

# 244



**Confidential Treatment Requested  
By Taylor Capital Group, Inc.**

March 6, 2009

Mr. Neil M. Barofsky  
Special Inspector General  
Office of the Special Inspector General  
Troubled Asset Relief Program  
1500 Pennsylvania Avenue, N.W., Suite 1064  
Washington, D.C. 20220

Dear Mr. Barofsky,

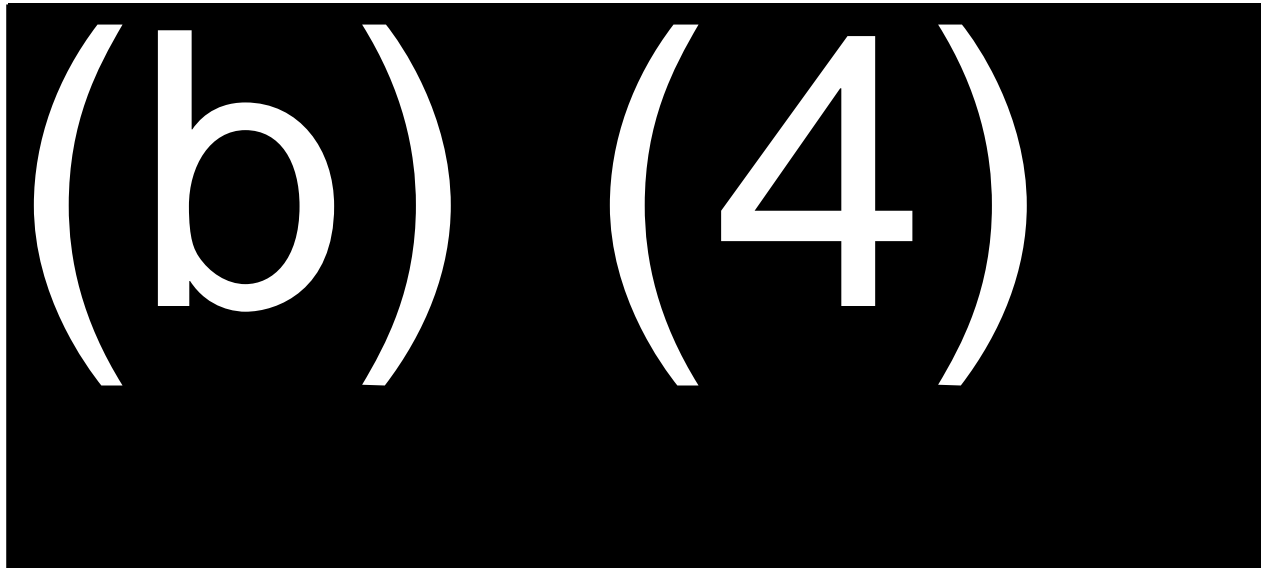
The following information is being provided in response to the letter from the Office of the Special Inspector General for Troubled Asset Relief Program (“SIGTARP”), dated February 6, 2009. Generally, the SIGTARP letter requests information regarding Taylor Capital Group, Inc’s (“TAYC”) anticipated and actual utilization of Troubled Asset Relief Program (“TARP”) funds, and its plans for addressing the executive compensation requirements of the Emergency Economic Stabilization Act of 2008 (“EESA”). For your convenience, SIGTARP’s specific requests for information and TAYC’s responses are set forth below.

**Request 1: Use of TARP Funds**

*A narrative response specifically outlining (a) your anticipated use of TARP funds; (b) whether the TARP funds were segregated from other institutional funds; (c) your actual use of TARP funds to date; and (d) your expected use of unspent TARP funds. In your response, please take into consideration your anticipated use of TARP funds at the time that you applied for such funds, or any actions that have been taken that you would not have been able to take absent the infusion of TARP funds.*

**A. Anticipated Use of TARP Funds**

(b) (4)



Based on the foregoing, the Board approved TAYC's participation in the CPP on November 18, 2008 and the CPP transaction closed on November 21, 2008.

Further information regarding TAYC's anticipated use of TARP funds is included in TAYC's press release, dated November 12, 2008, in which it announced that it had received preliminary approval from the U.S. Treasury Department for participation in the CPP. A copy of this press release is attached hereto as Appendix A. In this press release, TAYC Chairman Bruce Taylor stated that "we anticipate using this additional capital to further increase our loan activities." The press release further stated, "Our core customers – Chicago's owner operated businesses - are key to the revitalization of our economy and, when combined with the \$120 million in new capital from local, private investors, we believe this additional capital will support in excess of \$1 billion in new loans to these valued customers." Please refer to "**Additional Information**" section below for information related to TAYC's \$120 million capital raise.

