

	<u>Year Ended December 31,</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(dollars in thousands)		
Income before taxes.	\$14,280	\$8,251	\$6,688
Income tax provision.....	3,273	2,051	2,263
Effective tax rate	22.9%	24.9%	33.8%

The effective income tax rate varies from statutory rates principally due to certain interest income which is tax-exempt for federal or state purposes, and certain expenses which are disallowed for tax purposes. The decrease in the effective tax rate for 2002 as compared to 2001 reflects the impact of growth in tax-exempt municipal securities. The average balance of municipal securities was \$119.4 million, \$71.3 million, and \$37.1 million for the years ended December 31, 2002, 2001 and 2000, respectively. Decreases in the effective tax rate for the year ended December 31, 2001 as compared to 2000 reflect a higher amount of interest income that was tax exempt in 2001 relative to 2000.

FINANCIAL CONDITION

Total Assets

Total assets were \$1.5 billion at December 31, 2002, an increase of \$366.6 million, or 31%, from \$1.2 billion at December 31, 2001. The balance sheet growth during 2002 was accomplished mainly through loan growth throughout the company and growth in the investment securities portfolio. The growth in assets experienced during 2002 was funded primarily through growth in deposits, including brokered deposits.

Loans

Total loans increased to \$965.6 million at December 31, 2002, an increase of \$184.8 or 24%, from \$780.8 at December 31, 2001. The primary source of loan growth for 2002 was increased volume in the commercial real estate and construction loan categories. The historically low market interest rates also impacted the increased demand for home equity loans. The PrivateBank (St. Louis) had loans outstanding of \$104.7 million as of December 31, 2002, growth of \$31.2 million since December 31, 2001. The remaining loan growth of \$153.6 million experienced by the Company since December 31, 2001 was generated by the PrivateBank (Chicago). All of the PrivateBank (Chicago) offices posted strong gains in loan volume during 2002.

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

	Year Ended December 31,				
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
	(in thousands)				
Commercial real estate.....	\$452,703	\$310,869	\$206,464	\$146,368	\$94,392
Commercial	165,993	163,279	137,343	67,026	46,800
Residential real estate	72,289	89,889	85,347	72,927	54,171
Personal.....	70,676	64,411	62,414	57,497	44,094
Home equity.....	80,776	59,795	46,013	24,396	20,100
Construction.....	<u>123,204</u>	<u>92,528</u>	<u>61,143</u>	<u>29,018</u>	<u>22,408</u>
Total loans	<u>\$965,641</u>	<u>\$780,771</u>	<u>\$598,724</u>	<u>\$397,277</u>	<u>\$281,965</u>

The following table classifies the loan portfolio, by category, at December 31, 2002, by date at which the loans mature:

	<u>One year or less</u>	<u>From one to five years</u>	<u>After five years</u>	<u>Total</u>	<u>More than one year Fixed</u>	<u>Variable(1)</u>
		(in thousands)				
Commercial real estate.....	\$275,542	\$124,948	\$52,213	\$452,703	\$112,615	\$64,546
Commercial.....	149,188	14,176	2,629	165,993	16,805	--
Residential real estate.....	28,833	34,979	8,477	72,289	10,961	32,495
Personal	60,120	1,299	9,257	70,676	10,556	--
Home equity	80,776	--	--	80,776	--	--
Construction.....	<u>123,182</u>	<u>9</u>	<u>13</u>	<u>123,204</u>	<u>22</u>	<u>--</u>
Total loans	<u>\$717,641</u>	<u>\$175,411</u>	<u>\$72,589</u>	<u>\$965,641</u>	<u>\$150,959</u>	<u>\$97,041</u>

(1) Includes adjustable rate mortgage products.

Allowance for Loan Losses

We believe our loan loss experience to date reflects the high credit quality of our loan portfolio. The following table shows changes in the allowance for loan losses resulting from additions to the allowance and loan charge-offs for each of the periods shown.

	<u>2002</u>	<u>2001</u>	<u>December 31,</u> <u>2000</u>	<u>1999</u>	<u>1998</u>
	(in thousands)				
Balance at beginning of period.....	\$8,306	\$6,108	\$4,510	\$3,410	\$3,050
Johnson Bank acquisition - loan loss reserve	--	--	864	--	--
<i>Loans charged-off:</i>					
Commercial real estate.....	--	--	--	--	--
Commercial.....	(658)	(939)	(723)	--	--
Residential real estate.....	--	--	--	--	--
Personal.....	(92)	(113)	(249)	(108)	(2)
Home equity.....	--	--	--	--	--
Construction.....	--	--	--	--	--
Total loans charged-off.....	<u>(750)</u>	<u>(1,052)</u>	<u>(972)</u>	<u>(108)</u>	<u>(2)</u>
<i>Loans Recovered:</i>					
Commercial.....	117	43	8	--	--
Personal.....	<u>49</u>	<u>28</u>	<u>8</u>	--	--
Total loans recovered.....	<u>167</u>	<u>71</u>	<u>16</u>	--	--
Provision for loan losses.....	<u>3,862</u>	<u>3,179</u>	<u>1,690</u>	<u>1,208</u>	<u>362</u>
Balance at end of period.....	<u>\$ 11,585</u>	<u>\$ 8,306</u>	<u>\$ 6,108</u>	<u>\$ 4,510</u>	<u>\$ 3,410</u>
Average total loans.....	<u>\$858,783</u>	<u>\$669,114</u>	<u>\$541,436</u>	<u>\$332,502</u>	<u>\$234,486</u>
Net charge-offs to average total loans...	0.07 %	0.15 %	0.18 %	.03 %	--

The following table shows our allocation of the allowance for loan losses by specific category at the dates shown. We considered various qualitative and quantitative factors about the loan portfolio that we deemed relevant in determining the level of the allowance for loan losses.

	<u>2002</u>		<u>2001</u>		<u>December 31,</u> <u>2000</u>		<u>1999</u>		<u>1998</u>	
	<u>Amount</u>	<u>% of Loans to Total Loans</u>	<u>Amount</u>	<u>% of Loans to Total Loans</u>	<u>Amount</u>	<u>% of Loans to Total Loans</u>	<u>Amount</u>	<u>% of Loans to Total Loans</u>	<u>Amount</u>	<u>% of Loans to Total Loans</u>
Commercial real estate.....	\$3,483	47%	\$2,407	40%	\$1,575	35%	\$1,154	37%	\$732	33%
Commercial.....	1,962	17%	1,923	21%	1,727	23%	930	17%	693	17%
Residential real estate.....	344	8%	500	11%	429	14%	423	18%	277	19%
Personal.....	583	7%	676	8%	658	10%	568	15%	545	16%
Home equity.....	569	8%	475	8%	412	8%	237	6%	201	7%
Construction.....	1,540	13%	1,225	12%	810	10%	369	7%	236	8%
Unallocated.....	<u>3,104</u>	--	<u>1,100</u>	--	<u>497</u>	--	<u>829</u>	--	<u>726</u>	--
Total.....	<u>\$11,585</u>	<u>100%</u>	<u>\$8,306</u>	<u>100%</u>	<u>\$6,108</u>	<u>100%</u>	<u>\$4,510</u>	<u>100%</u>	<u>\$3,410</u>	<u>100%</u>

Loan quality is continually monitored by management and reviewed by the loan/investment committees of the board of directors of the banks on a monthly 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, delinquent loans, evaluation of current economic conditions in the market area, actual charge-offs during the year 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 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 our loan portfolio and credit undertakings that are not specifically identified. 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 1.20% as of December 31, 2002, compared to 1.06% as of December 31, 2001. Net charge-offs for the years ended December 31, 2002 and 2001 were \$583,000 and \$981,000, respectively. Net charge-offs to average total loans were 0.07% for 2002 compared to 0.15% for 2001.

Non-performing Loans

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

	<u>2002</u>	<u>2001</u>	<u>December 31,</u>		<u>1998</u>
			<u>2000</u>	<u>1999</u>	
	<u>(dollars in thousands)</u>				
Nonaccrual loans	\$ 749	\$ 664	\$ 24	\$ 600	\$ --
Loans past due 90 days or more	<u>650</u>	<u>2,504</u>	<u>1,421</u>	<u>223</u>	<u>1,016</u>
Total non-performing loans.....	<u>1,399</u>	<u>3,168</u>	<u>1,445</u>	<u>823</u>	<u>1,016</u>
Total non-performing assets	<u>\$1,399</u>	<u>\$3,168</u>	<u>\$1,445</u>	<u>\$ 823</u>	<u>\$1,016</u>
Non-accrual loans to total loans	0.08%	0.09%	0.00%	0.15%	--
Total non-performing loans to total loans	0.14%	0.41%	0.24%	0.21%	0.36%
Total non-performing assets to total assets.....	0.09%	0.27%	0.17%	0.16%	0.24%

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. Nonaccrual 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. We did not have any other real estate owned as of any of the dates shown.

Potential Problem Loans. In addition to those loans reflected in the table above, we have identified some loans through our problem loan identification process which exhibit a higher than normal credit risk. Loans in this category include those 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 widely based on the timing of cash collections, renegotiations and renewals. The principal amount of loans in this category as of December 31, 2002 was \$650,000. At December 31, 2002, there were no significant loans which were classified by any bank regulatory agency that are not included above as nonaccrual, past due or restructured.

Nonaccrual loans were \$749,000 as of December 31, 2002 compared to \$664,000 at December 31, 2001. Included in nonaccrual loans is a single \$430,000 loan relationship at The PrivateBank (Chicago).

Nonperforming loans include nonaccrual loans and accruing loans that are 90 days or more delinquent. Nonperforming loans were \$1.4 million as of December 31, 2002, compared to \$3.2 million at December 31, 2001. Nonperforming loans were 0.14%, and 0.41% of total loans at December 31, 2002 and December 31, 2001, respectively. Nonperforming assets were 0.09% and 0.27% of total assets as of December 31, 2002 and December 31, 2001, respectively.

Loan Concentrations. Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. Other than loans made to borrowers residing in the Chicago and St. Louis metropolitan areas and our involvement in lending secured by real estate, we had no concentrations of loans exceeding 10% of total loans at December 31, 2002 or December 31, 2001.

Investment Securities

Investments are comprised of federal funds sold, debt securities and, to a lesser extent, equity investments. Federal funds sold are overnight investments in which, except for cash reserves, all remaining funds are invested. Our debt securities portfolio is primarily comprised of U.S. government agency obligations, municipal bonds, mortgage-backed pools and collateralized mortgage obligations.

All 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, 2002, reported stockholders' equity reflected unrealized securities gains net of tax of \$8.8 million. This represented an improvement of \$8.5 million from unrealized securities gains net of tax of \$323,000 at December 31, 2001.

Securities available-for-sale increased to \$487.0 million at December 31, 2002, up 46% from \$332.9 million as of December 31, 2001. The growth in the investment security portfolio since December 31, 2001 resulted from the continued implementation of our asset/liability management strategy. The Company held no U.S. government agency obligations in 2002 or 2001. U.S. government agency mortgage backed securities and collateralized mortgage obligations increased by \$57.0 million from December 31, 2001 to December 31, 2002. Corporate collateralized mortgage obligations decreased by \$4.8 million to \$18.7 million. The net decrease in collateralized CMO's reflects the write-down of specific CMO's due to accelerated mortgage prepayments experienced during the second half of the year. Tax-exempt municipal securities increased to \$134.8 million at December 31, 2002 as compared to the year-end 2001 amount of \$106.9 million, an increase of \$28.0 million, providing net interest margin protection in a falling interest-rate environment. Investments in Federal Home Loan Bank Stock increased by \$62.6 million as a result of purchases made to take advantage of the favorable dividend yield in addition to the liquid nature of the investment. The FHLB can redeem and we can sell, at any time, any FHLB stock we own, in excess of the required minimum of \$3.8 million and \$5.8 million outstanding as of December 31, 2002 and 2001, respectively.

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

	<u>2002</u>	<u>December 31,</u> <u>2001</u> (in thousands)	<u>2000</u>
<i>Available-for-Sale</i>			
U.S. government agency obligations.....	\$ --	\$ --	\$ 4,399
U.S. government agency mortgage backed securities and collateralized mortgage obligations	158,394	101,376	84,347
Corporate collateralized mortgage obligations	18,675	23,462	10,123
Tax exempt municipal securities.....	134,836	106,925	36,644
Taxable municipal securities.....	4,697	6,051	1,141
Federal Home Loan Bank stock	155,606	92,964	35,175
Other	<u>14,812</u>	<u>2,155</u>	<u>365</u>
Total	<u>\$487,020</u>	<u>\$332,933</u>	<u>\$172,194</u>

The following tables show the effective maturities of investment securities (based upon the amortized cost), by category, as of December 31, 2002, and the weighted average yield (computed on a tax equivalent basis) for each range of maturities of securities, by category, as of December 31, 2002. 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.

	<u>Within one year</u>	<u>From one to five years</u>	<u>From five to ten years</u>	<u>After ten years</u>	<u>Securities with no stated maturity</u>	<u>Total</u>
(in thousands)						
U.S. government agency obligations.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
U.S. government agency mortgage backed securities and collateralized mortgage obligation	57,321	78,546	14,852	4,791	--	155,510
Corporate collateralized mortgage Obligations	11,750	6,416	--	--	--	18,166
Tax exempt municipal securities(2)	338	1,762	9,896	114,508	--	126,504
Taxable municipal securities.....	--	--	964	3,619	--	4,583
Federal Home Loan Bank stock(1).....	--	--	--	--	155,606	155,606
Other	--	<u>10,795</u>	--	<u>2,176</u>	<u>308</u>	<u>13,279</u>
Total	<u>\$69,409</u>	<u>\$97,519</u>	<u>\$25,712</u>	<u>\$125,094</u>	<u>\$155,914</u>	<u>\$473,648</u>

	<u>Within one year</u>	<u>From one to five years</u>	<u>From five to ten years</u>	<u>After ten years</u>	<u>Securities with no stated maturity</u>	<u>Total</u>
(in thousands)						
U.S. government agency obligations.....	--	--	--	--	--	--
U.S. government agency mortgage backed securities and collateralized mortgage obligations	5.29%	4.58%	5.51%	5.54%	--	4.96%
Corporate collateralized mortgage obligations.....	5.46	5.21	--	--	--	5.37%
Tax exempt municipal securities(2)	5.69	6.78	6.75	7.28	--	7.23%
Taxable municipal securities.....	--	--	6.10	7.66	--	7.33%
Federal Home Loan Bank stock(1).....	--	--	--	--	5.00	5.00%
Other	--	<u>5.32</u>	--	<u>9.71</u>	<u>1.33</u>	<u>5.95%</u>
Total	<u>5.33%</u>	<u>4.74%</u>	<u>6.01%</u>	<u>7.26%</u>	<u>4.99%</u>	<u>5.64%</u>

The Company is required to maintain a ratio of 20:1 of FHLB borrowings to FHLB stock. As of December 31, 2002, the Company had \$77.8 million dollars in advances from the FHLB (\$66.3 million from the FHLB of Chicago and \$11.5 million from the FHLB of Des Moines, IA). The remaining \$151.0 million of FHLB stock can be redeemed at any time. However, the FHLB may delay the sale of the stock for up to six months if certain conditions are met.

The weighted average yield reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%.

Deposits and Funds Borrowed

Total deposits of \$1.2 billion as of December 31, 2002 represented an increase of \$354.5 million, or 42%, from \$850.5 million as of December 31, 2001. Overall, each deposit category as a percentage of total deposits remained relatively constant in 2002 as compared to 2001, with the exception of continued growth in brokered deposits. During 2002, we continued to utilize brokered deposits as an alternative source of liquidity as compared to traditional core deposits. We expect to continue to rely on brokered deposits in 2003 as a source of liquidity. Non-interest-bearing deposits were \$89.0 million as of December 31, 2002, a \$15.9 million increase over the \$73.1 million reported as of December 31, 2001. Interest-bearing demand deposits increased \$12.8 million to \$64.9 million at December 31, 2002 compared to \$52.1 million at December 31, 2001. Savings and money market deposit accounts increased by \$126.0 million to \$488.9 million at December 31, 2002 as compared to \$363.0 million at December 31, 2001. Other time deposits increased by approximately \$59.3 million to \$282.6 million as compared to \$223.4 million at year-end 2001. Brokered deposits, increased to \$279.8 million at December 31, 2002 from \$138.9 million at December 31, 2001.

The following table presents the balances of deposits by category and each category as a percentage of total deposits at December 31, 2002 and 2001.