Lastly, in TAYC's third quarter 2008 earnings release, dated November 4, 2008, TAYC Chairman Bruce Taylor stated that "continuing major weakness in the housing market caused further deterioration in the collateral supporting our Chicago-area homebuilder loan portfolio. But despite the challenging economic conditions, we achieved several important objectives. With \$120 million in new regulatory capital, which will increase to \$225 million if we participate in the U.S. Treasury Department's Capital Purchase Program, and more than 50 new commercial and asset-based bankers, we are strongly positioned to take advantage of opportunities in the market to grow and prosper. Our focus is on putting this capital to work by building long-term, profitable relationships with owner-operated businesses in the Chicago area and strategically growing our new regional asset-based lending group." A copy of the press release is attached hereto as Appendix B.



Mark A. Hoppe, CTB's President and Chief Executive Officer, stated within the above noted November 4, 2008 release, "We added nearly \$550 million in loans in the first nine months of 2008 and have another \$300 million of loans ready to close in the next few months. This growth, which has come from a substantial number of new clients as well as increased borrowing from existing clients, shows that our strategic growth initiative is succeeding. We have completed the majority of the investments in new personnel and the processes we need to implement our strategy and are now exceptionally well-positioned, with the people, products and services that our customers need." As indicated above, the ability of TAYC to execute on its growth strategy in the manner described by Mr. Hoppe was made possible, in part, by TAYC's receipt of TARP funds.

**B. Segregation of TARP Funds**

TAYC's TARP funds were not segregated from other institutional funds. TAYC received \$104,823,000 of TARP funds on November 21, 2008. Upon receipt, the TARP funds were deposited into a TAYC operating account at CTB. As a matter of course, TAYC deposits cash receipts in this operating account and makes disbursements out of it to pay operating expenses, debt service payments and dividend payments. TAYC also utilizes the funds in this operating account to make capital contributions to CTB, as required. As indicated below, shortly after the closing of the CPP transaction, TAYC made a significant capital contribution to CTB to support its capital position.

**C. Actual Use of TARP Funds to Date**

*Capital Contribution to CTB.* On December 30, 2008, TAYC made a \$45 million capital contribution to CTB. The funds were withdrawn from the TAYC operating account referenced above. Subsequent to that withdrawal, \$59,823,000 of the \$104,823,000 of TARP funds originally received on November 21, 2008 remained in TAYC's deposit account at CTB. These funds provide CTB with enhanced liquidity and are expected to enable CTB to fund additional loan growth, pay down wholesale funding balances, etc. With this capital contribution, CTB was considered "well capitalized" under regulatory capital guidelines as of December 31, 2008 and CTB's Total Capital (to Risk Weighted Assets) as of year end 2008 was 11.12%. The additional capital was primarily required to support the continued loan growth in CTB's C&I and ABL loan businesses and to absorb additional credit losses incurred in the fourth quarter 2008 due to continuing adverse economic conditions. In fact, CTB's C&I loan portfolio grew \$154.1 million during the fourth quarter of 2008.

(b) (4)

(b) (4)

**D. Expected Use of TARP Funds**

TAYC anticipates using the remaining TARP funds as follows:

- Continue to fund additional loan originations at CTB.
- Maintain the financial strength of TAYC and CTB, including the absorption of any future losses.
- Service future cash flows of TAYC, including the payment of operating expenses, debt service payments on its revolving loan, and the payment of Series A and Series B Preferred Stock Dividends. (Note: The Board discontinued payment of TAYC's quarterly common stock dividend after the first quarter of 2008.)

(b) (4)

**Additional Information**

In early 2008, TAYC began executing on its strategic plan to grow CTB's C&I and ABL businesses. In order to support this strategic growth initiative, CTB hired more than 50 experienced commercial bankers and support staff. As of December 31, 2008, CTB's total loans increased \$699.9 million (net of 2008 loan pay-downs and charge-offs), reflecting a 27.6% increase over reported total loans at December 31, 2007. This significant increase was primarily attributable to growth in C&I loans. Specifically, CTB's C&I loan portfolio increased \$635.5 million, or 74.7%, from December 31, 2007. The new commercial bankers established 180 new commercial banking relationships and originated more than \$750 million in new commercial loans. This reflects TAYC's continued commitment to put its capital to work by building long-term, profitable relationships with owner-operated businesses in the Chicago area and to strategically grow its new regional ABL group. TAYC was able to grow CTB's total loans by 27.6% in 2008 despite incurring a \$143.4 million net loss applicable to common shareholders during the year. The primary contributor to the 2008 net loss was a \$144.2 million provision for loan losses, predominantly caused by deterioration in CTB's residential construction and land loan portfolios.

TAYC's ability to significantly grow loan originations was due not only to the receipt of the \$104.8 million of TARP funds, but also due to its completion of a \$120 million capital raise on September 29, 2008. TAYC raised \$120 million in capital through the private placement of \$60 million of non-cumulative, convertible preferred stock (Series A) and \$60 million of subordinated bank debt. As indicated in TAYC's September 29, 2008 press release, the net proceeds of the capital raise were earmarked to fund TAYC's strategic growth initiative and to strengthen the balance sheet and regulatory capital of TAYC and CTB. A copy of TAYC's September 29, 2008 press release is attached hereto as Appendix C. In fact, \$40 million of the net proceeds of the preferred stock transaction was contributed by TAYC to CTB in the form of a capital contribution as of September 30, 2008. The September 2008 capital raise enabled TAYC and CTB to remain "well capitalized" under regulatory guidelines as of September 30, 2008 and to continue to fund CTB's loan growth.