	<u>2002</u>		<u>December 31,</u> <u>2001</u>		<u>2000</u>	
	<u>Balance</u>	<u>Percent of Total</u> (dollars in thousands)	<u>Balance</u>	<u>Percent of Total</u>	<u>Balance</u>	<u>Percent of Total</u>
Demand	\$88,986	7%	\$73,146	9%	\$61,789	9%
Savings	6,344	1%	12,158	1%	8,242	1%
Interest-bearing demand.....	64,893	5%	52,061	6%	51,301	8%
Money market.....	482,597	40%	350,829	41%	297,043	44%
Brokered deposits	279,806	23%	138,911	17%	43,842	7%
Other time deposits.....	<u>282,645</u>	<u>24%</u>	<u>223,390</u>	<u>26%</u>	<u>208,029</u>	<u>31%</u>
Total deposits.....	<u>\$1,205,271</u>	<u>100%</u>	<u>\$850,495</u>	<u>100%</u>	<u>\$670,246</u>	<u>100%</u>

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

	<u>December 31,</u> <u>2002</u> <u>2001</u>	
	<u>(in thousands)</u>	
Three months or less.	\$162,619	\$162,036
Over three through six months	57,568	65,897
Over six through twelve months.....	132,036	87,043
Over twelve months.....	<u>146,646</u>	<u>17,055</u>
Total.....	<u>\$498,869</u>	<u>\$332,031</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 bank, 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, 2002, for the years 2003 through 2007 and thereafter, are as follows:

For year ending December 31,	
2003	\$473,794
2004	66,138
2005	4,445
2006	2,605
2007 and thereafter.....	<u>15,469</u>
Total	<u>\$562,451</u>

We continued to utilize brokered deposits as a source of funding for growth in our loan and investment portfolios in 2002. In the past we have issued certain brokered deposits that included call option provisions, which can provide us with the opportunity to repay the certificates of deposit on a specified date prior to the contractual maturity date. As of December 31, 2002, there were no outstanding brokered deposits containing call provisions. The following table presents the maturity and rate of our brokered deposits, net of unamortized prepared brokered commissions as of December 31, 2002.

Brokered Deposits net of unamortized prepaid brokered commissions
at December 31, 2002 (in thousands)

<u>Maturity Date</u>	<u>Rate(1)</u>	<u>Amount</u>
11/13/07	3.400%	\$7,000
10/18/04	2.300%	7,668
8/30/04	2.500%	25,000
4/21/04	2.100%	10,000
4/19/04	2.250%	5,000
12/31/03	1.800%	953
10/17/03	2.050%	3,000
10/17/03	1.850%	6,699
10/17/03	2.050%	5,000
9/5/03	3.800%	2,394
7/24/03	2.400%	17,425
7/21/03	2.450%	15,312
7/17/03	2.250%	20,000
6/27/03	7.050%	4,548
6/23/03	7.200%	2,594
4/21/03	2.200%	11,063
4/16/03	2.000%	10,000
2/24/03	2.350%	5,037
2/19/03	2.000%	10,000
1/31/03	1.850%	13,867
1/30/03	2.150%	20,000
1/27/03	2.650%	10,000
1/20/03	2.750%	19,970
1/17/03	1.900%	12,858
1/16/03	2.500%	10,000
1/10/03	2.600%	<u>25,000</u>
Total brokered deposits		\$280,388
Unamortized prepaid broker commissions		<u>(582)</u>
Total brokered deposits, net of unamortized prepaid brokered commissions		<u>\$279,806</u>

(1) Represents the coupon rate of each brokered deposit.

A summary of all funds borrowed and outstanding and the rate in effect while such borrowings were outstanding, at the period end, is presented below:

<u>Funds Borrowed:</u>	<u>Current Rate</u>	<u>Maturity</u>	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>
Subordinated note.	3.75%	2/11/07	\$5,000	\$5,000	\$5,000
FHLB fixed advance(1)	6.50%	10/23/05	26,616	24,886	25,000
FHLB fixed advance	6.21%	12/05/03	30,000	30,000	30,000
FHLB fixed advance	1.73%	11/07/03	6,000	--	--
FHLB fixed advance	2.21%	07/17/03	1,000	--	--
FHLB fixed advance	2.74%	07/17/03	1,000	--	--
FHLB fixed advance	2.46%	06/16/03	500	--	--
FHLB fixed advance	2.70%	05/08/03	1,000	--	--
Borrowing under revolving line of credit facility	3.50%	4/11/03	25,000	--	--
FHLB fixed advance	2.98%	03/10/03	1,000	--	--
FHLB fixed advance	2.38%	01/13/03	1,000	--	--
FHLB fixed advance	5.89%	12/20/02	--	1,000	1,000
FHLB fixed advance	2.39%	11/12/02	--	5,000	--
FHLB fixed advance	5.33%	07/22/02	--	1,000	--
FHLB fixed advance	5.91%	06/21/02	--	500	500
FHLB fixed advance	4.21%	05/13/02	--	1,000	--
FHLB fixed advance	5.02%	03/06/02	--	1,000	--
FHLB fixed advance	3.10%	02/11/02	--	5,000	18,000
FHLB fixed advance	4.30%	02/01/02	--	25,000	--
FHLB fixed advance	5.21%	01/22/02	--	1,000	--
FHLB fixed advance	6.49%	11/30/01	--	--	2,000
FHLB floating rate advance(2)	6.77%	5/1/01	--	--	10,000
FHLB open line advance	1.48%	daily	9,700	25,000	--
Fed funds purchased	1.49%	daily	98,000	103,000	2,700
Demand repurchase agreements (3)	1.40%	daily	4,138	3,102	2,679
Total funds borrowed			<u>\$209,954</u>	<u>\$231,488</u>	<u>\$96,879</u>

(1) This FHLB advance is subject to a fair value hedge utilizing an interest rate swap with a fair value of \$2.9 million. The contractual par amount on the advance is \$25.0 million.

(2) The rate on this FHLB floating rate advance is set at one-month LIBOR minus five basis points.

(3) Demand repurchase agreements are a form of retail repurchase agreements offered to certain clients of The PrivateBank (Chicago). 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.

Membership in the Federal Home Loan Bank System gives us the ability to borrow funds from the Federal Home Loan Bank of Chicago and from the Federal Home Loan Bank of Des Moines for short- or long-term purposes under a variety of programs. We have periodically used services of the FHLB for short-term funding needs and other correspondent services.

During 2002, we decreased our use of Federal Home Loan Bank advances to fund loan growth. Management anticipates that our reliance on Federal Home Loan Bank borrowings as a funding source will likely remain at current levels in 2003 to the extent that rates on Federal Home Loan Bank advances continue to be more attractive than deposit pricing. Federal Home Loan Bank borrowings totaled \$77.8 million at December 31, 2002 compared to \$120.4 million at December 31, 2001.

At December 31, 2002 and 2001, we had \$3.3 million in FHLB letters of credit outstanding. We pay 0.125% per annum for FHLB letters of credit. The following table shows the maximum availability for and usage of FHLB advances and letters of credit for The PrivateBank (Chicago) and The PrivateBank (St. Louis).

<u>Date</u>	<u>Maximum Availability</u> (in thousands)	<u>Usage</u>
As of December 31, 2002-		
The PrivateBank (Chicago)	\$69,072	67,998
The PrivateBank (St. Louis)	14,738	11,500
As of December 31, 2001-		
The PrivateBank (Chicago)	\$109,146	\$108,298
The PrivateBank (St. Louis)	16,295	10,500

We accept deposits from a variety of municipal entities. Typically, these municipal entities require that banks pledge marketable securities to collateralize these public deposits. The State of Illinois also accepts FHLB letters of credit as collateral. At December 31, 2002 and 2001, we had approximately \$149.0 million and \$166.2 million, respectively, of securities collateralizing such public deposits. Deposits requiring pledged assets are not considered to be core deposits, and the assets that are pledged as collateral for these deposits are not deemed to be liquid assets.

On February 11, 2002, the Company renewed the term on an \$18.0 million revolving credit facility with a commercial bank originally entered into on February 11, 2000. On April 11, 2002, the loan agreement was amended and the revolving line was increased to \$25.0 million. Effective December 31, 2002, the revolving line was increased to \$35.0 million. The interest rate on borrowings under this revolving line resets quarterly, and is based on, at our option, either the lender's prime rate or three-month LIBOR plus 120 basis points with a floor of 3.50%. The Company has elected to pay interest based on the three-month LIBOR rate plus 120 basis points. The initial rate of interest on the revolver was 7.20%, and most recently reset to 3.50% on December 31, 2002. The collateral for this borrowing consists of the common stock of The PrivateBank (Chicago) and The PrivateBank (St. Louis), which is held in custody by the lender. As of December 31, 2002, the outstanding balance was \$25.0 million.

On February 11, 2000, the Company entered into a subordinated note issued to Johnson International, Inc. and subsequently sold to a third party, in the principal amount of \$5.0 million. The interest on the subordinated note is reset each quarter based on the three-month LIBOR rate. The note is payable in full on or before February 11, 2007, and provides for certain rate escalation beginning after February 11, 2002. On February 11, 2002, the interest rate increased from LIBOR +50 basis points to LIBOR +200 basis points. This pricing is in effect until February 11, 2004, at which point the pricing increases to LIBOR +350 until maturity on February 11, 2007. The average rate of interest on the subordinated note was 3.56% during 2002 compared to 4.86% during 2001 and most recently reset to 3.75% on December 31, 2002. The Company has the right to repay the subordinated note at any time after giving at least 30 days, but not more than 60 days advance notice.

On February 8, 2001, we issued \$20.0 million in trust preferred securities at a fixed rate of 9.50% which mature on December 31, 2030. At our option, the securities may be redeemed prior to maturity on or after December 31, 2005. The trust preferred securities are presented in our consolidated balance sheet as "Long-term debt-trust preferred securities." Upon receipt of the net proceeds of \$18.9 million, after deducting underwriting commissions and offering expenses and including the underwriters' over-allotment shares, we repaid the full amount of borrowings under a revolving line of credit with a commercial bank in the amount of \$18.0 million.

Risk Management

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. During 2001, we began to hedge interest rate risk through the use of derivative financial instruments. We use derivative financial instruments as risk management.

Interest Rate Risk

We use a combination of financial instruments, including medium-term and short-term financings and variable-rate debt instruments and, to a lesser extent, interest rate swaps to manage the interest rate mix of our total debt portfolio and related cash flows. To manage this mix in a cost-effective manner, in 2001 we entered into our first interest rate swap transaction in which we agreed to receive a fixed rate in exchange for payment of a floating rate based on an agreed-upon notional amount. The fair value of the swap associated with this fair value hedge was \$2.9 million on December 31, 2002. As market interest rates continued to decline to historic lows in the second half of 2002, the value of the Company's long-term tax-exempt bank-qualified municipal bond portfolio increased. In order to protect this gain should rates rise, the Company entered into a \$25 million swap agreement whereby we sold the 10-year swap and bought 3-month LIBOR to act as an economic hedge to a portion of our long municipal bonds. At December 31, 2002 the market value of the interest rate swap associated with this economic hedge was a liability of \$1.1 million. The loss on the swap is recognized in earnings and resulted from declines in market rates of interest since the third quarter 2002.

During 2002, we continued to actively manage our interest rate exposure in our balance sheet. The declines in market rates gave us the opportunity to make changes to our investment security portfolio as part of the implementation of our asset/liability management strategies. Throughout 2002, we continued to replace specific investment securities with alternative investment securities with greater risk reward parameters on a selective basis. The improvements in net interest margin resulting from the improved mix of investment securities coupled with our lower yielding sources of funding offset the yield compression experienced in our loan portfolio, which is more than half floating-rate based.

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 are considering expanding our use of interest rate swaps on our debt obligations in the near future.

Capital Resources

Stockholders' equity at December 31, 2002 rose to \$89.1 million, an increase of \$26.8 million from the 2001 year-end level of \$62.3 million, due primarily to the increase in net income from the year ended December 31, 2002 as well as the increase in the fair value of investment securities classified as available for sale net of tax and increases in shares issued.

We 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 accept brokered deposits. If undercapitalized, capital distributions are limited as is asset growth and expansion and plans for capital restoration are required.

The following table reflects various consolidated measures of our capital at December 31, 2002 and 2001:

	December 31,	
	<u>2002</u>	<u>2001</u>
Leverage ratio	5.47%	6.64%
Tier 1 risk-based capital ratio	6.91	8.18
Total risk-based capital ratio	8.29	9.71
Total equity to total assets	5.77	5.29

As of December 31, 2002, all of the Company's \$20.0 million of trust preferred securities are included in Tier 1 capital. The Tier 1 qualifying amount is limited to 25% of Tier 1 capital under Federal Reserve regulations. The entire amount of trust preferred securities qualifies as Tier 1 capital.

A portion of the subordinated note in the amount of \$5.0 million that was issued to Johnson International as consideration in connection with the Johnson Bank Illinois acquisition qualifies as Tier 2 capital for regulatory capital purposes.

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, 2002, we continued to exceed the minimum levels of all regulatory capital requirements, and were considered "adequately capitalized" under regulatory standards. At December 31, 2002, our total risk-based capital ratio was 8.29%. With the exception of the total risk-based capital ratio, we exceeded the "well-capitalized" levels of our regulatory capital requirements. At December 31, 2002, The PrivateBank (Chicago) and The PrivateBank (St. Louis) were considered "well-capitalized" under all applicable regulatory standards, including total risk-based capital ratio.

Liquidity

Liquidity measures our ability to meet maturing obligations and our existing commitments, to withstand fluctuations in deposit levels, to fund our operations and to provide for our clients' credit needs. Our liquidity principally depends on our cash flows from our operating activities, investment in and maturity of assets, changes in balances of deposits and borrowings and our ability to borrow funds in the money or capital markets. Liquidity management involves planning to meet anticipated funding needs at a reasonable cost. 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 and the level of unfunded commitments. Our principal sources of funds are deposits, short-term borrowings and capital contributions by PrivateBancorp to the banks funded by proceeds from draws on our line of credit or through new capital.

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. At December 31, 2002, 56% of our total assets were funded by core deposits, even with December 31, 2001 levels. Core deposits 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.

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 deposit are not renewed and the funds are withdrawn from the bank, unless those deposits are replaced with traditional deposits, brokered deposits, borrowed money or capital, we will liquidate assets to reduce our funding needs.

We have continued to use Federal Home Loan Bank advances and brokered deposits as alternative methods of funding loan growth. During 1999, we first utilized brokered deposits as a funding tool to enhance liquidity in anticipation of increasing loan demand. During 2002 and 2001 we expanded our brokered deposits program in order to fund liquidity of The PrivateBank (Chicago). In 2003 we expect to continue to rely on brokered deposits together with increased Federal Home Loan Bank advances as alternative methods of funding loan growth. We will first look toward internally generated deposits as funding sources, but plan to supplement our funding needs with non-traditional funding sources as needed. The PrivateBank (St. Louis) also purchases brokered deposits in the absence of traditional deposit growth sufficient to fund the expected loan growth in that market.

Liquid assets refer to money market assets such as 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. At December 31, 2002, net liquid assets at The PrivateBank (Chicago) were \$300.6 million as compared to \$240.3 million at December 31, 2001. At December 31, 2002, net liquid assets at The PrivateBank (St. Louis) were \$22.1 million as compared to \$18.2 million at December 31, 2001.

Net cash inflows provided by operations were \$17.4 million for the year ended December 31, 2002 compared to a net inflow of \$9.6 million a year earlier. Net cash outflows from investing activities were \$338.5 million for the year ended December 31, 2002, compared to a net cash outflow of \$363.0 million a year earlier. Cash inflows from financing activities for the year ended December 31, 2002 were \$333.0 million compared to a net inflow of \$335.7 million in 2001.

In the event of short-term liquidity needs, The PrivateBank (Chicago) and The PrivateBank (St. Louis) may purchase federal funds from correspondent banks. In addition, we currently have available borrowing capacity of \$10 million under the \$35.0 million credit facility at the holding company. 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 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 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.

We measure the impact of interest rate changes on our income statement through the use of 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 the assets and liabilities of our company 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 policy and attempt to maximize our returns within an acceptable degree of risk. Our policy states that we shall maintain a gap position at the one year horizon of between 0.70 and 1.30. Our position at December 31, 2002 was 0.85 and was within the guidelines of our policy. We have continued to maintain our gap position near the low end set by our policy guidelines and expect to continue to operate in this manner as long as the general rate structure of the economy and our business opportunities remain consistent. Therefore, generally speaking, a short-term rise in interest rates will hurt our earnings, while a short-term drop in interest rates would help our earnings.

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. For example, a rapid drop in interest rates might cause our loans to repay at a more rapid pace and certain mortgage-related investments to prepay more quickly than projected. This could mitigate some of the benefits of falling rates that are expected when negatively gapped. Conversely, a rapid rise in rates could give us an opportunity to increase our margins and stifle the rate of repayment on our mortgage-related loans which would

increase our returns.

The following tables illustrate the estimated interest rate sensitivity and periodic and cumulative gap positions calculated as of December 31, 2002 and 2001.

	December 31, 2002				Total
	Time to Maturity or Repricing (dollars in thousands)				
	0-90 days	91-365 days	1-5 years	Over 5 years	
Interest-Earning Assets					
Loans	\$635,664	\$77,465	\$175,066	\$79,197	\$967,392
Investments	163,621	21,138	26,576	261,208	472,543
Short-term investments	<u>258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258</u>
Total interest-earning assets	<u>\$799,543</u>	<u>\$98,603</u>	<u>\$201,642</u>	<u>\$340,405</u>	<u>\$1,440,193</u>
Interest-Bearing Liabilities					
Interest-bearing demand	\$ -	\$ -	\$ -	\$64,892	\$64,892
Savings and money market	486,819	1,262	-	859	488,940
Time deposits	191,238	205,474	91,872	73,868	562,452
Funds borrowed	<u>143,838</u>	<u>31,500</u>	<u>53,000</u>	<u>-</u>	<u>228,338</u>
Total interest-bearing liabilities	<u>\$821,895</u>	<u>\$238,236</u>	<u>\$144,872</u>	<u>\$139,619</u>	<u>\$1,344,622</u>
Cumulative					
Rate sensitive assets (RSA)	\$799,543	\$898,146	\$1,099,788	\$1,440,193	
Rate sensitive liabilities (RSL)	821,895	1,060,131	1,205,003	1,344,622	
GAP (GAP=RSA-RSL)	(22,352)	(161,985)	(105,215)	95,571	
RSA/RSL	97.28%	84.72%	91.27%	107.11%	
RSA/Total assets	51.80%	58.19%	71.26%	93.31%	
RSL/Total assets	53.25%	68.69%	78.07%	87.12%	
GAP/Total assets	1.45%	10.50%	6.82%	6.19%	
GAP/Total RSA	2.80%	18.04%	9.57%	6.64%	

	December 31, 2001				Total
	Time to Maturity or Repricing (dollars in thousands)				
	0-90 days	91-365 days	1-5 years	Over 5 years	
Interest-Earning Assets					
Loans	\$467,083	\$66,521	\$204,859	\$ 53,643	\$ 792,106
Investments	95,269	8,516	45,147	183,511	332,443
Short-term investments	<u>518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>518</u>
Total interest-earning assets	<u>\$562,870</u>	<u>\$75,037</u>	<u>\$250,006</u>	<u>\$237,154</u>	<u>\$1,125,067</u>
Interest-Bearing Liabilities					
Interest-bearing demand	\$ -	\$ -	\$ -	\$52,061	\$ 52,061
Savings and money market	205,926	144,903	-	4,450	355,279
Time deposits	173,401	171,111	20,978	4,519	370,009
Funds borrowed	<u>168,102</u>	<u>8,500</u>	<u>75,000</u>	<u>-</u>	<u>251,602</u>
Total interest-bearing liabilities	<u>\$547,429</u>	<u>\$324,514</u>	<u>\$95,978</u>	<u>\$61,030</u>	<u>\$1,028,951</u>
Cumulative					
Rate sensitive assets (RSA)	\$562,870	\$637,907	\$887,913	\$1,125,067	
Rate sensitive liabilities (RSL)	547,429	871,943	967,921	1,028,951	
GAP (GAP=RSA-RSL)	15,441	(234,036)	(80,008)	96,116	
RSA/RSL	102.82%	73.16%	91.73%	109.34%	
RSA/Total assets	47.83%	54.21%	75.45%	95.61%	
RSL/Total assets	46.52%	74.10%	82.25%	87.44%	
GAP/Total assets	1.31%	19.89%	6.80%	8.17%	
GAP/Total RSA	2.74%	36.69%	9.01%	8.54%	

The following table shows the impact of an immediate 200 basis point change in interest rates as of December 31, 2002 and December 31, 2001. The effects are determined through the use of a simulation model based on our earning asset and interest-bearing liability portfolios, assuming the size of these portfolios remains constant from the balance sheet date throughout the one-year 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.

	<u>December 31, 2002</u>		<u>December 31, 2001</u>	
	<u>+200 Basis Points</u>	<u>-200 Basis Points</u>	<u>+200 Basis Points</u>	<u>-200 Basis Points</u>
Percentage change in net interest income due to an immediate 200 basis point change in interest rates over a one-year time horizon.	2.9%	-10.5%	3.0%	-4.7%

This table shows that if there had been an instantaneous parallel shift in the yield curve of -200 basis points on December 31, 2002 and December 31, 2001, we would suffer a decline in net interest income of -10.5% and -4.7%, respectively over each one-year period. Conversely, a shift of +200 basis points would increase net interest income 2.9% over a one-year horizon based on December 31, 2002 balances, as compared to 3.0% measured on the basis of the December 31, 2001 portfolio.

Changes in the effect on net interest income from a 200 basis point movement at December 31, 2002, compared to December 31, 2001 are due to the timing and nature of the repricing of rate sensitive assets to rate sensitive liabilities within the one year time frame. Although we are negatively gapped within one year, the asset sensitive position of the balance sheet in the first 90 days of the simulation, coupled with the timing of repricing within the 91 to 365 day bucket, leads to the increase in net interest income from a +200 basis point move. The difference in the effect on net interest income at December 31, 2002 as compared to December 31, 2001 is due to the differences in the timing, balances, and current rates versus simulated rates of repricing assets and liabilities.

Management's likely reaction to changes in interest rates is incorporated in assumptions made in these calculations. Differences in these assumptions between the reporting periods have also had the effect of reducing the impact of a changing interest rate environment.

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

Effective May 23, 2002, we changed our independent public accountants from Arthur Andersen LLP to Ernst

& Young LLP. This change was previously reported in our current report on Form 8-K, as filed with the Securities and Exchange Commission on May 24, 2002.

On May 23, 2002, the Audit Committee of the Board of directors of the Company approved a change in auditors. The Board of Directors ratified the Audit Committee's engagement of Ernst & Young LLP to serve as the Company's independent public accountants, effective immediately. Andersen had been the Company's independent public accountants since 1991.

Andersen's reports on the consolidated financial statements of the Company and its subsidiaries for the two fiscal years ended December 31, 2001 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the Company's two fiscal years ended December 31, 2001 and the subsequent interim period through May 23, 2002, there were no disagreements between the Company and Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to Andersen's satisfaction, would have caused them to make reference to the subject matter of the disagreement in connection with their reports on the Company's consolidated financial statements for such years; and there were no reportable events as described in Item 304 (a)(1)(v) of Regulation S-K.

The Company provided Andersen with a copy of the foregoing disclosures. A copy of Andersen's letter, dated May 24, 2002, stating its agreement with such statements was filed with the SEC as an exhibit to the Company's Current Report on Form 8-K dated May 24, 2002.

During the Company's two fiscal years ended December 31, 2001 and the subsequent interim period through May 23, 2002, the Company did not consult with Ernst & Young LLP with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

Information regarding directors of the Company is included in the Company's Proxy Statement for its 2003 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 the executive officers of the Company is included in "Part I., Item 1. Business."

ITEM 11. EXECUTIVE COMPENSATION

Information regarding compensation of executive officers and directors is included in the Company's Proxy Statement under the headings "Board of Directors' Compensation," "Executive Compensation," and "Employment Agreements" and the information included therein is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management is included in the Company's 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 AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions is included in the Company's Proxy Statement under the heading "Transactions with Related Persons" and the information included therein is incorporated herein by reference.

ITEM 14. CONTROLS AND PROCEDURES

Within 90 days prior to the date of filing this annual report, the Company's Chief Executive Officer and Chief Financial Officer carried out an evaluation under their supervision, with the participation of other members of management as they deemed appropriate, of the effectiveness of the design and the operation of the Company's disclosure controls and procedures as contemplated by Exchange Act Rule 13a-15. Based upon, and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective, in all material respects, in 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.

There have been no significant changes to the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date that the internal controls were most recently evaluated. There were no significant deficiencies or material weaknesses identified in that evaluation and, therefore, no corrective actions were taken.

PART IV

ITEM. 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(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 14 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

EXHIBIT INDEX

Exhibit No.	Description of Exhibits
3.1	Amended and Restated Certificate of Incorporation of PrivateBancorp, Inc. (Filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).
3.2	[Intentionally left blank]
3.3	Amended and Restated By-laws of PrivateBancorp, Inc. (Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference).
4.1	Subordinated Note of PrivateBancorp Inc., dated February 11, 2000, principal amount of \$5 million due February 11, 2007, issued to Johnson International, Inc. (Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 and incorporated herein by reference).
4.2	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.
10.1	Lease Agreement for banking facility located at Ten North Dearborn, Chicago, Illinois dated January 1, 1992, as amended, by and between General American Life Insurance Company as successor-in-interest to LaSalle National Trust, N.A., as successor trustee to LaSalle National Bank, not personally but as Trustee under Trust Agreement dated November 6, 1985 and known as Trust No. 110519 and The PrivateBank and Trust Company (Filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).
10.2	Lease Agreement for banking facility located at 1603 West Sixteenth Street, Oak Brook, Illinois dated October 1996 by and between Columbia Lisle Limited Partnership and The PrivateBank and Trust Company (Filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).
10.3	First Amendment to Lease dated May 31, 2001 by and between Columbia Lisle Limited Partnership and The PrivateBank and Trust Company (Filed as an exhibit to the Company's Form 10-Q for the quarter ended

<u>Exhibit No.</u>	<u>Description of Exhibits</u>
	September 30, 2001 and incorporated herein by reference).
10.4	Lease Agreement for banking facility located at 517 Green Bay Road, Wilmette, Illinois dated as of May 2, 1994 by and between Gunnar H. Hedlund, Doris S. Hedlund, Robert P. Hedlund and Gerald A. Hedlund, LaSalle National Trust, N.A., as successor trustee to LaSalle National Bank, not personally but solely as Trustee under Trust Agreement dated December 28, 1972 and known as Trust No. 45197 and The PrivateBank and Trust Company (Filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).
10.5	Building Lease by and between Towne Square Realty, L.L.C. and The PrivateBank and Trust Company dated August 6, 1999 (Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 and incorporated herein by reference).
10.6	First Amendment to lease dated January 1, 2002 by and between Towne Square Realty, L.L.C. and The PrivateBank and Trust Company.
10.7	Sublease Agreement for banking facility located at 1401 South Brentwood Blvd., St. Louis, Missouri, dated as of December 13,1999, by and between Union Planters Bank, National Association, St. Louis Brentwood Associates, L.P. and PrivateBancorp, Inc. (Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference).
10.8	Lease Agreement by and between Shodeen Management Company as agent for the beneficiaries of a land trust with Harris Bank St. Charles, pursuant to Trust Agreement dated March 4, 1994, and known as Trust No. 2321, and The PrivateBank and Trust Company dated January 9, 2001, for banking facility located at 312 Crescent Place, Geneva, Illinois (Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 and incorporated herein by reference).
10.9	Lease Agreement dated August 31, 1995 between 208 South LaSalle Associates, L.P. and Lodestar Financial Services, Inc. +
10.10	First Amendment to lease dated February 15, 2000 between LaSalle-Adams, L.L.C. and Lodestar Financial Services, Inc. +
10.11	Second Amendment to lease dated August 12, 2002 between LaSalle-Adams, L.L.C. and Lodestar Investment Counsel, Inc. +
10.12	Pledge Agreement dated as of May 28, 1998 by and between the Ralph B. Mandell Revocable Trust UTA dated June 5, 1997 and PrivateBancorp, Inc. (included as Exhibit B to Stock Purchase Agreement filed as Exhibit 10.6 Filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).
10.13	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 and incorporated herein by reference).*
10.14	Employment Agreement by and between Ralph B. Mandell and PrivateBancorp, Inc. dated July 1, 2001 (Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference).*
10.15	Outsourcing Agreement by and between The PrivateBank and Trust Company and Marshall & Ilsley Corporation, acting through its division M&I Data Services, dated as of April 9, 1999 (Filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).
10.16	Employment Agreement by and between Richard C. Jensen and PrivateBancorp, Inc. dated July 27, 2000 Filed as an exhibit to the Company's Form S-1 Registration Statement (File No.333-52676 and incorporated herein by reference).*
10.17	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).*
10.18	Agreement and Plan of Reorganization by and between PrivateBancorp, Inc. and Towne Square Financial Corporation dated as of June 24,1999 (Filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).
10.19	Stock Purchase Agreement dated as of October 4, 1999 by and among PrivateBancorp, Inc., Johnson International, Inc. and Johnson Bank Illinois (Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference).
10.20	Loan Agreement dated as of February 11, 2000, between PrivateBancorp, Inc. and LaSalle Bank National Association (Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 and incorporated herein by reference).
10.21	Amendment No. 1 to Loan agreement dated as of April 11, 2002 between PrivateBancorp, Inc. and LaSalle Bank National Association (Filed as an exhibit to the Company's Annual Report on Form 10-Q for the quarter ended March 31, 2002 and incorporated herein by reference).
10.22	Amendment No. 2 to Loan agreement dated as of February 11, 2002 between PrivateBancorp, Inc. and LaSalle Bank National Association (Filed as an exhibit to the Company's Annual Report on Form 10-Q for the quarter ended June 30, 2002 and incorporated herein by reference).
10.23	Amendment No. 3 to Loan agreement dated as of December24, 2002 between PrivateBancorp, Inc. and LaSalle Bank National Association +

<u>Exhibit No.</u>	<u>Description of Exhibits</u>
10.24	Letter Agreement dated September 26, 2000 by and between PrivateBancorp, Inc., The PrivateBank and Trust Company and Donald A. Roubitchek (Filed an as exhibit to the Company's Quarterly's Report on Form 10-Q for the quarter ended September 30, 2000and incorporated herein by reference).*
10.25	Employment Agreement by and between William Goldstein and Lodestar Investment Counsel LLC, dated as of December 30, 2002 +
12.1	Calculation of Ratio of Earnings to Fixed Charges. +
21.1	Subsidiaries of the Registrant +
23.1	Consent of Ernst & Young LLP. +
24.1	Powers of Attorney (set forth on signature page).
99.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. +
99.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. +
+	Filed herewith.
*	Indicates management contracts or compensatory plans or arrangements required to be filed as an exhibit.

(b) Reports on Form 8-K

The following Current Reports on Form 8-K were filed by the Company during the last quarter of fiscal 2002:

Form 8-K dated October 17, 2002.

Form 8-K dated October 21, 2002.

Form 8-K dated December 30, 2002.

SIGNATURES

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

Date: March 3, 2003

PRIVATEBANCORP, INC.

By: /s/ RALPH B. MANDELL

Ralph B. Mandell,
Chairman, President and Chief
Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Ralph B. Mandell and Gary L. Svec, 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 has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ RALPH B. MANDELL</u> Ralph B. Mandell	Chairman, President, Chief Executive Officer and Director	March 3, 2003
<u>/s/ CAREN L. REED</u> Caren L. Reed	Director	March 3, 2003
<u>/s/ GARY L. SVEC</u> Gary L. Svec	Chief Financial Officer	March 3, 2003
<u>/s/ LISA M. O'NEILL</u> Lisa M. O'Neill	Controller	March 3, 2003
<u>/s/ DONALD L. BEAL</u> Donald L. Beal	Director	March 3, 2003
<u>/s/ NAOMI T. BORWELL</u> Naomi T. Borwell	Director	March 3, 2003
<u>/s/ WILLIAM A. CASTELLANO</u> William A. Castellano	Director	March 3, 2003
<u>/s/ ROBERT F. COLEMAN</u> Robert F. Coleman	Director	March 3, 2003
<u>/s/ JOHN E. GORMAN</u> John E. Gorman	Director	March 3, 2003
<u>/s/ ALVIN J. GOTTLIEB</u> Alvin J. Gottlieb	Director	March 3, 2003

<u>/s/</u>	<u>JAMES M. GUYETTE</u>	Director	March 3, 2003
	James M. Guyette		
<u>/s/</u>	<u>RICHARD C. JENSEN</u>	Director	March 3, 2003
	Richard C. Jensen		
<u>/s/</u>	<u>PHILIP M. KAYMAN</u>	Director	March 3, 2003
	Philip M. Kayman		
<u>/s/</u>	<u>WILLIAM R. LANGLEY</u>	Director	March 3, 2003
	William R. Langley		
<u>/s/</u>	<u>THOMAS F. MEAGHER</u>	Director	March 3, 2003
	Thomas F. Meagher		
<u>/s/</u>	<u>WILLIAM J. PODL</u>	Director	March 3, 2003
	William J. Podl		
<u>/s/</u>	<u>MICHAEL B. SUSMAN</u>	Director	March 3, 2003
	Michael B. Susman		

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Ralph Mandell, certify that:

1. I have reviewed this annual report on Form 10-K of PrivateBancorp, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures 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) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: March 3, 2003

/s/ RALPH B. MANDELL

Ralph B. Mandell
Chairman, Chief Executive Officer and President

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Gary Svec, certify that:

1. I have reviewed this annual report on Form 10-K of PrivateBancorp, Inc.;
2. Based on my knowledge, this annual 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 annual 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures 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) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
 - d) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: March 3, 2003

/s/ GARY L. SVEC

Gary L. Svec
Chief Financial Officer

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PRIVATEBANCORP, INC.

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Report of Independent Auditors

Shareholders and Board of Directors
PrivateBancorp, Inc.