TAYC management also believes that the receipt of the TARP funds and the additional funds received from the above-referenced capital raise have served to increase the confidence level surrounding CTB's financial condition for certain of CTB's depositors and wholesale funding sources. In the current economic environment, depositor confidence is an important factor in a financial institution's ability to maintain adequate liquidity.

## **Request 2: Plans to Address Executive Compensation Requirements**

*Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding. Information provided regarding executive compensation should also include any assessments made of loan risks and their relationship to executive compensation; how limitations on executive compensation will be implemented in line with Department of Treasury guidelines; and whether any such limitations may be offset by other changes to other, longer-term or deferred forms of executive compensation.*

### **A. Overview**

Initially, TAYC's efforts to address the executive compensation requirements associated with funding under the CPP (the "**Executive Compensation Requirements**") focused primarily on the following:

1. Evaluating whether TAYC's existing incentive compensation plans create incentives for its senior executive officers (as defined in the EESA, the "SEOs") to take excessive or unnecessary risks.
2. Ensuring TAYC has the required right to recoup or clawback bonuses, retention awards or incentive compensation paid to certain employees if any statement of



earnings, revenues, gains or other criteria were later found to be materially inaccurate.

3. Implementing and communicating to affected employees the limitations on bonuses and severance payments under the Executive Compensation Requirements.
4. Establishing controls to ensure that TAYC does not take any compensation deduction that is not permitted under the Executive Compensation Requirements.

Since the passage of the American Recovery and Reinvestment Act of 2009 (the “ARRA”), the Compensation Committee of the Board (the “**Compensation Committee**”), TAYC management and its outside advisors have been working to interpret and respond to the ARRA’s additional requirements.

(b) (4)

(b) (4)

(b) (4)

(b) (4)

TAYC, historically, has not offered executives significant perquisites or other benefits that might be viewed as excessive or luxury expenditures. However, TAYC recognizes that once the Treasury Department identifies those items as to which TARP participants are required to have in place a company-wide policy, the Compensation Committee will be called upon to adopt such a policy.

**B. Evaluation of Existing Incentive Compensation Plans**

At a meeting of the Compensation Committee on February 4, 2009, the materials attached hereto as Appendix D and Appendix E were discussed and considered. At this meeting, the Compensation Committee, with the assistance of management personnel and outside advisors, began by identifying TAYC’s SEOs. With the assistance of the persons identified in Appendix E as the Senior Risk Officers (the “**SROs**”), as well as outside legal counsel, the Compensation Committee then evaluated each incentive compensation plan in which SEOs are eligible to participate. For each such plan, the Compensation Committee members discussed with the SROs whether they believed such plan provides incentives to SEOs that could reasonably be expected to cause them to take excessive or unnecessary risks. Please note that the SROs included members of management who also are SEOs, but these officers were not part of the Compensation Committee’s discussion at the outset of the meeting, and they were excused from the meeting after responding to questions from the Compensation Committee. In discussing this topic, the Compensation Committee reviewed each plan in light of the risk categories that TAYC recognizes and regularly reviews in the course of the conduct of its business as well as in periodic meetings with its banking regulators. Appropriate controls in each area were identified that are designed to mitigate the corresponding risks. After discussion of these risk categories and the manner in which the plans operate, including the significant level of discretion that the Compensation Committee retained under each plan as well as the

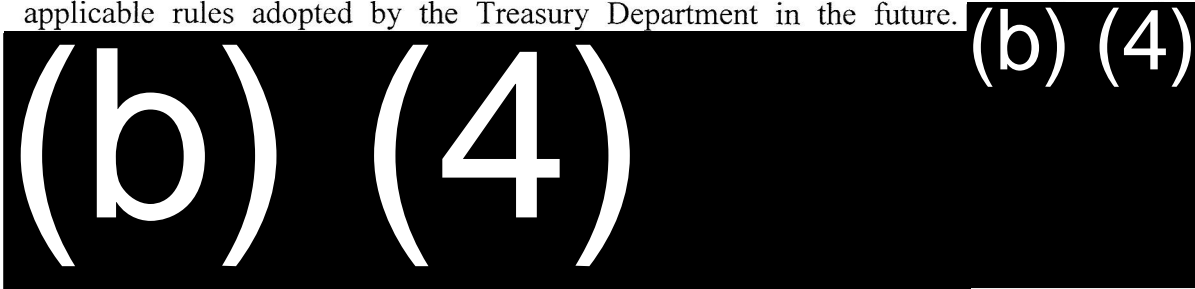


relative size of the potential awards under these plans compared to base compensation and ownership levels of the affected SEOs, the Compensation Committee unanimously concluded that none of the plans creates incentives for the SEOs to take excessive or unnecessary risks.