We have audited the accompanying consolidated balance sheet of PrivateBancorp, Inc. and subsidiaries as of December 31, 2002, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of PrivateBancorp, Inc. as of December 31, 2001, and for the two years in the period ended December 31, 2001, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated January 17, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2002, and the consolidated results of their operations and their cash flows for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the financial statements, in 2002 the Company changed its method of accounting for goodwill.



January 20, 2003

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of
PrivateBancorp, Inc.:

We have audited the accompanying consolidated balance sheets of PRIVATEBANCORP, INC. (the Company) (a Delaware corporation) AND SUBSIDIARIES as of December 31, 2001 and 2000, 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, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PrivateBancorp, Inc. and Subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Chicago, Illinois
January 17, 2002

Note: This is a duplicate of the opinion issued by former auditors Arthur Andersen LLP on 2001 financials. This opinion was not reissued for the 2002 audit.

PRIVATEBANCORP, INC.

**CONSOLIDATED BALANCE SHEETS
As of December 31, 2002 and 2001
(In thousands, except per share data)**

	<u>December 31,</u>	
	<u>2002</u>	<u>2001</u>
Assets		
Cash and due from banks	\$34,529	\$22,283
Fed Funds sold and other short-term investments	258	518
Total cash and cash equivalents	<u>34,787</u>	<u>22,801</u>
Loans held for sale	14,321	11,335
Available-for-sale securities, at fair value	487,020	332,933
Loans net of unearned discount	965,641	780,771
Allowance for loan losses	<u>(11,585)</u>	<u>(8,306)</u>
Net loans	<u>954,056</u>	<u>772,465</u>
Goodwill and other intangibles	21,742	10,805
Premises and equipment, net.....	6,851	3,814
Accrued interest receivable	9,427	7,262
Other assets	<u>15,210</u>	<u>15,353</u>
Total assets.....	<u>\$1,543,414</u>	<u>\$1,176,768</u>
Liabilities and Stockholders' Equity		
Demand deposits:		
Noninterest-bearing	\$88,986	\$73,146
Interest-bearing	64,893	52,061
Savings and money market deposit accounts	488,941	362,987
Brokered deposits	279,806	138,911
Other time deposits	<u>282,645</u>	<u>223,390</u>
Total deposits.....	<u>1,205,271</u>	<u>850,495</u>
Funds borrowed	209,954	231,488
Trust preferred securities.....	20,000	20,000
Accrued interest payable	4,986	2,112
Other liabilities	<u>14,111</u>	<u>10,369</u>
Total liabilities	<u>\$1,454,322</u>	<u>\$1,114,464</u>
Stockholders' Equity		
Preferred Stock, 1,000,000 shares authorized	--	--
Common stock, without par value, \$1 stated value; 12,000,000 shares authorized; 7,704,203 and 7,206,420 shares issued and outstanding as of December 31, 2002 and December 31, 2001, respectively	7,704	7,206
Surplus	45,367	39,114
Retained earnings	27,784	17,468
Accumulated other comprehensive income	8,826	323
Deferred compensation	(589)	(857)
Loans to officers	--	(950)
Total stockholders' equity.....	<u>89,092</u>	<u>62,304</u>
Total liabilities and stockholders' equity.....	<u>\$1,543,414</u>	<u>\$1,176,768</u>

Note: All previously reported share and per share data has been restated to reflect the 3-for-2 stock split which occurred on January 17, 2003. The accompanying notes to consolidated financial statements are an integral part of these statements.

PRIVATEBANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2002, 2001 and 2000
(In thousands, except per share data)

Year Ended December 31,

2002 2001 2000

Interest income			
Loans, including fees	\$52,560	\$50,975	\$48,633
Federal funds sold and interest bearing deposits	126	244	1,058
Securities:			
Taxable	13,282	10,901	5,725
Exempt from Federal Income taxes	<u>5,874</u>	<u>3,476</u>	<u>1,730</u>
Total interest income	<u>71,842</u>	<u>65,596</u>	<u>57,146</u>
Interest expense			
Deposits:			
Interest-bearing demand	636	923	869
Savings and money market deposit accounts	7,328	11,365	13,711
Time deposits	16,014	17,291	14,635
Funds borrowed	5,325	6,327	4,116
Trust preferred securities	<u>1,939</u>	<u>1,731</u>	<u>--</u>
Total interest expense	<u>31,242</u>	<u>37,637</u>	<u>33,331</u>
Net interest income	40,600	27,959	23,815
Provision for loan losses	<u>3,862</u>	<u>3,179</u>	<u>1,690</u>
Net interest income after provision for loan losses	<u>36,738</u>	<u>24,780</u>	<u>22,125</u>
Non-interest income			
Banking, wealth management services and other income	7,081	4,028	3,077
Securities net gains	11	2,095	92
Trading losses on interest rate swap	<u>(943)</u>	<u>--</u>	<u>--</u>
Total non-interest income	<u>6,149</u>	<u>6,123</u>	<u>3,169</u>
Non-interest expense			
Salaries and employee benefits	13,979	9,111	8,174
Severance charge	--	--	562
Occupancy expense, net	4,891	4,158	2,987
Professional fees	3,689	2,939	2,135
Marketing	1,648	1,208	1,202
Data processing	1,509	1,295	820
Goodwill amortization	--	824	731
Insurance	455	354	303
Other	<u>2,436</u>	<u>2,763</u>	<u>1,692</u>
Total non-interest expense	<u>28,607</u>	<u>22,652</u>	<u>18,606</u>
Income before income taxes	14,280	8,251	6,688
Income tax provision	<u>3,273</u>	<u>2,051</u>	<u>2,263</u>
Net income	<u>\$11,007</u>	<u>\$6,200</u>	<u>\$4,425</u>
Basic earnings per share	\$1.49	\$0.88	\$0.64
Diluted earnings per share	\$1.42	\$0.85	\$0.62

Note: All previously reported share and per share data has been restated to reflect the 3-for-2 stock split which occurred on January 17, 2003. The accompanying notes to consolidated financial statements are an integral part of these statements.

PRIVATEBANCORP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2000, 2001 and 2002
(In thousands)

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Deferred Compensation	Loans to Officers	Total Equity
Balance 1/1/00	\$6,885	\$37,466	\$7,425	\$(2,812)	\$(759)	\$(1,125)	\$47,080
Net income			4,425				4,425
Change in unrealized gain on available-for-sale securities, net of tax				2,694			2,694
Total Comprehensive Income	-	-	4,425	2,694	-	-	7,119
Dividends declared (\$.07 per share)			(462)				(462)
Issuance of Stock	50	330					380
Awards granted, net of forfeitures					(270)		(270)
Amortization of deferred compensation					227		227
Repayment of loans to officers						175	175
Balance 12/31/00	<u>\$6,935</u>	<u>\$37,796</u>	<u>\$11,388</u>	<u>\$(118)</u>	<u>\$(802)</u>	<u>\$(950)</u>	<u>\$54,249</u>
Balance 1/1/01	\$6,935	\$37,796	\$11,388	\$(118)	\$(802)	\$(950)	\$54,249
Net income			6,200				6,200
Change in unrealized gain on available-for-sale securities, net of tax				441			441
Total Comprehensive Income	-	-	6,200	441	-	-	6,641
Dividends declared (\$.07 per share)			(520)				(520)
Issuance of Stock	271	1,318					1,589
Awards granted, net of forfeitures					(331)		(331)
Amortization of deferred compensation			400		276		676
Balance 12/31/01	<u>\$7,206</u>	<u>\$39,114</u>	<u>\$17,468</u>	<u>\$323</u>	<u>\$(857)</u>	<u>\$(950)</u>	<u>\$62,304</u>
Balance 1/1/02	\$7,206	\$39,114	\$17,468	\$323	\$(857)	\$(950)	\$62,304
Net income			11,007				11,006
Change in unrealized gain on available-for-sale securities, net of tax				8,503			8,503
Total Comprehensive Income	-	-	11,007	8,503	-	-	19,509
Dividends declared (\$.09 per share)			(691)				(691)
Issuance of Stock	498	6,253					6,751
Awards granted, net of forfeitures					(38)		(38)
Amortization of deferred compensation					306		306
Repayment of loans to officers						950	950
Balance 12/31/02	<u>\$7,704</u>	<u>\$45,367</u>	<u>\$27,784</u>	<u>\$8,826</u>	<u>\$(589)</u>	<u>\$ -</u>	<u>\$89,092</u>

Note: All previously reported share and per share data has been restated to reflect the 3-for-2 stock split which occurred on January 17, 2003. The accompanying notes to consolidated financial statements are an integral part of these statements.

PRIVATEBANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2002 2001 and 2000
(In thousands)

	Year Ended December 31,		
	2002	2001	2000
Cash flows from operating activities			
Net income	\$11,007	\$6,200	\$4,425
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,444	1,649	1,030
Goodwill amortization	--	824	731
Johnson Bank Illinois fair value accretion, net	(89)	(291)	(304)
Amortization of deferred compensation.....	306	276	227
Provision for loan losses.....	3,862	3,179	1,690
Gain on sale of securities	(11)	(2,095)	(92)
Trading losses on interest rate swap.....	943	--	--
Net proceeds on loans held for sale	(2,986)	(10,629)	(705)
Increase in deferred loan fees	1,040	315	259
Increase in accrued interest receivable	(2,165)	(1,739)	(1,894)
Increase (decrease) in accrued interest payable	2,874	(1,440)	1,886
(Increase) decrease in other assets	(2,507)	7,607	2,502
Increase in other liabilities	<u>3,710</u>	<u>5,705</u>	<u>2,107</u>
Total adjustments	<u>6,421</u>	<u>3,361</u>	<u>7,437</u>
Net cash provided by operating activities	<u>17,428</u>	<u>9,561</u>	<u>11,862</u>
Cash flows from investing activities			
Proceeds from maturities, paydowns, and sales of securities	123,296	148,419	48,075
Purchase of securities available-for-sale	(265,432)	(306,395)	(124,624)
Johnson Bank Illinois acquisition, net of cash received	--	--	(15,763)
Capitalization of The PrivateBank (St. Louis)	--	--	(8,000)
Investment in Lodestar Investment Counsel, LLC	(5,427)	--	--
Net loan principal advanced	(186,405)	(193,784)	(129,615)
Investment in Bank Owned Life Insurance	--	(10,000)	--
Premises and equipment expenditures	<u>(4,492)</u>	<u>(1,236)</u>	<u>(2,341)</u>
Net cash used in investing activities	<u>(338,460)</u>	<u>(362,996)</u>	<u>(232,268)</u>
Cash flows from financing activities			
Net increase in total deposits	354,788	180,261	125,606
Proceeds from participated loans.....	--	--	12,862
Proceeds from exercise of stock options.....	1,235	1,258	109
Issuance of Trust Preferred Securities.....	--	20,000	--
Dividends paid.....	(691)	(520)	(462)
Repayment of loans to officers	950	--	175
Net (decrease) increase in funds borrowed	<u>(23,264)</u>	<u>134,724</u>	<u>78,446</u>
Net cash provided by financing activities	<u>333,018</u>	<u>335,723</u>	<u>216,736</u>
Net increase (decrease) in cash and cash equivalents.....	11,986	(17,712)	(3,670)
Cash and cash equivalents at beginning of year	<u>22,801</u>	<u>40,513</u>	<u>44,183</u>
Cash and cash equivalents at end of year	<u>\$34,787</u>	<u>\$22,801</u>	<u>\$40,513</u>
Cash paid during year for:			
Interest	\$28,368	\$39,076	\$30,835
Income taxes	1,325	1,757	1,800

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

PRIVATEBANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1--BASIS OF PRESENTATION

a. Nature of Operations

PrivateBancorp, Inc. (the "Company") was incorporated under the laws of the State of Delaware on November 7, 1989. The Company is a bank holding company with two bank subsidiaries, The PrivateBank and Trust Company (The PrivateBank (Chicago)), which was formed as a *de novo*, or start up bank, on February 6, 1991, and The PrivateBank (The PrivateBank (St. Louis)), which was formed as a *de novo*, or start up, federal savings bank on June 26, 2001. On February 11, 2000, the Company completed its acquisition of Johnson Bank Illinois. At closing, Johnson Bank Illinois was merged into The PrivateBank (Chicago). The two acquired offices, located on Chicago's North Shore in Lake Forest and Winnetka, became additional offices of The PrivateBank (Chicago). On December 30, 2002, The PrivateBank (Chicago) acquired a controlling interest in Lodestar Investment Counsel LLC, a Chicago-based investment advisor with \$482 million of assets under management at December 31, 2002. Lodestar manages equity, balanced, and fixed income accounts primarily for high net-worth individuals, retirement plans and charitable organizations with investable assets in excess of \$1.0 million, and shares a similar focus on highly personalized client service.

The banks provide private banking and wealth management services primarily to affluent individuals, professionals, entrepreneurs and their business interests. The banks focus on the personal financial services needs of their clients as well as the banking needs of their clients' various business and investment interests.

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 Investment Counsel, and The PrivateBank (St. Louis). 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 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' equity. Any decline in fair value of securities that is deemed other than temporary is charged against current period earnings. At December 31, 2002 and 2001, all securities were 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. The specific identification method is used to record gains and losses on security transactions.

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 nonaccrual 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 nonaccrual 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 nonaccrual 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.

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 the risks in the loan portfolio. Loans are charged off when deemed to be uncollectible by management.

g. Loans Held for Sale

Loans are classified as held for investment purposes or held for sale when the Company enters into interest rate lock agreements with the potential borrowers. 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 in a valuation allowance by a charge to income. 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. Gains and losses on the disposition of loans held for sale are determined on the specific identification method.

h. Brokered Deposits

The Company utilizes brokered deposits (prepackaged jumbo certificates of deposit) as liquidity and asset-liability management tools in the normal course of business. Certain brokered deposits issued by the Company contain a purchased option to call (redeem) the brokered deposit prior to maturity at a specified date. Upon issuance of brokered deposits, the Company recognizes a contra liability account 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 adopted FAS No. 133, "Accounting for Derivative Instruments and Related Hedging Activities" and its related amendments on January 1, 2001. FAS No. 133 requires all derivative instruments to be recognized as either assets or liabilities 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 part of a hedging relationship and further, on the type of hedge relationship. 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. In November 2001, the Company entered into its first interest rate swap which is recorded on the balance sheet at fair value. The interest rate swap was entered into for asset liability management purposes and not for trading purposes. The interest rate swap has been designated as a fair value hedge of a fixed-rate \$25.0 million advance with the Federal Home Loan Bank of Chicago (FHLB). Changes in the fair value of the interest rate swap are reported through income. Changes in the fair value of the borrowings from the date of designation are recorded through income. Documentation and evaluation of hedge effectiveness was performed at inception and on a recurring periodic basis.

The Company entered into a \$25 million swap during the third quarter of 2002, swapping the 10-year rate for 3-month LIBOR to act as an economic hedge of a portion of the Company's available-for-sale municipal securities portfolio. The December 31, 2002 fair market value adjustment on this swap resulted in the trading loss of \$943,000 with a corresponding derivative liability of the same amount. This swap does not qualify for hedge accounting treatment, therefore, the market-to-market adjustment flows through earnings.

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, 2002, the range of estimated useful lives of depreciable assets was between 3 and 39.5 years.

k. Income Taxes

In accordance with FAS No. 109, "Accounting for Income Taxes," an asset and liability approach to accounting for income taxes is followed. The objective is to recognize the amount of taxes payable or refundable for the current year, and to recognize deferred tax assets and liabilities resulting from temporary differences between the amounts reported in the financial statements and the tax bases of assets and liabilities. The measurement of tax assets and liabilities is based on enacted tax laws and applicable tax rates.

l. Earnings per Share

The Company accounts for and reports earnings per share using a dual presentation of basic and diluted earnings per share. Basic earnings per common share are determined by dividing earnings by the weighted average number of common shares. Dilutive stock options are included as share equivalents using the treasury stock method in determining diluted earnings per share. All previously reported share and per share data in this report has been restated to reflect the 3-for-2 stock split which occurred on January 17, 2003.

m. Comprehensive Income

Components of comprehensive income are reported in the Consolidated Statement of Stockholders' Equity that is displayed with the same prominence as other financial statements.

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. Intangible Assets

During 2001, the PrivateBank (Chicago) recorded approximately \$12.2 million in goodwill in connection with the Johnson Bank Illinois acquisition. During 2002, the Company recorded \$8.4 million of goodwill and \$2.5 million in customer intangibles in connection with the Lodestar Investment Counsel acquisition. Intangible assets are amortized over an estimated useful life of 15 years. Effective January 1, 2002, the Company adopted FAS 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 FAS No. 142, goodwill was being amortized using the straight-line method over a period of 15 years. Goodwill at December 31, 2002 totaled \$19.2 million, an \$8.4 million increase from December 31, 2001 due to the acquisition of Lodestar Investment Counsel, LLC. The Company did not incur any goodwill impairment in 2002 in adopting FAS 142. Amortization expense on intangible assets is expected to total \$167,000 each year in 2003, 2004, 2005, 2006 and 2007.