### C. Evaluation of Bonus Compensation

After this Compensation Committee meeting, the ARRA was enacted. In accordance with the ARRA, TAYC will not pay bonuses to the five most highly-compensated employees unless (i) such bonuses are required to be paid pursuant to a written employment contract executed on or before February 11, 2009, or (ii) such bonuses are paid in long-term restricted stock that does not fully vest during the period in which any shares of the Series B preferred stock of TAYC issued to the Treasury Department remain outstanding, provided that any such restricted stock grants to any such employee will not have a value greater than one-third of such employee's total amount of annual compensation. TAYC recognizes that many of the rules with respect to these restricted stock grants remain to be promulgated, and TAYC will comply with any applicable rules adopted by the Treasury Department in the future.

(b) (4)



At this time, the Compensation Committee has no specific intention to increase the base salaries or other longer-term or deferred forms of executive compensation payable to any of the five most highly-compensated employees to offset the bonus opportunities that may be lost in light of the Executive Compensation Rules. However, the Compensation Committee also continues to recognize the importance of a compensation strategy that aligns the interests of key employees with those of stockholders and other constituencies while not creating incentives for excessive or unnecessary risks. Furthermore, the Compensation Committee is concerned that it cannot predict the consequences of these limitations on the TAYC organization or the morale of its employees. Among other things, the possibility exists that the determination as to who are the five most highly-compensated employees, itself, may change depending on which employees are eligible for cash bonuses (*i.e.*, by limiting the bonus an employee can earn, such employee may no longer be regarded as one of the five most highly-compensated employees and might be replaced on the list by another employee). The Compensation Committee reserves the right to revisit all aspects of compensation, including base salary, after the Treasury Department has published the applicable standards under the ARRA and the Compensation Committee, in consultation with its advisors, has had an opportunity to assess the potential impact on TAYC and its key employees.

Since the enactment of the ARRA, TAYC's Governance and Nominating Committee has met and recommended to the Board that Hill Hammock, an independent member of the Board, be added to the Compensation Committee in replacement of Rich Tinberg. Mr. Tinberg also is an independent member of the Board, but since Mr. Tinberg also serves as the Chairman of the Audit Committee of the Board, this was viewed as a more equitable sharing of responsibilities, particularly given Mr. Hammock's experience with executive compensation matters. The reconstituted Compensation Committee will meet to discuss further the Executive Compensation Requirements and to evaluate which bonuses with respect to 2008 are required to be paid pursuant to written employment contracts. In contemplation of this meeting, and as part of an effort to ensure compliance with the new ARRA bonus payment restrictions, TAYC personnel have consulted with counsel and representatives of both the Federal Reserve and the Treasury Department.

#### **D. Actions with Respect to Clawback Requirements**

The Executive Compensation Requirements contemplate that participants have the right to recover any bonus, retention award or incentive compensation paid to an SEO or any of the next 20 most highly-compensated employees if any statements of earnings, revenues, gains or other criteria are later found to be materially inaccurate. A more limited version of this requirement was included in the EESA, and in connection with the closing of TAYC's funding under the CPP in November 2008, each of TAYC's SEOs at that time signed a Compliance, Amendment and Consent Agreement (each, an "**SEO Agreement**") pursuant to which they agreed, among other things, to a clawback policy adopted by TAYC that reflected the provisions of the EESA. At that time, TAYC also amended the plan documents for each of the plans to which these SEOs was eligible to include the applicable clawback concept. Once the Treasury Department has established the standards contemplated under the ARRA with respect to clawbacks, TAYC will amend its plan documents as necessary to reflect these new requirements and will communicate them to the impacted next 20 most highly-compensated employees.

#### **E. Actions with Respect to Golden Parachute Payments Prohibition**

The SEOs who signed the SEO Agreements also agreed to the limitations on golden parachute payments set forth in the EESA. Under the ARRA, the SEOs and TAYC's next five most highly-compensated employees are prohibited from receiving any payments upon their departure from TAYC, except for services performed or benefits accrued. Once the Treasury Department has established the standards contemplated under the ARRA with respect to golden parachute payments, TAYC will amend its plan documents as necessary to reflect these requirements and will communicate them to impacted employees. In the meantime, TAYC is reviewing existing severance agreements and plans to determine which agreements and plans might require amendments to reflect the broader prohibitions under the ARRA.

Mr. Neil M. Barofsky

March 6, 2009

Page 9

**F. Actions with Respect to Deductibility of Compensation**

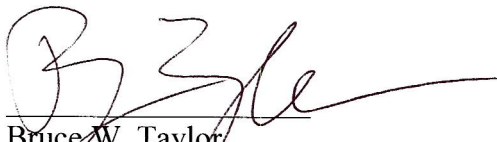
Annual pay to CEOs in excess of \$500,000, whether or not performance-based and whether or not deferred, is not deductible by TARP recipients. The TAYC tax department has implemented controls designed to identify and track CEO compensation so that TAYC does not deduct compensation for any CEO in excess of \$500,000.