The following table shows the proforma effects of applying FAS No. 142 to the 2001 and 2000 periods (in thousands, except per share data):

	<u>December 31,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>	<u>December 31,</u> <u>2000</u>
	(in thousands)		
Reported net income	\$11,007	\$6,200	\$4,425
Add: Goodwill amortization (net of tax)	<u> --</u>	<u> 544</u>	<u> 482</u>
Adjusted net income.....	<u>\$11,007</u>	<u>\$6,744</u>	<u>\$4,907</u>
<i>Basic earnings per share:</i>			
Reported basic earnings per share.....	\$ 1.49	\$ 0.88	\$ 0.64
Add: Goodwill amortization (net of tax)	<u> --</u>	<u> .08</u>	<u> .10</u>
Adjusted basic earnings per share	<u>\$ 1.49</u>	<u>\$ 0.96</u>	<u>\$ 0.74</u>
<i>Diluted earnings per share:</i>			
Reported diluted earnings per share ..	\$ 1.42	\$ 0.85	\$ 0.62
Add: Goodwill amortization (net of tax)	<u> --</u>	<u> .07</u>	<u> .10</u>
Adjusted diluted earnings per share...	<u>\$ 1.42</u>	<u>\$ 0.92</u>	<u>\$ 0.72</u>

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

The Company accounts for its stock options in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25). Under APB No. 25, as the exercise price of the Company's employees' stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. Compensation expense for restricted shares granted is ratably recognized over the period of service, usually the vesting period, based on the fair value of the stock on the date of grant.

Pursuant to FAS No. 123, Accounting for Stock-Based Compensation (FAS No. 123), pro forma net income and pro forma earnings per share are presented in the following table as if the fair value method of accounting for stock-based compensation plans had been utilized.

	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(dollars in thousands)		
Net income--			
As reported.....	\$11,007	\$6,200	\$4,425
Pro forma	10,551	5,493	3,824
Basic earnings per share--			
As reported.....	\$1.49	\$0.88	\$0.64
Pro forma	1.43	0.78	0.55
Diluted earnings per share--			
As reported.....	\$1.42	\$0.85	\$0.62
Pro forma	1.36	0.75	0.54

Note: The pro forma results above may not be representative of the effect reported in net income for futures years.

In determining the fair value of each option grant for purposes of the above pro forma disclosures, the Company used an option pricing model with the following assumptions for grants in 2002, 2001 and 2000, respectively: dividend yield of 0.35%, 0.55%, and 1.10% for 2002, 2001 and 2000, respectively; risk-free interest rate of 5.07% for 2002 and 2001 and 5.9% for 2000; and expected lives of 10 years for the Stock Incentive Plan options, for the compensation replacement options and for the various director options. The valuation utilizes an expected volatility of approximately 50% and 54% for 2002 and 2001, respectively.

r. Advertising Costs

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

s. New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (FAS) Nos. 141, *Business Combinations* and No. 142, *Goodwill and Other Intangible Assets*. FAS No. 141 applies to all business combinations completed after June 30, 2001. All future business combinations must be recorded using the purchase method of accounting. As the Company contemplates further acquisitions as part of its growth strategy, this Statement will likely have an impact on the Company's future financial statements.

FAS No. 142 supercedes APB Opinion No. 17 *Intangible Assets* and addresses the mandatory accounting of intangible assets and goodwill. Adoption of this Statement was required beginning January 1, 2002 in relation to all of the Company's goodwill and intangible assets. The Statement discontinues the regular amortization of goodwill and a transitional impairment test of goodwill was required as of January 1, 2002. An annual impairment test of goodwill is required every year thereafter. Impairment losses from goodwill recognized in the initial application of this Statement are to be reported as resulting from a change in accounting principal. Impairment losses in subsequent years should be recorded as operating expenses.

In August 2001, the FASB issued FAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*. FAS No. 144 supersedes FAS No. 121 and the accounting and reporting provisions of APB Opinion No. 30. The Statement addresses the accounting for a segment of a business accounted for as a discontinued operation and the accounting for the disposition of long-lived assets. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company adopted the Statement in the first quarter of 2002 with no material effect on the Company's results of operations.

In October 2002, the FASB issued FAS No. 147, *Acquisitions of Certain Financial Institutions* (FAS No. 147), which provides guidance on the accounting for the acquisition of a financial institution and supersedes the specialized accounting guidance provided in FAS No. 72, *Accounting for Certain Acquisitions of Banking or Thrift Institutions*. FAS No. 147 became effective upon issuance and requires companies to cease amortization of unidentified intangible assets associated with certain branch acquisitions and reclassify these assets to goodwill. FAS No. 147 also modifies FAS No. 144 to include in its scope long-term customer-relationship intangible assets and thus subject those intangible assets to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions required for other long-lived assets.

While FAS No. 147 may affect how future business combinations, if undertaken, are accounted for and disclosed in the financial statements, the issuance of the new guidance had no effect on the Company's results of operations, financial position, or liquidity as the Company does not have any assets subject to the specialized accounting guidance provided in FAS No. 72 or FAS No. 147.

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others*. This interpretation expands the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees and requires the guarantor to recognize a liability for the fair value of an obligation assumed under a guarantee. FIN 45 clarifies that a guarantor is required to recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of FIN 45 are effective for the Company as of December 31, 2002, and require disclosure of the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligations under the guarantee. The recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified after December 31, 2002. Significant guarantees that have been entered into by the Company are disclosed in Note 14 to the consolidated financial statements. The Company does not expect the requirements of FIN 45 to have a material impact on its results of operations, financial position, or liquidity.

In December 2002, the FASB issued FAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure* (FAS No. 148), which provides guidance on how to transition from the intrinsic value method of accounting for stock-based employee compensation under APB No. 25 to FAS No. 123's fair value method of accounting, if a company so elects. The statement also amends the disclosure provisions of FAS No. 123 and APB No. 25 to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. While FAS No. 148 does not amend FAS No. 123 to require companies to account for employee stock options using the fair value method, the disclosure provisions of FAS No. 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for that compensation using the fair value method of FAS No. 123 or the intrinsic value method of APB No. 25. Although the recognition provisions of FAS No. 148 are not applicable to the Company at this time, as it continues to account for stock-based compensation using the intrinsic value method, the Company has provided the required disclosures in Note 1 to the consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities*. The objective of this interpretation is to provide guidance on how to identify a variable interest entity (VIE) and determine when the assets, liabilities, noncontrolling interest, and results of operations of a VIE need to be included in a company's consolidated financial statements. Because the Company does not have any interest in VIEs, the Company does not expect the adoption of FIN 46 to have a material impact on its results of operations, financial position, or liquidity.

NOTE 2--OPERATING SEGMENTS

For purposes of making operating decisions and assessing performance, management regards The PrivateBank (Chicago), The PrivateBank (St. Louis), Wealth Management and the Holding Company as four operating segments. The Company's investment portfolios are included in total assets and reported in the results of The PrivateBank (Chicago) and The PrivateBank (St. Louis). The business segments summarized below and in the following tables are primarily managed with a focus on various performance objectives including total assets, total deposits, borrowings, gross loans, total capital and net income.

The PrivateBank (Chicago)

The PrivateBank (Chicago), through its main office located in downtown Chicago as well as six full-service Chicago suburban locations, provides personal and commercial banking services primarily to affluent individuals, professionals, entrepreneurs and their business interests. Until June 23, 2000, the date The PrivateBank (St. Louis) was established, operations in St. Louis consisted of a loan production office of The PrivateBank (Chicago) and those activities are reflected in the segment reporting for The PrivateBank (Chicago). The PrivateBank (Chicago)'s 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 lock-box, cash concentration accounts, merchant credit card processing, electronic funds transfer, other cash management products and insurance. The PrivateBank (Chicago) offers a full range of real estate lending products including fixed and floating rate permanent and mini-permanent mortgages, 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.

Individual banking services include interest bearing checking, money market accounts, certificates of deposit, ATM/debit cards and investment brokerage accounts. Additionally, The PrivateBank (Chicago) offers secured and unsecured personal loans and lines of credit. Through The PrivateBank (Chicago)'s affiliations with Mesirow Financial, Inc. and Sterling Investment Services, Inc., clients have access to insurance products and securities brokerage services. The PrivateBank (Chicago) also offers domestic and international wire transfers and foreign currency exchange.

During the second quarter of 2002, the PrivateBank (Chicago) introduced an Index Powered Certificate of Deposit product ("IPCD") with a five-year term. This non-fee based, FDIC-insured product is a five-year certificate of deposit with a yield based on the performance of the S&P 500. The PrivateBank (Chicago) balance sheet reflects the goodwill and intangibles of \$21.7 million at December 31, 2002 compared with \$10.8 million at December 31, 2001.

	<u>The PrivateBank (Chicago)</u>		
	December 31,		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(in millions)		
Total assets.....	\$1,390.3	\$1,077.7	\$800.6
Total deposits.....	1,101.0	800.6	655.9
Total borrowings.....	150.0	183.4	65.0
Total gross loans	863.0	708.3	574.9
Total capital	124.3	82.9	69.3
Net interest income.....	39.0	27.8	23.5
Net income.	13.5	9.2	7.1

The PrivateBank (St. Louis)

The PrivateBank (St. Louis), a federal savings bank, was established as a new bank subsidiary of PrivateBancorp, Inc. on June 23, 2000. The revenues and expenses for 2000 associated with the St. Louis loan production office that was operated by The PrivateBank (Chicago) prior to June 23, 2000 are included in The PrivateBank (Chicago) segment.

The PrivateBank (St. Louis) offers a full range of real estate lending products including fixed and floating rate permanent and mini-permanent mortgages and construction loans. Personal loans include installment loans and lines of credit, home equity loans and a wide variety of home mortgage loans. Commercial lending products provided by The PrivateBank (St. Louis) 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 lock-box, cash concentration accounts, merchant credit card processing, electronic funds transfer, other cash management products and insurance. Individual banking services include interest bearing checking, money market deposit accounts, certificates of deposit, ATM/debit cards and investment brokerage accounts. The PrivateBank (St. Louis) also offers domestic and international wire transfers and foreign currency exchange.

	<u>The PrivateBank (St. Louis)</u>		
	December 31,		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(in millions)		
Total assets.....	\$149.9	\$96.6	\$28.2
Total deposits.....	105.1	50.2	14.7
Total borrowings.....	30.0	38.1	3.5
Total gross loans	104.7	73.5	25.2
Total capital	13.4	7.6	7.1
Net interest income (1).	4.0	1.8	0.4
Year-to-date net income (loss) (1).	0.8	(0.5)	(0.9)

(1) For 2000, results are reported beginning June 23, 2000, when the subsidiary bank was established, through December 31, 2000.

Wealth Management

Wealth Management includes investment management, personal trust and estate services, custodial services, retirement accounts and brokerage and investment services. Investment management professionals work with wealth management clients to define objectives, goals and strategies of the clients' investment portfolios. Wealth Management personnel assist trust clients with the selection of an outside portfolio manager to direct account investments. Trust and estate account administrators work with clients and their attorneys to establish estate plans. Consistent with the Company's philosophy, Wealth Management emphasizes a high level of personal service, including prompt collection and reinvestment of interest and dividend income, weekly valuation, tracking of tax information, customized reporting and ease of security settlement.

	Wealth Management		
	December 31,		
	2002	2001	2000
	(in thousands)		
Wealth Management assets under administration.....	\$1,239.8	\$722.7	\$777.8
Trust fee revenue	2.9	2.7	2.3
Net income (loss).....	0.4	0.5	(0.1)

Holding Company Activities

Holding Company Activities consist of parent company only matters. The Holding Company's most significant assets are its net investments in its two banking subsidiaries, The PrivateBank (Chicago) and The PrivateBank (St. Louis). During the first quarter 2001, the Holding Company issued \$20.0 million of subordinated debentures that are accounted for as long-term debt and also qualify as Tier 1 and Tier 2 capital (See Note 17). The Tier 1 qualifying amount is limited to 25% of Tier 1 capital under Federal Reserve regulations. The excess amount qualifies as Tier 2 capital. 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, other salary expense) and miscellaneous professional fees. In May of 2002, PrivateBancorp, Inc. acquired an office building located in St. Charles, Illinois, for \$1.8 million from Towne Square Realty. The St. Charles location of The PrivateBank (Chicago) continues to lease space in the building and pays rent to the Holding Company at the same terms and conditions as was paid to the prior owner.

	Holding Company Activities		
	December 31,		
	2002	2001	2000
	(in millions)		
Total assets.....	\$141.3	\$92.4	\$77.9
Total capital.	89.1	62.3	54.2
Total borrowings.....	30.0	10.0	23.0
Long term debt—Trust Preferred Securities.....	20.0	20.0	--
Interest expense.....	2.5	2.1	1.2
Net loss	(3.7)	(2.5)	(1.9)

The following tables reconciles the significant differences between the sum of the reportable segments and the reported consolidated balance of total assets:

	Total Assets	
	December 31,	
	2002	2001
	(in millions)	
Sum of reportable segments.....	\$1,681.5	\$1,266.7
Adjustments.....	(138.1)	(89.9)
Consolidated PrivateBancorp, Inc.	<u>\$1,543.4</u>	<u>\$1,176.8</u>

The adjustments to total assets presented in the table above represent the elimination of the net investment in The PrivateBank (Chicago) and The PrivateBank (St. Louis) in consolidation, the elimination of the Company's cash that is maintained in an account at The PrivateBank (Chicago), the reclassification of the unearned discount of loans and the reclassification related to deferred taxes.

NOTE 3--EARNINGS PER SHARE

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

	Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
Year Ended December 31, 2002			
Basic Earnings Per Share--			
Income available to common stockholders.....	\$11,007	7,371	<u>\$1.49</u>
Effect of Dilutive Stock Options	--	<u>404</u>	
Diluted Earnings Per Share--			
Income available to common stockholders.....	<u>\$11,007</u>	<u>7,775</u>	<u>\$1.42</u>
Year Ended December 31, 2001			
Basic Earnings Per Share--			
Income available to common stockholders.....	\$6,200	7,057	<u>\$0.88</u>
Effect of Dilutive Stock Options	--	<u>217</u>	
Diluted Earnings Per Share--			
Income available to common stockholders.....	<u>\$6,200</u>	<u>7,274</u>	<u>\$0.85</u>
Year Ended December 31, 2000			
Basic Earnings Per Share--			
Income available to common stockholders.....	\$4,425	6,916	<u>\$0.64</u>
Effect of Dilutive Stock Options	--	<u>275</u>	
Diluted Earnings Per Share--			
Income available to common stockholders.....	<u>\$4,425</u>	<u>7,191</u>	<u>\$0.62</u>

During 2002, the entire amount of unexercised option shares of 818,798 are included in the diluted earnings per share calculation. The 2001 diluted earnings per share calculation includes all unexercised option shares as all options of the Company were dilutive as of December 31, 2001. The exercise prices for previously granted stock options ranged from \$4.58 to \$15.00 in 2002, from \$11.15 to \$12.00 in 2001, and \$9.04 to \$9.67 in 2000.

NOTE 4--SECURITIES

The par value and amortized cost of securities as of December 31, 2002 and December 31, 2001 were as follows (in thousands):

	Par Value	Investment Securities--Available for Sale December 31, 2002		
		Gross Unamortized Premium	Gross Unaccreted Discount	Amortized Cost
U. S. Government Agency Mortgage Backed Securities and Collateralized Mortgage Obligations.....	\$147,546	\$7,967	\$(3)	\$155,510
Corporate Collateralized Mortgage Obligations	17,902	264	--	18,166
Tax Exempt Municipal Securities	140,025	5,751	(19,272)	126,504
Taxable Municipal Securities	4,615	--	(33)	4,582
Federal Home Loan Bank Stock.....	155,606	--	--	155,606
Other	<u>12,849</u>	<u>557</u>	<u>(126)</u>	<u>13,280</u>
	<u>\$478,543</u>	<u>\$14,539</u>	<u>\$(19,434)</u>	<u>\$473,648</u>

**Investment Securities--Available for Sale
December 31, 2001**

	<u>Par Value</u>	<u>Gross Unamortized Premium</u>	<u>Gross Unaccrued Discount</u>	<u>Amortized Cost</u>
U. S. Government Agency Mortgage Backed Securities and Collateralized Mortgage Obligations.....	\$97,825	\$3,906	\$(315)	\$101,416
Corporate Collateralized Mortgage Obligations	22,676	370	--	23,046
Tax Exempt Municipal Securities	110,530	5,231	(8,781)	106,980
Taxable Municipal Securities	6,020	48	36	6,032
Federal Home Loan Bank Stock.....	92,964	--	--	92,964
Other	<u>2,112</u>	<u>20</u>	<u>(127)</u>	<u>2,005</u>
	<u>\$332,127</u>	<u>\$9,575</u>	<u>\$(9,259)</u>	<u>\$332,443</u>

The amortized cost and the estimated fair value of securities as of December 31, 2002 and December 31, 2001, were as follows (in thousands):

**Investment Securities—Available- for- Sale
December 31, 2002**

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
U. S. Government Agency Mortgage Backed Securities and Collateralized Mortgage Obligations.....	\$155,510	\$3,132	\$(248)	\$158,394
Corporate Collateralized Mortgage Obligations	18,166	509	--	18,675
Tax Exempt Municipal Securities	126,504	8,332	--	134,836
Taxable Municipal Securities	4,582	114	--	4,697
Federal Home Loan Bank Stock.....	155,606	--	--	155,606
Other	<u>13,280</u>	<u>1,533</u>	<u>--</u>	<u>14,812</u>
	<u>\$473,648</u>	<u>\$13,620</u>	<u>\$(248)</u>	<u>\$487,020</u>

**Investment Securities—Available- for- Sale
December 31, 2001**

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
U. S. Government Agency Mortgage Backed Securities and Collateralized Mortgage Obligations.....	\$101,416	\$483	\$(523)	\$101,376
Corporate Collateralized Mortgage Obligations	23,046	416	--	23,462
Tax Exempt Municipal Securities	106,980	645	(700)	106,925
Taxable Municipal Securities	6,032	19	--	6,051
Federal Home Loan Bank Stock.....	92,964	--	--	92,964
Other	<u>2,005</u>	<u>150</u>	<u>--</u>	<u>2,155</u>
	<u>\$332,443</u>	<u>\$1,713</u>	<u>\$(1,223)</u>	<u>\$332,933</u>

The amortized cost and estimated fair value of securities at December 31, 2002, 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.