\* \* \*

### **Certification**

I, Bruce W. Taylor, certify that I have reviewed this response and supporting documents, and based on my knowledge, this response and the supporting documents do 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.

Very truly yours,

A handwritten signature in black ink, appearing to read 'B. Taylor', written over a horizontal line.

Bruce W. Taylor  
Chairman and Chief Executive Officer  
Taylor Capital Group, Inc.





**TAYLOR CAPITAL TO RECEIVE \$105 MILLION THROUGH  
U.S. TREASURY'S TARP CAPITAL PURCHASE PROGRAM**

ROSEMONT, IL - November 12, 2008 – Taylor Capital Group, Inc. (NASDAQ: TAYC) announced today that it has received preliminary approval from the U.S. Treasury Department for the sale of \$105 million of preferred stock and related warrants to the Treasury Department under its TARP Capital Purchase Program. The investment, which is expected to close in 30 days, will increase Taylor Capital's and Cole Taylor Bank's already well-capitalized position.

“We are pleased that the U.S. Treasury Department selected Taylor Capital to participate in this important program,” said Taylor Capital Chairman Bruce W. Taylor. “In keeping with the goals of the program, and our long-standing commitment to our community, we anticipate using this additional capital to further increase our loan activities. Our core customers – Chicago's owner-operated businesses – are key to the revitalization of our economy and, when combined with the \$120 million in new capital from local, private investors, we believe this additional capital will support in excess of \$1 billion in new loans to these valued customers.”

The Treasury Department's TARP Capital Purchase Program is a voluntary program designed to provide capital for healthy banks and improve the flow of funds from banks to their customers. The preferred stock to be issued by the Company under the TARP Capital Purchase Program will carry a 5% dividend for each of the first five years of the investment, and 9% thereafter, unless the shares are redeemed by Taylor Capital.

**About Taylor Capital Group, Inc. (Nasdaq: TAYC)**

Taylor Capital Group, Inc. is a \$4 billion bank holding company for Cole Taylor Bank, a Chicago-based commercial bank specializing in serving the business banking, real estate lending and wealth management requirements of closely held and family-owned small- and medium-sized businesses. Cole Taylor is a member of the FDIC and an Equal Housing Lender.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This press release includes forward-looking statements that reflect our current expectations and projections about our future results, performance, prospects and opportunities. We have tried to identify these forward-looking statements by using words including “may,” “will,” “expect,” “anticipate,” “believe,” “intend,” “could” and “estimate” and similar expressions. These forward-looking statements are based on information currently available to us and are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects

or opportunities in 2008 and beyond to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and other factors include, without limitation: the effect on our profitability if interest rates fluctuate as well as the effect of our customers' changing use of our deposit products; the possibility that our wholesale funding sources may prove insufficient to replace deposits at maturity and support our growth; the risk that our allowance for loan losses may prove insufficient to absorb probable losses in our loan portfolio; possible volatility in loan charge-offs and recoveries between periods; the decline in residential real estate sales volume and the likely potential for continuing illiquidity in the real estate market, including within the Chicago metropolitan area; the risks associated with the high concentration of commercial real estate loans in our portfolio; the uncertainties in estimating the fair value of developed real estate and undeveloped land in light of declining demand for such assets and continuing illiquidity in the real estate market; the risks associated with management changes, employee turnover and our commercial banking growth initiative, including our expansion of our asset-based lending operations and our entry into new geographical markets; the uncertainties with respect to the future utilization of our deferred tax assets; the ability of the Company to complete its participation in the U.S. Treasury Department's TARP Capital Purchase Program on terms acceptable to it, and any costs, risks and effects related thereto; negative developments and disruptions in the credit and lending markets, including the impact of the ongoing credit crisis on our business and on the businesses of our customers as well as other banks and lending institutions with which we have commercial relationships; a continuation of the recent unprecedented volatility in the capital markets; the effectiveness of our hedging transactions and their impact on our future results of operations; the risks associated with implementing our business strategy and managing our growth effectively, including our ability to preserve and access sufficient capital to execute on our strategy; changes in general economic and capital market conditions, interest rates, our debt credit ratings, deposit flows, loan demand, including loan syndication opportunities and competition; changes in legislation or regulatory and accounting principles, policies or guidelines affecting our business; and other economic, competitive, governmental, regulatory and technological factors impacting our operations.

For further information about these and other risks, uncertainties and factors, please review the disclosure included in the sections captioned "Risk Factors" in our December 31, 2007 Annual Report on Form 10-K filed with the SEC on March 13, 2008 and in our Quarterly Reports on Form 10-Q filed in 2008. You should not place undue reliance on any forward-looking statements. Except as otherwise required by federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements or risk factors, whether as a result of new information, future events, changed circumstances or any other reason after the date of this press release.