	Amortized Cost	Estimated Fair Value
Due within one year.....	\$69,409	\$71,105
Due after one year through five years.....	97,519	100,227
Due after five years through ten years.....	25,712	26,390
Due after ten years.....	125,094	133,384
Securities with no stated maturity.....	<u>155,914</u>	<u>155,914</u>
	<u>\$473,648</u>	<u>\$487,020</u>

During 2002 and 2001, securities were sold for total proceeds of \$88,965,364 and \$131,289,933 respectively, resulting in net gains of approximately \$11,302 and \$2,095,000, respectively. Gross gains and gross losses for 2002 were \$1,499,364 and \$1,488,062, respectively. Taxes related to gross gains and gross losses on investment securities for 2002 were \$509,784 and \$505,941, respectively.

At December 31, 2002, securities carried at \$184.9 million were pledged to secure public funds, trust deposits and other collateralized deposits for other purposes as required or permitted by law.

In the opinion of management, there were no investments in securities at December 31, 2002, which constituted an unusual credit risk for the Company. As market interest rates continued to decline to historic lows late in the third quarter of 2002, in order to protect a portion of the portfolio appreciation should rates rise, the Company entered into a \$25 million swap. The Company swapped the 10-year rate for 3-month LIBOR to act as an economic hedge to a portion of the available-for-sale municipal securities in the portfolio. The December 31, 2002 fair market value adjustment on this swap resulted in the trading loss of \$943,000. Net securities gains of \$11,000 during the year included a charge of \$1.0 million related to an other-than-temporary impairment write-down on the Company's interest-only collateralized mortgage obligation (CMO) portfolio. At December 31, 2002, the remaining book value of the interest-only CMO portfolio was \$1.1 million.

Change in fair value of securities available for sale is presented on a net basis on the Consolidated Statement of Changes in Stockholders' Equity. The following table discloses the changes in other comprehensive income as of December 31, 2002 and 2001 on a gross basis (in thousands):

December 31, 2002

	<u>Amount Before Tax</u>	<u>Tax Expense</u>	<u>Amount Net of Tax</u>
Change in unrealized gains on securities available for sale.....	\$12,893	\$4,382	\$8,511
Less: reclassification adjustment for gain included in net income.....	<u>11</u>	<u>3</u>	<u>8</u>
Net unrealized gains	<u>\$12,882</u>	<u>\$4,379</u>	<u>\$8,503</u>

December 31, 2001

	<u>Amount Before Tax</u>	<u>Tax Expense</u>	<u>Amount Net of Tax</u>
Change in unrealized gains on securities available for sale.....	\$2,682	\$ 667	\$2,015
Less: reclassification adjustment for gain included in net income.....	<u>2,095</u>	<u>521</u>	<u>1,574</u>
Net unrealized gains	<u>\$ 587</u>	<u>\$ 146</u>	<u>\$ 441</u>

NOTE 5--LOANS

Amounts outstanding by selected loan categories at December 31, 2002 and 2001, including net unamortized deferred loan fees of \$3.1 million and \$2.5 million, respectively, were as follows (in thousands):

	<u>2002</u>	<u>2001</u>
Real estate--		
Residential	\$ 72,289	\$ 89,889
Commercial.....	452,703	310,869
Construction.....	123,204	92,528
Commercial.....	165,993	163,279
Personal (1)	<u>151,452</u>	<u>124,206</u>
	<u>\$965,641</u>	<u>\$780,771</u>

(1) Includes Home Equity loans and overdrafts

As of December 31, 2002, \$749,000 of loans were designated as nonaccrual loans, of which, \$375,000 is specifically reserved for. The average balance of impaired loans amounted to \$1.7 million in 2002 and \$1.5 million in 2001. The gross interest income that would have been recorded if the non-accrual loans had been current in accordance with their original terms was \$104,233 in 2002, \$108,913 in 2001, and \$47,283 in 2000. Please refer to page 37 in this form 10-K for additional disclosure on loans past due 90 days or more.

NOTE 6--ALLOWANCE FOR LOAN LOSSES

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

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Beginning balance	\$8,306	\$6,108	\$4,510
Johnson Bank acquisition - loan loss reserve	--	--	864
Loans charged off.....	(750)	(1,052)	(972)
Loans recovered	167	71	16
Provision for loan losses	<u>3,862</u>	<u>3,179</u>	<u>1,690</u>
Ending balance.....	<u>\$11,585</u>	<u>\$8,306</u>	<u>\$6,108</u>

NOTE 7--PREMISES AND EQUIPMENT

Bank and building premises and equipment at December 31, 2002 and 2001, consisted of the following (in thousands):

	<u>2002</u>	<u>2001</u>
Land.....	\$ 110	\$ --
Building	1,640	--
Furniture, fixtures and equipment.....	6,856	5,640
Leasehold improvements.....	<u>5,220</u>	<u>3,794</u>
	13,826	9,434
Accumulated depreciation and amortization	<u>(6,975)</u>	<u>(5,620)</u>
	<u>\$6,851</u>	<u>\$3,814</u>

Included in occupancy expense in the consolidated statements of income is depreciation and amortization expense of \$1.5, \$1.6, and \$1.0 million for 2002, 2001 and 2000, respectively.

Each of the banks leases their main banking facilities and certain branch facilities under noncancellable operating lease agreements. The minimum annual rental commitments under these leases, at December 31, 2002, are as follows:

2003	\$1,570,943
2004	1,533,409
2005	1,523,068
2006	1,137,240
2007	624,030
2008 and thereafter	<u>792,998</u>
Total Rental Commitments	<u>\$6,898,186</u>

Total rent expense included in the consolidated statements of income was \$1.9 million, \$1.8 million, and \$1.7 million for 2002, 2001 and 2000, 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, 2002, 2001, and 2000 are as follows (in thousands):

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Income tax provision--			
Current--			
Federal.....	\$1,630	\$2,226	\$2,179
State.....	<u>108</u>	<u>--</u>	<u>--</u>
	1,738	2,226	2,179
Deferred--			
Federal.....	1,535	(175)	(164)
State.....	<u>--</u>	<u>--</u>	<u>248</u>
	<u>1,535</u>	<u>(175)</u>	<u>84</u>
Total.....	<u>\$3,273</u>	<u>\$2,051</u>	<u>\$2,263</u>

A summary reconciliation of the differences between the total income tax provision (benefit) and the amounts computed at the statutory federal tax rate of 34% for the years ended December 31, 2002, 2001 and 2000 is as follows (in thousands):

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Income tax provision at statutory federal income tax rate	\$4,855	\$2,805	\$2,274
Increase (decrease) in taxes resulting from:			
Tax exempt income.....	(1,865)	(1,182)	(586)
Bank owned life insurance.....	(204)	(44)	--
Zone academy bond credits.....	(237)	--	--
State income taxes.....	10	--	17
Other.....	<u>714</u>	<u>472</u>	<u>558</u>
Provision for income taxes.....	<u>\$3,273</u>	<u>\$2,051</u>	<u>\$2,263</u>

The net deferred tax liability is included in other liabilities in the consolidated balance sheet as of December 31, 2002. Conversely, the net deferred tax asset as of December 31, 2001 is included in other assets in the consolidated balance sheet. 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, 2002 and 2001 are as follows (in thousands):

	<u>2002</u>	<u>2001</u>
Gross deferred tax assets--		
Allowance for loan losses	\$3,611	\$2,482
Leasehold improvements	588	490
Trading swap fair value adjustment	321	--
Amortization of restricted stock	262	238
Unrealized loss on securities available for sale	--	5
Illinois net deduction carryforward	652	161
Valuation allowance on Illinois net deduction carryforward	(652)	(161)
Other	<u>256</u>	<u>267</u>
Gross deferred tax assets, net of valuation allowance	<u>5,038</u>	<u>3,482</u>
Gross deferred tax liabilities--		
Federal Home Loan Bank Stock Dividends	(3,886)	(1,018)
Unrealized gain on securities available for sale	(4,547)	(171)
Goodwill amortization	(280)	--
Other	<u>(259)</u>	<u>(311)</u>
Gross deferred tax liabilities	<u>(8,972)</u>	<u>(1,500)</u>
Net deferred tax (liability) asset	<u><u>\$ (3,934)</u></u>	<u><u>\$ 1,982</u></u>

NOTE 9--ACQUISITIONS

On December 30, 2002, The PrivateBank (Chicago) acquired Lodestar Investment Counsel, a Chicago-based investment advisor with \$482 million of assets under management at December 31, 2002. Lodestar manages equity, balanced, and fixed income accounts primarily for high net-worth individuals, retirement plans and charitable organizations with investable assets in excess of \$1.0 million, and shares a similar focus on highly personalized client service.

The consideration paid by the Company included cash and stock. The Company issued 282,437 shares of common stock outstanding following completion of the acquisition and related transactions. All assets and liabilities were adjusted to fair value as of the effective date of the acquisition creating goodwill of \$8.4 million and customer intangibles of \$2.5 million.

NOTE 10—DEPOSITS AND FUNDS BORROWED

The maturity distribution of time deposits of \$100,000 or greater and a summary of all funds borrowed and outstanding and the rate in effect on such borrowings at December 31, 2002, 2001 and 2000 is presented in the table below:

<u>Time Deposits \$100,000 and greater:</u>	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>
Three months or less	\$162,619	\$162,036	\$103,755
Over three through six months	57,568	65,897	55,623
Over six through twelve months	132,036	87,043	47,379
Over twelve months	<u>146,646</u>	<u>17,055</u>	<u>18,627</u>
Total	<u>\$498,869</u>	<u>332,031</u>	<u>\$225,384</u>

<u>Funds Borrowed:</u>	<u>Current Rate</u>	<u>Maturity</u>	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>
Subordinated note	3.75%	2/11/07	\$5,000	\$5,000	\$5,000
FHLB fixed advance(1)	6.50%	10/23/05	26,616	24,886	25,000
FHLB fixed advance	6.21%	12/05/03	30,000	30,000	30,000
FHLB fixed advance	1.73%	11/07/03	6,000	--	--
FHLB fixed advance	2.21%	07/17/03	1,000	--	--
FHLB fixed advance	2.74%	07/17/03	1,000	--	--
FHLB fixed advance	2.46%	06/16/03	500	--	--
FHLB fixed advance	2.70%	05/08/03	1,000	--	--
Borrowing under revolving line of credit facility	3.50%	4/11/03	25,000	--	--
FHLB fixed advance	2.98%	03/10/03	1,000	--	--
FHLB fixed advance	2.38%	01/13/03	1,000	--	--
FHLB fixed advance	5.89%	12/20/02	--	1,000	1,000
FHLB fixed advance	2.39%	11/12/02	--	5,000	--
FHLB fixed advance	5.33%	07/22/02	--	1,000	--
FHLB fixed advance	5.91%	06/21/02	--	500	500
FHLB fixed advance	4.21%	05/13/02	--	1,000	--
FHLB fixed advance	5.02%	03/06/02	--	1,000	--
FHLB fixed advance	3.10%	02/11/02	--	5,000	18,000
FHLB fixed advance	4.30%	02/01/02	--	25,000	--
FHLB fixed advance	5.21%	01/22/02	--	1,000	--
FHLB fixed advance	6.49%	11/30/01	--	--	2,000
FHLB floating rate advance(2)	6.77%	5/1/01	--	--	10,000
FHLB open line advance	1.48%	daily	9,700	25,000	--
Fed funds purchased	1.49%	daily	98,000	103,000	2,700
Demand repurchase agreements (3)	1.40%	daily	<u>4,138</u>	<u>3,102</u>	<u>2,679</u>
Total funds borrowed			<u>\$209,954</u>	<u>\$231,488</u>	<u>\$96,879</u>

- (1) This FHLB advance is subject to a fair value hedge utilizing an interest rate swap with a fair value of \$2.9 million. The contractual par amount on the advance is \$25.0 million.
- (2) The rate on this FHLB floating rate advance is set at one-month LIBOR minus five basis points.
- (3) Demand repurchase agreements are a form of retail repurchase agreements offered to certain clients of The PrivateBank (Chicago). 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.

On February 11, 2002, the Company renewed the term on an \$18.0 million revolving credit facility with a commercial bank originally entered into on February 11, 2000. On April 11, 2002, the loan agreement was amended and the revolving line was increased to \$25.0 million. On December 24, 2002, the loan agreement was amended to increase the revolving line was increased to \$35.0 million and matures on April 11, 2003. The interest rate on borrowings under this revolving line resets quarterly, and is based on, at our option, either the lender's prime rate or three-month LIBOR plus 120 basis points with a floor of 3.50%. The Company has elected to pay interest based on the three-month LIBOR rate plus 120 basis points. The initial rate of interest on the revolver was 7.20%, and most recently reset to 3.50% on December 31, 2002. The collateral for this borrowing consists of the common stock of The PrivateBank (Chicago) and The PrivateBank (St. Louis), which is held in custody by the lender. As of December

31, 2002, the outstanding balance was \$25.0 million.

On February 11, 2000, the Company entered into a subordinated note issued to Johnson International, Inc. and subsequently sold to a third party, in the principal amount of \$5.0 million. The interest on the subordinated note is reset each quarter based on the three-month LIBOR rate. The note is payable in full on or before February 11, 2007, and provides for certain rate escalation beginning after February 11, 2002. On February 11, 2002, the interest rate increased from LIBOR +50 basis points to LIBOR +200 basis points. This pricing is in effect until February 11, 2004, at which point the pricing increases to LIBOR +350 until maturity on February 11, 2007. The average rate of interest on the subordinated note was 3.56% during 2002 compared to 4.86% during 2001 and most recently reset to 3.75% on December 31, 2002. The Company has the right to repay the subordinated note at any time after giving at least 30 days, but not more than 60 days advance notice.

The scheduled maturities of time deposits (including brokered deposits) as of December 31, 2002, for the years 2003 through 2007 and thereafter, are as follows:

For year ending December 31,	
2003	\$473,794
2004	66,138
2005	4,445
2006	2,605
2007 and thereafter.....	<u>15,469</u>
Total	<u>\$562,451</u>

NOTE 11—LONG TERM DEBT – TRUST PREFERRED SECURITIES

Effective February 8, 2001, PrivateBancorp Capital Trust I, a newly created Delaware business trust and wholly-owned finance subsidiary of the Company, issued 2,000,000 shares (including the underwriters' over-allotment) of 9.50% trust preferred securities, which represent preferred undivided interests in the assets of the trust. The sole assets of the trust are 9.50% junior subordinated debentures issued by the Company with a maturity date of December 31, 2030.

Subject to certain limitations, the Company has the right to defer payment of interest on the debentures at any time, or from time to time, for a period not to exceed 20 consecutive quarters. The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the debentures at maturity or their earlier redemption. At the option of the Company, the debentures may be redeemed in whole or in part prior to maturity on or after December 31, 2005, if certain conditions are met, and only after the Company has obtained Federal Reserve approval, if then required under applicable guidelines or regulations.

The Company has guaranteed the payment of distributions and payments upon liquidation or redemption of the trust preferred securities, in each case to the extent of funds held by the trust. The Company and the trust believe that, taken together, the obligations of the Company under the guarantee, 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 trust under the trust preferred securities.

The trust preferred securities are recorded as long-term debt of the Company. The trust received net proceeds of approximately \$18.9 million after deducting underwriting commissions and offering expenses and including the underwriters' over-allotment shares. A portion of the preferred securities is eligible for treatment as Tier 1 capital as allowed by the Federal Reserve.

NOTE 12--EMPLOYEE SAVINGS AND INCENTIVE PLANS

a. 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 \$239,867, \$112,387, and \$100,634 in 2002, 2001 and 2000, respectively.

b. Stock Options

The Company has stock options outstanding under its Stock Incentive Plan, a director stock option program and certain compensation replacement options.

As in effect as of December 31, 2002, the Stock Incentive Plan allows 12,540 shares to be issued under the Plan either pursuant to the exercise of stock options granted thereunder or as restricted stock awards. The option price may not be less than the fair market value on the date of grant. All options have a term of 10 years. Options other than those granted in 1998 are first exercisable beginning at least two years following the date of grant. Options granted in 1998 are first exercisable five years from the date of grant or up to two years earlier if certain conditions for total stockholder return are met.

Since 1992, the Company has compensated non-employee directors with annual option grants. The option price of the director options is fair market value on the date of grant, and the exercise period is 10 years from the date of grant.

In 1992, the Company granted compensation replacement options to certain officers of the company who agreed to reduced cash compensation. The option price is the fair market value on the date of grant. The compensation replacement options are exercisable during a 10-year period from the date of grant.

The following table summarizes the status of the Company's stock option agreements and stock option program as of December 31, 2002 and 2001, adjusted to reflect our 3-for-2 stock split effective January 17, 2003, and changes during the years then ended:

	<u>2002</u>		<u>2001</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at beginning of year	1,014,953	\$7.99	1,091,037	\$7.19
Granted	21,750	15.00	182,850	9.55
Exercised	(212,796)	5.79	(238,647)	5.29
Forfeited	<u>(5,109)</u>	9.02	<u>(20,288)</u>	10.63
Outstanding at end of year	<u>818,798</u>	\$8.77	<u>1,014,953</u>	\$7.99
Options exercisable at year-end	356,915		668,430	
Weighted average fair value of options granted during the year.....	\$15.00		\$9.55	

The range of exercise prices and weighted average remaining contractual life for stock options outstanding as of December 31, 2002, was \$4.58 to \$15.00 and six years, respectively.

The following table presents the range of exercise prices for the stock option grants outstanding at December 31, 2002.

<u>Exercise Price Range</u>	<u>Stock options outstanding</u>
\$4.58 - \$6.25	264,240
\$7.29 - \$9.67	300,435
\$11.15 - \$15.00	254,123

c. Restricted Stock

In 2002 and 2001, the Company issued the following restricted share grants:

<u>Grant Date</u>	<u>Shares Granted</u>	<u>Price</u>
2001:		
January 2001.....	450	8.50000
February 2001.....	34,800	9.41666
April 2001.....	750	9.33333
June 2001.....	2,250	11.1533
December 2001.....	1,500	11.3866
December 2001.....	3,750	11.3866

<u>Grant Date</u>	<u>Shares Granted</u>	<u>Price</u>
2002:		
January 2002.....	2,550	15.0000

During 2002, no restricted shares were forfeited. Restricted shares 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. Shares issued under the plan are recorded at their fair market value on the date of grant with a corresponding charge to deferred compensation. The deferred compensation, a component of stockholders' equity, is being amortized as compensation expense on a straight-line basis over the vesting period. Included in salaries and employee benefits in the consolidated statements of income is compensation expense for restricted shares of \$306,026, \$275,771, and \$227,000 for 2002, 2001 and 2000, respectively.

NOTE 13--RELATED-PARTY TRANSACTIONS

An analysis of loans made to directors and executive officers of the Company and the banks follows:

Balance, December 31, 2001.....	\$11,529,908
Additions.....	11,236,239
Collections.....	<u>(7,935,626)</u>
Balance, December 31, 2002.....	<u>\$14,830,521</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.

In May 1998, Ralph B. Mandell, our Chairman, President and Chief Executive Officer, purchased 72,720 shares of newly issued common stock at \$13.75 per share from the Company. The purpose of the transaction was to enhance Mr. Mandell's interest in our long-term performance and further align his interests with those of our stockholders. As part of the transaction, we loaned Mr. Mandell approximately 95% of the purchase price on a full recourse basis. The loan matured on December 30, 2002 when Mr. Mandell repaid the outstanding loan balance in full. Interest accrues at 5.69% per annum, compounded annually (the applicable Federal rate), on the principal amount of the loan; however, provided Mr. Mandell does not sell any of the shares purchased and remains in our employ, 25% of the accumulated interest on the loan will be forgiven on the loan's second anniversary, 50% of the accumulated interest on the loan will be forgiven on its third anniversary, 75% of the accumulated interest on the loan will be forgiven on its fourth anniversary, and 100% of the accumulated interest on the loan will be forgiven on the loan's fifth anniversary. Mr. Mandell pledged all of the shares of common stock purchased in the transaction as collateral for the loan he received from us, but he is entitled to vote, and receive dividends on, the shares. The loan

was repaid in full in December, 2002.

The Company is the general partner in a partnership for investment purposes. Through a contractual arrangement, The PrivateBank (Chicago)'s wealth management department maintains the partnership's records and earns an administrative fee from the partnership.

During 2002, the PrivateBank (Chicago) acquired phone equipment and related services with a total cost of \$176,244 through an information technology company, Worknet, Inc. William Castellano, who is one of the Company's directors, is an affiliate of that Company.

During 2002, 2001 and 2000, The PrivateBank (Chicago) incurred professional fees for services provided by the law firm Spitzer, Addis, Susman & Krull in the amount of approximately \$309,378, \$263,264, and \$186,000, respectively. Michael B. Susman, who is one of the Company's directors, is a partner of that firm.

NOTE 14— DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

Derivative Financial Instruments

The Company entered into an interest rate swap agreement on November 23, 2001 in order to hedge a 6.5% fixed-rate \$25.0 million FHLB advance maturing on October 23, 2005. An interest rate swap is an agreement in which two parties agree to exchange, at specified intervals, interest payment streams calculated on an agreed-upon notional principal amount with at least one stream based on a specified floating rate index. The Company paid \$1.9 million in order to swap the interest on a 6.5% fixed-rate for a 90-day LIBOR-based rate. A basis difference of \$1.9 million arises due to the fact that the fair value hedge was initiated one year following the issuance of the FHLB advance. The basis difference impacts the carrying value of the FHLB advance and is being amortized to interest expense over the debt's remaining term outstanding.

As the swap qualifies as a fair value hedge, changes in the fair value of the interest rate swap and the changes in the fair value of the advance from the date of designation are recorded through income. The interest rate swap is recorded in other assets of the consolidated balance sheet at its fair value of \$2.9 million.

In the third quarter of 2002, the Company entered into a \$25 million swap in order to protect a portion of the municipal investment security portfolio appreciation should rates rise. The Company swapped the 10-year rate for 3-month LIBOR to act as an economic hedge to a portion of the available-for-sale municipal securities in the portfolio. The December 31, 2002 fair market value adjustment on this swap resulted in a trading loss of \$943,000, which is recorded in other liabilities on the consolidated balance sheet.

Interest rate swaps are subject to credit risk for non-performance by counterparties. Exposure to credit risk is mitigated by credit approvals, credit limits and monitoring procedures.

Credit Risk and Market Risk

By their nature, all financial instruments involve risk, including credit risk for non-performance 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 non-performance 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, commencing in 2001, 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, 2002 and 2001, the banks had the following categories of credit-related financial instruments:

	<u>2002</u>	<u>2001</u>
	(in thousands)	
Commitments to extend credit	\$388,696	\$224,144
Standby letters of credit	37,936	19,950

Note: all commitments are floating and 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 same as that involved in extending loan facilities to clients. The bank holds collateral supporting those commitments for which collateral is deemed necessary.

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

	<u>Total</u>	<u>2003</u>	<u>Expiring in:</u>		
			<u>2004-2005</u>	<u>2006-2007</u>	<u>>2008</u>
			(in thousands)		
Standby letters of credit	37,936	27,592	5,430	4,914	--
Commitments to extend credit	<u>388,696</u>	<u>211,925</u>	<u>126,058</u>	<u>17,376</u>	<u>33,337</u>
Total	<u>\$426,632</u>	<u>\$239,517</u>	<u>\$131,488</u>	<u>\$22,290</u>	<u>\$33,337</u>

NOTE 15--CONCENTRATIONS OF CREDIT RISK

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 and St. Louis areas. There are no other significant concentrations of loans and commitments to make loans other than the categories of loans disclosed in Note 5.

NOTE 16--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, 2002 and 2001. This information is presented solely for compliance with FAS 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.

	<u>December 31, 2002</u>		<u>December 31, 2001</u>	
	<u>Carrying Value</u>	<u>Estimated Fair Value</u>	<u>Carrying Value</u>	<u>Estimated Fair Value</u>
(in thousands)				
Assets--				
Cash and cash equivalents	\$34,787	\$34,787	\$22,801	\$22,801
Securities.....	487,020	487,020	332,933	332,933
Loans held for sale	14,321	14,321	11,335	11,335
Net loans.....	954,056	988,352	772,465	780,705
Accrued interest receivable.....	9,427	9,427	7,262	7,262
Interest Rate Swap.....	2,925	2,925	1,704	1,704
Bank Owned Life Insurance.....	10,729	10,729	10,128	10,128
Liabilities--				
Deposits with no stated maturity	642,820	642,820	480,486	480,486
Time deposits	<u>562,451</u>	<u>535,576</u>	<u>370,009</u>	<u>370,935</u>
Total deposits	1,205,271	1,205,272	850,495	851,421
Accrued interest payable.....	4,986	4,986	2,112	2,112
Funds borrowed	209,954	209,377	231,488	232,827
Long term debt – Trust Preferred Securities	20,000	21,980	20,000	21,879

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 nonaccrual (impaired) loans is based on estimated cash flows which are discounted using a rate commensurate with the risk associated with the estimated cash flows. 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 for unused lines and outstanding letters of credit are primarily at market-based interest rates and therefore there is no fair value adjustment.

NOTE 17--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, 2003, The PrivateBank (Chicago) could have declared approximately \$30,295,618 in dividends without requesting approval of the applicable federal or state regulatory agency. As of January 1, 2003, The PrivateBank (St. Louis) could not have declared dividends due to net losses in 2000 and 2001.

The PrivateBank (Chicago) is required to maintain noninterest-bearing cash balances with the Federal Reserve based on the types and amounts of deposits held. During 2002 and 2001, the average balances maintained to meet the requirement were \$6,122,000 and \$3,037,720, respectively.

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 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, 2002, the Company and the banks meet all minimum capital adequacy requirements to which they are subject.

The most recent notification from the Federal Deposit Insurance Corporation categorized The PrivateBank (Chicago) as well capitalized under the regulatory framework for prompt corrective action. 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) and The PrivateBank (St. Louis) as of December 31, 2002 and 2001 (dollars in thousands):

	<u>Actual</u>		<u>For Capital</u>		<u>To Be Well</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Adequacy Purposes</u>	<u>Ratio</u>	<u>Capitalized Under</u>	<u>Prompt Corrective</u>
			<u>Amount</u>	<u>Ratio</u>	<u>Action Provisions</u>	<u>Ratio</u>
As of December 31, 2002--						
Total risk-based capital--						
Consolidated.	\$94,109	8.29 %	\$90,845	8.00 %		
The PrivateBank (Chicago).....	104,249	10.26	81,305	8.00	\$101,631	10.00 %
The PrivateBank (St. Louis).....	14,230	12.05	9,445	8.00	11,807	10.00
Tier 1 risk-based capital--						
Consolidated.	\$78,524	6.91	\$45,422	4.00		
The PrivateBank (Chicago).....	93,918	9.24	40,652	4.00	\$60,978	6.00
The PrivateBank (St. Louis).....	12,976	10.99	4,723	4.00	7,084	6.00
Tier 1 (leverage) capital--						
Consolidated.	\$78,524	5.47	\$57,455	4.00		
The PrivateBank (Chicago).....	93,918	7.25	51,842	4.00	\$64,802	5.00
The PrivateBank (St. Louis).....	12,976	9.47	5,482	4.00	6,852	5.00
As of December 31, 2001--						
Total risk-based capital--						
Consolidated.	\$84,482	9.71 %	\$69,617	8.00 %		
The PrivateBank (Chicago).....	79,222	10.02	63,233	8.00	\$79,042	10.00 %
The PrivateBank (St. Louis).....	8,455	10.86	6,228	8.00	7,786	10.00
Tier 1 risk-based capital--						
Consolidated.	\$71,176	8.18	\$34,809	4.00		
The PrivateBank (Chicago).....	71,725	9.07	31,617	4.00	\$47,425	6.00
The PrivateBank (St. Louis).....	7,646	9.82	3,114	4.00	4,671	6.00
Tier 1 (leverage) capital--						
Consolidated.	\$71,176	6.64	\$42,904	4.00		
The PrivateBank (Chicago).....	71,125	7.25	39,565	4.00	\$49,456	5.00
The PrivateBank (St. Louis).....	7,646	9.43	3,242	4.00	4,053	5.00

NOTE 18--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 party will have a material effect, either individually or in the aggregate, on the consolidated financial position or results of operations.

NOTE 19--PRIVATEBANCORP, INC. (PARENT COMPANY ONLY) CONDENSED FINANCIAL STATEMENTS

CONDENSED BALANCE SHEETS
As of December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
	(in thousands)	
Assets		
Cash and due from banks--bank subsidiaries	\$ 723	\$ 361
Investment in bank subsidiaries	135,901	90,499
Other assets	<u>3,125</u>	<u>1,939</u>
Total assets	<u>\$139,749</u>	<u>\$92,799</u>
Liabilities and Stockholders' Equity		
Funds borrowed	\$ 30,000	\$10,000
Long term debt – trust preferred securities	20,000	20,000
Other liabilities	<u>657</u>	<u>495</u>
Total liabilities	<u>50,657</u>	<u>30,495</u>
Stockholders' equity	<u>89,092</u>	<u>62,304</u>
Total liabilities and stockholders' equity	<u>\$139,749</u>	<u>\$92,799</u>

CONDENSED STATEMENTS OF INCOME
For the Years Ended December 31, 2002, 2001 and 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(in thousands)		
Operating income:			
Interest income	\$ --	\$ --	\$ 5
Interest expense	<u>2,553</u>	<u>2,127</u>	<u>1,230</u>
Net interest expense	<u>(2,553)</u>	<u>(2,127)</u>	<u>(1,225)</u>
Non interest income:			
Other income	<u>115</u>	<u>12</u>	<u>6</u>
Operating expense:			
Amortization of deferred compensation	306	276	227
Other	<u>2,731</u>	<u>1,652</u>	<u>1,359</u>
Total	<u>3,037</u>	<u>1,928</u>	<u>1,586</u>
Loss before income taxes and equity in undistributed net income of bank subsidiaries	(5,475)	(4,043)	(2,805)
Income tax benefit	<u>(1,772)</u>	<u>(1,547)</u>	<u>(913)</u>
Loss before equity in undistributed net income of bank subsidiaries	<u>(3,703)</u>	<u>(2,496)</u>	<u>(1,892)</u>
Equity in undistributed net income of bank subsidiaries	<u>14,710</u>	<u>8,696</u>	<u>6,317</u>
Net income	<u>\$11,007</u>	<u>\$ 6,200</u>	<u>\$ 4,425</u>

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

CONDENSED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002, 2001 and 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(in thousands)		
Cash flows from operating activities:			
Net income	\$11,007	\$6,200	\$4,425
Adjustments to reconcile net income to net cash used in operating activities--			
Equity in net income of bank subsidiaries.....	(14,710)	(8,696)	(6,317)
Amortization of deferred compensation.....	306	276	227
Decrease (increase) in other assets	275	(646)	(407)
Increase in other liabilities	416	386	607
Other, net	<u>1,198</u>	<u>(269)</u>	<u>--</u>
Total adjustments.....	<u>(12,515)</u>	<u>(8,949)</u>	<u>(5,890)</u>
Net cash used in operating activities	<u>(1,508)</u>	<u>(2,749)</u>	<u>(1,465)</u>
Cash flows from investing activities:			
Net capital investments in bank subsidiaries.....	(23,750)	(5,000)	(29,200)
Proceeds from bank subsidiary for Lodestar acquisition	5,589	--	--
Purchase of premises	<u>(1,750)</u>	<u>--</u>	<u>--</u>
Net cash used in investing activities.....	(19,911)	(5,000)	(29,200)
Cash flows from financing activities:			
Funds borrowed.....	20,000	5,000	23,000
Issuance of Long term debt – Trust Preferred Securities.....	--	20,000	--
Repayment of funds borrowed	--	(18,000)	--
Proceeds from exercise of stock options.....	1,522	1,259	110
Repayment of loan to executive officer	950	--	175
Dividends paid	<u>(691)</u>	<u>(520)</u>	<u>(462)</u>
Net cash provided by financing activities	<u>21,781</u>	<u>7,739</u>	<u>22,823</u>
Net increase (decrease) in cash and cash equivalents	362	(10)	(7,842)
Cash and cash equivalents at beginning of year	<u>361</u>	<u>371</u>	<u>8,213</u>
Cash and cash equivalents at end of year	<u>\$ 723</u>	<u>\$ 361</u>	<u>\$ 371</u>
Other cash flow disclosures:			
Income taxes paid	\$1,325	\$1,757	\$1,917

NOTE 20--CAPITAL TRANSACTIONS

During 2002, the Company contributed capital of \$19.25 million to the PrivateBank (Chicago) and \$4.5 million to the PrivateBank (St. Louis). On June 23, 2000, the Company established The PrivateBank (St. Louis) as a federal savings bank in St. Louis, Missouri. The PrivateBank (St. Louis) was capitalized with \$8.0 million of borrowed funds drawn from the Company's revolving credit facility. This facility, entered into with a commercial bank in February 2000 and was amended on December 24, 2002, and as amended, matures on April 11, 2003 and allows for up to \$35.0 million in borrowings. The interest rate on borrowings under the revolving line is based on, at the borrower's option, either the lender's prime rate or a 90-day LIBOR-based rate. The PrivateBank (St. Louis) is a wholly-owned subsidiary of the Company, and its financial condition and results of operations are included in the Company's consolidated financial statements.