Media Contact:           Ilene Stevens  
                                  847.653.7731

## end ##



**TAYLOR CAPITAL REPORTS 3RD QUARTER LOSS  
AS IT BUILDS RESERVES, RAISES CAPITAL AND  
LAUNCHES ASSET BASED INITIATIVE**

Strong Loan Growth With Commercial & Industrial Loans Up \$287 million  
\$120 million in Regulatory Capital from Preferred Stock and Subordinated Debt Issued

Rosemont, Illinois – November 4, 2008 – Taylor Capital Group, Inc. (NASDAQ: TAYC), the holding company for Cole Taylor Bank, today reported a pre-tax loss of \$54.9 million for the quarter ended September 30, 2008. The loss was primarily attributable to a \$52.7 million provision for loan losses driven primarily by the Bank's residential construction loan portfolio. In the third quarter of 2007, the Company earned \$7.2 million. For the first nine months of 2008, Taylor Capital reported a net loss of \$109.7 million compared with net income of \$19.7 million for the same period in 2007. The loss per diluted common share was \$9.30 for the third quarter of 2008 and \$12.10 on a year to date basis.

**Recent Highlights**

- In September, the Company raised \$120 million in new regulatory capital through the issuance of \$60 million in convertible preferred stock at Taylor Capital and \$60 million in subordinated debt at Cole Taylor Bank.
- The Company has applied to participate in the U.S. Treasury Department's Capital Purchase program through the sale of \$105 million of preferred stock to the U.S. Treasury Department.
- Commercial loans grew \$287 million during the third quarter and comprised 43% of the total loan portfolio at September 30, 2008, up from 34% at December 31, 2007.
- The residential construction loan portfolio totaled 12.7% of the loan portfolio, down from 19.5% at December 31, 2007.
- The Company announced the formation of Cole Taylor Business Capital, the Bank's asset based lending business unit focusing on providing this important source of funding to the middle market. The Chicago-based unit, headed up by industry leader Michael Sharkey, announced the hiring of several senior staff members and the opening of new regional offices in Kansas City, Houston, Milwaukee and Baltimore.



- As part of its strategic growth initiative, the organization announced the hiring of additional senior executives, including:
  - John J. Lynch, Jr. as vice chairman of the bank
  - Randall T. Conte as chief operating officer

“Continuing major weakness in the housing market caused further deterioration in the collateral supporting our Chicago-area homebuilder loan portfolio” said Taylor Capital Chairman Bruce W. Taylor. “But despite the challenging economic conditions, we achieved several important objectives. With \$120 million in new regulatory capital, which will increase to \$225 million if we participate in the U.S. Treasury Department’s Capital Purchase Program, and more than 50 new commercial and asset based bankers, we are strongly positioned to take advantage of opportunities in the market to grow and prosper. Our focus is on putting this capital to work by building long-term, profitable relationships with owner-operated businesses in the Chicago area and strategically growing our new regional asset based lending group.”

Mark A. Hoppe, President and CEO of Cole Taylor Bank, said, “We added nearly \$550 million in loans in the first nine months of 2008 and have another \$300 million of loans ready to close in the next few months. This growth, which has come from a substantial number of new clients as well as increased borrowing from existing clients, shows that our strategic growth initiative is succeeding. We have completed the majority of the investments in new personnel and the processes we need to implement our strategy and are now exceptionally well-positioned, with the people, products and services that our customers need.”

### **Unusual Items Negatively Impact Results**

The Company noted that several unusual items negatively affected its results for the third quarter and the first nine months, including:

- Third quarter results reflect a non-cash accounting expense to establish a valuation reserve against the Company's deferred tax assets. The Company expects to utilize these deferred tax assets as it generates taxable income in the future, and the recording of the valuation reserve can be reversed after the Company has achieved sustained profitability.



However, despite the Company's future projection of income, generally accepted accounting principles limit the amount of deferred tax assets the Company can continue to carry on its balance sheet at this time. The net loss after income tax expense for the third quarter of 2008 was \$80.5 million.

- In connection with the preferred stock that was issued in September, the Company recorded a \$16.7 million accounting adjustment to reflect the difference between the \$12.78 per share market value of its common stock on September 4, 2008 (the date of the preferred stock purchase agreement), and the conversion price of \$10.00 per share. The conversion price had been established on July 25<sup>th</sup>, (the date of the letter of intent) and at that time, represented an 18% premium to the Company's stock price. When it was issued, the preferred stock was recorded net of this accounting adjustment which was reported as a one-time, implied non-cash dividend to the holders of the preferred stock. There was no impact on the Company's net loss or on stockholders' equity.
- The provision for loan losses totaled \$113.8 million for the first nine months of 2008, while charge-offs for the same period totaled \$50.5 million. As a result, the Company's reserve for future loan losses increased from \$54.7 million at December 31, 2007, to \$118.0 million at September 30, 2008. That reserve now totals 3.83% of total loans.
- The third quarter included \$6 million of other notable expenses including sign-on bonuses, incentives and severance of \$3.8 million and additional expenses relating to nonperforming assets of \$1.8 million.