PRIVATEBANCORP, INC. AND SUBSIDIARIES
SUPPLEMENTAL FINANCIAL DATA
Selected Quarterly Financial Data (unaudited)

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

	2002				2001			
	Fourth	Third	Second	First	Fourth	Third	Second	First
	(dollars in thousands except ratios and per share data)							
Summary Income Statement								
Interest Income								
Loans, including fees.....	\$14,043	\$13,704	\$12,665	\$12,148	\$12,311	\$12,785	\$12,877	\$13,002
Federal funds sold and interest bearing deposits....	63	38	8	17	13	23	31	177
Securities.....	<u>5,507</u>	<u>4,557</u>	<u>4,886</u>	<u>4,206</u>	<u>4,144</u>	<u>3,704</u>	<u>3,327</u>	<u>3,202</u>
Total interest income.....	19,613	18,299	17,559	16,371	16,468	16,512	16,235	16,381
Interest expense.....	<u>7,800</u>	<u>7,856</u>	<u>7,579</u>	<u>8,007</u>	<u>8,548</u>	<u>9,478</u>	<u>9,625</u>	<u>9,986</u>
Net interest income.....	11,813	10,443	9,980	8,364	7,920	7,034	6,610	6,395
Provision for loan loss.....	<u>914</u>	<u>828</u>	<u>1,609</u>	<u>511</u>	<u>1,257</u>	<u>845</u>	<u>738</u>	<u>339</u>
Net interest income after provision for loan loss.....	<u>10,899</u>	<u>9,615</u>	<u>8,371</u>	<u>7,853</u>	<u>6,663</u>	<u>6,189</u>	<u>5,872</u>	<u>6,056</u>
Non-Interest income								
Banking, wealth management services and other income....	1,975	1,763	1,802	1,542	1,149	902	1,024	953
Securities gains (losses), net.....	(313)	280	274	(230)	1,191	365	353	186
Trading losses on swap.....	<u>(282)</u>	<u>(662)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total non-interest income.....	<u>1,380</u>	<u>1,381</u>	<u>2,076</u>	<u>1,312</u>	<u>2,340</u>	<u>1,267</u>	<u>1,377</u>	<u>1,139</u>
Non-Interest expense								
Salaries and employee benefits.....	3,903	3,393	3,469	3,214	2,519	2,303	1,855	2,434
Goodwill.....	--	--	--	--	206	206	206	206
Occupancy expense.....	1,319	1,227	1,206	1,139	1,325	985	960	888
Other non-interest expense.....	<u>2,712</u>	<u>2,468</u>	<u>2,438</u>	<u>2,119</u>	<u>2,576</u>	<u>1,847</u>	<u>2,378</u>	<u>1,758</u>
Total non-interest expense.....	<u>7,934</u>	<u>7,088</u>	<u>7,113</u>	<u>6,472</u>	<u>6,626</u>	<u>5,341</u>	<u>5,399</u>	<u>5,286</u>
Income before income taxes.....	4,345	3,908	3,334	2,693	2,377	2,115	1,850	1,909
Provision for income taxes.....	<u>1,125</u>	<u>875</u>	<u>724</u>	<u>549</u>	<u>459</u>	<u>524</u>	<u>492</u>	<u>576</u>
Net income.....	<u>\$3,220</u>	<u>\$3,033</u>	<u>\$2,610</u>	<u>\$2,144</u>	<u>\$1,918</u>	<u>\$1,591</u>	<u>\$1,358</u>	<u>\$1,333</u>
Key Statistics								
Diluted earnings per share.....	0.41	0.39	0.33	0.28	0.26	0.22	0.19	0.19
Basic earnings per share.....	0.43	0.41	0.35	0.29	0.27	0.22	0.19	0.19
Return on average total assets ..	0.88%	0.89%	0.82%	0.73%	0.70%	0.64%	0.60%	0.64%
Return on average total equity...	15.99%	15.86%	15.07%	13.35%	12.18%	10.46%	9.46%	9.86%
Net interest margin.....	3.56%	3.46%	3.53%	3.18%	3.28%	3.17%	3.21%	3.32%
Yield on average earning assets..	5.79%	5.90%	6.03%	6.02%	6.57%	7.16%	7.67%	8.37%
Cost of average paying liabilities	2.42%	2.63%	2.69%	3.06%	3.59%	4.40%	4.92%	5.55%
Efficiency Ratio (tea).....	57.3%	56.3%	55.4%	62.5%	60.9%	60.6%	64.5%	67.8%
Common Stock Information								
Book value per share.....	\$11.56	\$10.71	\$9.71	\$8.80	\$8.65	\$8.71	\$8.23	\$8.10
Dividends paid per share.....	0.027	0.027	0.020	0.020	0.020	0.020	0.017	0.017
Outstanding shares at end of pd.	7,704,203	7,404,234	7,382,370	7,375,530	7,206,420	7,125,186	7,021,002	7,028,652

PRIVATEBANCORP, INC. AND SUBSIDIARIES
SUPPLEMENTAL FINANCIAL DATA
Selected Quarterly Financial Data (unaudited)(continued)

	<u>2002</u>				<u>2001</u>			
	<u>Fourth</u>	<u>Third</u>	<u>Second</u>	<u>First</u>	<u>Fourth</u>	<u>Third</u>	<u>Second</u>	<u>First</u>
	(dollars in thousands except ratios and per share data)							
Number of shares used to compute:								
Basic earnings per share.....	7,422,471	7,392,542	7,378,748	7,287,033	7,160,358	7,071,759	7,022,483	6,972,092
Diluted earnings per share.....	7,912,101	7,809,603	7,808,900	7,613,646	7,427,007	7,393,757	7,282,625	7,175,100
Capital Ratios								
Total equity to total assets.....	5.77%	5.65%	5.38%	5.27%	5.29%	5.96%	6.12%	6.52%
Total risk-based capital ratio.....	8.29%	9.10%	9.37%	9.93%	9.71%	10.55%	10.98%	10.97%
Tier-1 risk based capital ratio.....	6.91%	7.61%	7.84%	8.37%	8.18%	8.88%	9.17%	9.12%
Leverage ratio.....	5.47%	5.91%	6.07%	6.25%	6.64%	6.99%	7.26%	7.60%
Selected Financial Condition								
Data (at end of period)								
Total securities	\$487,020	\$403,192	\$392,090	\$388,728	\$332,933	\$279,319	\$224,505	\$210,840
Total loans.....	965,641	913,197	865,778	782,434	780,771	715,977	666,262	625,700
Total assets	1,543,414	1,404,326	1,332,008	1,231,208	1,176,768	1,041,975	944,887	873,693
Total deposits	1,205,271	1,163,327	1,074,475	981,865	850,495	801,146	750,494	695,571
Funds borrowed.....	209,954	125,422	154,499	155,523	231,488	137,956	106,128	90,397
Total stockholders' equity	89,092	79,281	71,697	64,926	62,304	62,087	57,826	56,946
Credit Quality								
Non-performing assets:								
Loans delinquent over 90 days...	650	2,549	2,518	1,448	2,504	3,766	938	2,847
Nonaccrual loans.....	749	430	649	1,458	664	2,658	1,504	117
Other real estate.....	--	--	--	--	--	62	--	--
Total non-performing assets	<u>\$1,399</u>	<u>\$2,979</u>	<u>\$3,167</u>	<u>\$2,906</u>	<u>\$3,168</u>	<u>\$6,486</u>	<u>\$2,442</u>	<u>\$2,964</u>
Loans charged-off	4	165	515	66	521	199	332	--
Recoveries.....	<u>33</u>	<u>70</u>	<u>25</u>	<u>39</u>	<u>12</u>	<u>16</u>	<u>35</u>	<u>8</u>
Net charge-offs (recoveries)	<u>\$ (29)</u>	<u>\$ 95</u>	<u>\$ 490</u>	<u>\$ 27</u>	<u>\$ 509</u>	<u>\$ 183</u>	<u>\$ 297</u>	<u>\$ (8)</u>
Provision for loan losses	<u>\$ 914</u>	<u>\$ 828</u>	<u>\$1,609</u>	<u>\$ 511</u>	<u>\$1,257</u>	<u>\$ 845</u>	<u>\$ 738</u>	<u>\$ 339</u>
Key Ratios:								
Net charge-offs to average loans	(0.01)%	0.04%	0.24%	0.01%	0.27%	0.11%	0.18%	(0.01)%
Total non-performing loans to total loans.....	0.14%	0.33%	0.37%	0.37%	0.41%	0.91%	0.37%	0.47%
Total non-performing assets to total assets	0.09%	0.21%	0.24%	0.24%	0.27%	0.62%	0.26%	0.34%
Loan Loss Reserve Summary:								
Balance at beginning of period...	\$10,642	\$9,909	\$8,790	\$8,306	\$7,558	\$6,896	\$6,455	\$6,108
Provision	914	828	1,609	511	1,257	845	738	339
Net charge-offs (recoveries)	<u>(29)</u>	<u>95</u>	<u>490</u>	<u>27</u>	<u>509</u>	<u>183</u>	<u>297</u>	<u>(8)</u>
Ending allowance for loan losses	\$11,585	\$10,642	\$9,909	\$8,790	\$8,306	\$7,558	\$6,896	\$6,455
Net loan charge-offs (recoveries):								
Commercial real estate.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Residential real estate	--	--	--	--	--	--	--	--
Commercial	(2)	46	481	18	438	185	276	(3)
Personal	(27)	49	9	9	71	(2)	21	(5)
Home equity	--	--	--	--	--	--	--	--
Construction	--	--	--	--	--	--	--	--
Total net loan charge-offs (recoveries)	<u>\$ (29)</u>	<u>\$ 95</u>	<u>\$ 490</u>	<u>\$ 27</u>	<u>\$ 509</u>	<u>\$ 183</u>	<u>\$ 297</u>	<u>\$ (8)</u>

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description of Exhibits</u>
3.1	Amended and Restated Certificate of Incorporation of PrivateBancorp, Inc. (Filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).
3.2	[Intentionally left blank]
3.3	Amended and Restated By-laws of PrivateBancorp, Inc. (Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference).
4.1	Subordinated Note of PrivateBancorp Inc., dated February 11, 2000, principal amount of \$5 million due February 11, 2007, issued to Johnson International, Inc. (Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 and incorporated herein by reference).
4.2	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.
10.1	Lease Agreement for banking facility located at Ten North Dearborn, Chicago, Illinois dated January 1, 1992, as amended, by and between General American Life Insurance Company as successor-in-interest to LaSalle National Trust, N.A., as successor trustee to LaSalle National Bank, not personally but as Trustee under Trust Agreement dated November 6, 1985 and known as Trust No. 110519 and The PrivateBank and Trust Company (Filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).
10.2	Lease Agreement for banking facility located at 1603 West Sixteenth Street, Oak Brook, Illinois dated October 1996 by and between Columbia Lisle Limited Partnership and The PrivateBank and Trust Company (Filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).
10.3	First Amendment to Lease dated May 31, 2001 by and between Columbia Lisle Limited Partnership and The PrivateBank and Trust Company (Filed as an exhibit to the Company's Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference).
10.4	Lease Agreement for banking facility located at 517 Green Bay Road, Wilmette, Illinois dated as of May 2, 1994 by and between Gunnar H. Hedlund, Doris S. Hedlund, Robert P. Hedlund and Gerald A. Hedlund, LaSalle National Trust, N.A., as successor trustee to LaSalle National Bank, not personally but solely as Trustee under Trust Agreement dated December 28, 1972 and known as Trust No. 45197 and The PrivateBank and Trust Company (Filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).
10.5	Building Lease by and between Towne Square Realty, L.L.C. and The PrivateBank and Trust Company dated August 6, 1999 (Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 and incorporated herein by reference).
10.6	First Amendment to lease dated January 1, 2002 by and between Towne Square Realty, L.L.C. and The PrivateBank and Trust Company.
10.7	Sublease Agreement for banking facility located at 1401 South Brentwood Blvd., St. Louis, Missouri, dated as of December 13, 1999, by and between Union Planters Bank, National Association, St. Louis Brentwood Associates, L.P. and PrivateBancorp, Inc. (Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference).
10.8	Lease Agreement by and between Shodeen Management Company as agent for the beneficiaries of a land trust with Harris Bank St. Charles, pursuant to Trust Agreement dated March 4, 1994, and known as Trust No. 2321, and The PrivateBank and Trust Company dated January 9, 2001, for banking facility located at 312 Crescent Place, Geneva, Illinois (Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 and incorporated herein by reference).
10.9	Lease Agreement dated August 31, 1995 between 208 South LaSalle Associates, L.P. and Lodestar Financial Services, Inc. +
10.10	First Amendment to lease dated February 15, 2000 between LaSalle-Adams, L.L.C. and Lodestar Financial Services, Inc. +
10.11	Second Amendment to lease dated August 12, 2002 between LaSalle-Adams, L.L.C. and Lodestar Investment Counsel, Inc. +
10.12	Pledge Agreement dated as of May 28, 1998 by and between the Ralph B. Mandell Revocable Trust UTA dated June 5, 1997 and PrivateBancorp, Inc. (included as Exhibit B to Stock Purchase Agreement filed as Exhibit 10.6 Filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).
10.13	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 and incorporated herein by reference).*
10.14	Employment Agreement by and between Ralph B. Mandell and PrivateBancorp, Inc. dated July 1, 2001 (Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference).*

<u>Exhibit No.</u>	<u>Description of Exhibits</u>
10.15	Outsourcing Agreement by and between The PrivateBank and Trust Company and Marshall & Ilsley Corporation, acting through its division M&I Data Services, dated as of April 9, 1999 (Filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).
10.16	Employment Agreement by and between Richard C. Jensen and PrivateBancorp, Inc. dated July 27, 2000 Filed as an exhibit to the Company's Form S-1 Registration Statement (File No.333-52676 and incorporated herein by reference).*
10.17	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).*
10.18	Agreement and Plan of Reorganization by and between PrivateBancorp, Inc. and Towne Square Financial Corporation dated as of June 24,1999 (Filed as an exhibit to the Company's Form S-1 Registration Statement (File No. 333-77147) and incorporated herein by reference).
10.19	Stock Purchase Agreement dated as of October 4, 1999 by and among PrivateBancorp, Inc., Johnson International, Inc. and Johnson Bank Illinois (Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference).
10.20	Loan Agreement dated as of February 11, 2000, between PrivateBancorp, Inc. and LaSalle Bank National Association (Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 and incorporated herein by reference).
10.21	Amendment No. 1 to Loan agreement dated as of April 11, 2002 between PrivateBancorp, Inc. and LaSalle Bank National Association (Filed as an exhibit to the Company's Annual Report on Form 10-Q for the quarter ended March 31, 2002 and incorporated herein by reference).
10.22	Amendment No. 2 to Loan agreement dated as of February 11, 2002 between PrivateBancorp, Inc. and LaSalle Bank National Association (Filed as an exhibit to the Company's Annual Report on Form 10-Q for the quarter ended June 30, 2002 and incorporated herein by reference).
10.23	Amendment No. 3 to Loan agreement dated as of December24, 2002 between PrivateBancorp, Inc. and LaSalle Bank National Association +
10.24	Letter Agreement dated September 26, 2000 by and between PrivateBancorp, Inc., The PrivateBank and Trust Company and Donald A. Roubitchek (Filed an as exhibit to the Company's Quarterly's Report on Form 10-Q for the quarter ended September 30, 2000and incorporated herein by reference).*
10.25	Employment Agreement by and between William Goldstein and Lodestar Investment Counsel LLC, dated as of December 30, 2002 +
12.1	Calculation of Ratio of Earnings to Fixed Charges. +
21.1	Subsidiaries of the Registrant +
23.1	Consent of Ernst & Young LLP. +
24.1	Powers of Attorney (set forth on signature page).
99.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. +
99.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. +
+	Filed herewith.
*	Indicates management contracts or compensatory plans or arrangements required to be filed as an exhibit.