## Capital Resources

Both the Company and Cole Taylor Bank are considered "well capitalized" under capital guidelines for bank holding companies and banks. The Company's and Cole Taylor Bank's capital ratios at September 30, 2008 were as follows:

	At September 30, 2008		At June 30, 2008	
	AMOUNT	RATIO	AMOUNT	RATIO
Total Capital (to Risk Weighted Assets)	(dollars in thousands)			
Taylor Capital Group, Inc. ....	\$383,282	10.97%	\$321,237	10.26%
Cole Taylor Bank.....	369,975	10.61	314,824	10.06
Tier I Capital (to Risk Weighted Assets)				

Taylor Capital Group, Inc. ....	265,913	7.61	270,140	8.63
Cole Taylor Bank.....	270,217	7.75	274,899	8.78
Leverage (to average assets)				
Taylor Capital Group, Inc. ....	265,913	6.79	270,140	7.71
Cole Taylor Bank.....	270,217	6.91	274,899	7.85

On September 29, 2008, the Company completed its previously announced private placement of \$60 million of 8% non-cumulative convertible perpetual preferred stock, Series A, to certain institutional and individual accredited investors. The Company simultaneously closed its sale of \$60 million in principal amount of 10% subordinated notes issued by the Bank, and detachable warrants to purchase shares of the Company's common stock. The proceeds of these transactions are being used primarily to strengthen the balance sheet and regulatory capital of the Company and the Bank and support the Company's strategic growth initiatives.

The preferred stock private placement included a total of 2,400,000 shares of 8% non-cumulative convertible perpetual preferred stock, Series A, with a purchase price and liquidation preference of \$25.00 per share. The preferred stock pays non-cumulative dividends at an annual rate of 8% of the liquidation preference beginning in January 2009 and has a conversion price of \$10.00 per share. The preferred stock is convertible into an aggregate of six million shares of the Company's common stock at the option of the preferred stockholders at any time, and will be convertible at the option of the Company on September 29, 2013. The preferred stock will cease to pay dividends after September 29, 2010 if the volume weighted average price of the Company's common stock on the NASDAQ Global Select Market exceeds 200% of the then applicable conversion price for at least 20 trading days in any consecutive 30-day period, or after September 29, 2011 if the volume weighted average price of the Company's common stock on the NASDAQ Global Select Market exceeds 130% of the then-applicable conversion price for at least 20 trading days in any consecutive 30-day period.

The subordinated notes issued by the Bank bear interest at an annual rate of 10% and mature on September 29, 2016, but may be prepaid at the Bank's option after September 29, 2011. For every \$1,000 in principal amount of the subordinated notes, investors in this transaction also received a warrant to purchase 15 shares of the Company's common stock at an exercise price of \$10.00 per share, which represents an aggregate of 900,000 shares of common stock. The warrants are not exercisable until March 29, 2009 and expire on September 29, 2013.

The conversion price of the non-cumulative perpetual preferred stock of \$10.00 per share

was less than the \$12.78 per share market value of the stock on the date the preferred stock purchase agreement was entered into resulting in the recognition of an embedded beneficial conversion feature. The \$16.7 million imputed value of the beneficial conversion feature is reported separately from the preferred stock as a one-time, imputed non-cash preferred dividend.

## Net Interest Income and Margin

Net interest income for the third quarter 2008 increased \$333,000 (\$328,000 on a tax-equivalent basis) from the second quarter of 2008, as the impact of the growth in average earning assets offset a decline in the net interest margin. The tax-equivalent net interest margin declined 25 basis points to 2.35%, compared with 2.60% in the second quarter. The net interest margin was negatively impacted by an increase in nonaccrual loans during the third quarter as well as a decline in the prime interest rate and a substantial reduction in the historic spread between the prime interest rate and LIBOR-based funding costs.

Net interest income for the first nine months of 2008 declined \$11.3 million (\$11.5 million on a tax-equivalent basis) compared with the first nine months of 2007, as the tax-equivalent net interest margin declined 79 basis points to 2.62%. Declining loan yields outpaced a decline in funding costs, reducing both net interest spread and margin compared with the first nine months of 2007. The impact of the lower net interest margin was partially offset by a \$377.9 million, or 11.8%, increase in average interest-earning assets.

The following table summarizes, for the periods indicated, the changes in interest earned and interest paid resulting from changes in volume and rates. Interest income is presented on a tax-equivalent basis assuming a federal income tax rate of 35%.

	Quarter Ended Sept. 30, 2008 Over Quarter Ended June 30, 2008 INCREASE/(DECREASE)				Nine Months Ended Sept. 30, 2008 Over Nine Months Ended Sept. 30, 2007 INCREASE/(DECREASE)			
	VOLUME	RATE	DAY(1)	NET	VOLUME	RATE	DAY(2)	NET
	(in thousands)							
<b>INTEREST EARNED ON:</b>								
Investment securities.....\$	(192)	\$ (110)	\$ --	\$ (302)	\$ 7,225	\$ 1,986	\$ --	\$ 9,211
Cash equivalents.....	361	(29)	3	335	1,016	(1,118)	5	(97)
Loans.....	4,840	(913)	393	4,320	7,760	(37,954)	538	(29,656)
Total interest-earning assets....				<u>4,353</u>				<u>(20,542)</u>
<b>INTEREST PAID ON:</b>								
Interest-bearing deposits....	4,512	(877)	215	3,850	9,601	(17,932)	268	(8,063)
Total borrowings.....	172	(55)	58	<u>175</u>	3,281	(4,358)	65	<u>(1,012)</u>



Total interest-bearing liabilities.....				4,025				(9,075)
Net interest income, tax-equivalent.....	\$ 1,933	\$ (1,728)	\$ 123	\$ 328	\$ 7,327	\$ (19,004)	\$ 210	\$ (11,467)

- (1) The quarter ended September 30, 2008 had 92 days compared to 91 days for the quarter ended June 30, 2008.  
(2) The nine months ended September 30, 2008 had 274 days compared to 273 days for the nine months ended September 30, 2007.

The following table presents the tax-equivalent yield on average interest-earning assets and rates paid on average interest-bearing liabilities for the periods indicated. Interest income and yields are presented on a tax-equivalent basis assuming a federal income tax rate of 35%.

	Tax Equivalent Yield or Rate			
	2008		For Nine Months Ended Sept. 30,	
	Third Quarter	Second Quarter	2008	2007
<b>INTEREST-EARNING ASSETS:</b>				
Investment securities .....	5.25 %	5.31 %	5.29 %	4.99 %
Cash equivalents.....	1.87	2.10	2.25	5.12
Loans.....	5.48	5.62	5.90	7.81
Total interest-earning assets (tax equivalent).....	5.32	5.50	5.67	7.21
<b>INTEREST-BEARING LIABILITIES:</b>				
Interest-bearing deposits.....	3.46	3.41	3.58	4.49
Other borrowings and interest bearing liabilities .....	3.89	3.93	4.13	5.50
Total interest-bearing liabilities .....	3.54	3.52	3.68	4.66
Net interest spread (tax equivalent) .....	1.78 %	1.98 %	1.99 %	2.55 %
Net interest margin (tax equivalent) .....	2.35 %	2.60 %	2.62 %	3.41 %

## Noninterest Income

The following table presents the major categories of noninterest income for the periods indicated:

	For the Three Months Ended			For the Nine Months Ended	
	Sept. 30, 2008	June 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
			(in thousands)		
Service charges .....	\$2,256	\$2,255	\$1,982	\$6,677	\$5,687
Trust services .....	591	696	534	1,778	1,664
Investment management services.....	303	339	356	958	1,183
Loan syndication fees.....	-	-	2,200	116	2,600
Other noninterest income .....	(84)	675	332	717	1,573
	3,066	3,965	5,404	10,246	12,707
Other derivative income .....	154	65	159	1,106	122
Total noninterest income.....	\$3,220	\$4,030	\$5,563	\$11,352	\$12,829

Noninterest income decreased \$810,000, or 20.1%, to \$3.2 million for the quarter ended September 30, 2008, compared with noninterest income of \$4.0 million in the second quarter of



2008. The changes in other noninterest income between periods relate primarily to a \$483,000 decline in market value of assets in the Company's employee deferred compensation plan and higher losses from certain limited partnership interests.

Noninterest income decreased \$1.5 million, or 11.5%, to \$11.4 million for the first nine months of 2008, compared with noninterest income of \$12.8 million in the first nine months of 2007. Loan syndication fees declined \$2.5 million year-to-date in 2008, compared with the same period in 2007. Service charges on deposit accounts increased \$990,000, or 17.4%, driven primarily by a lower earnings credit rate given to customers on their collected account balances in 2008. Other derivative income for the first nine months of 2008 was higher than the same period in 2007 due to the increase in the fair value of a prime-based interest rate floor agreement as a result of the decline in the prime interest rate. The changes in other noninterest income between periods relate primarily to a \$754,000 decline in market value of assets in the Company's employee deferred compensation plan.

## Noninterest Expense

The following table presents the major categories of noninterest expense for the periods indicated:

	For the Three Months Ended			For the Nine Months Ended	
	Sept. 30, 2008	June 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
	(in thousands)				
Salaries and employee benefits:					
Salaries, employment taxes and medical.....	\$9,413	\$9,405	\$7,692	\$27,163	\$24,106
Sign-on bonuses and severance.....	3,079	513	32	4,962	255
Incentives, commissions and retirement.....	2,456	1,178	2,192	5,622	5,085
Total salaries and employee benefits.....	14,948	11,096	9,916	37,747	29,446
Occupancy of premises, furniture and equipment .....	2,773	2,733	2,981	8,271	8,646
Nonperforming asset expense .....	1,398	2,471	94	4,877	527
Legal fees, net .....	1,841	769	442	3,195	1,898
Consulting .....	215	27	175	523	384
Early extinguishment of debt .....	412	384	--	1,606	--
FDIC assessment.....	779	586	72	1,891	234
Other professional services .....	501	404	555	1,551	1,739
Other noninterest expense .....	4,434	4,153	3,824	12,079	10,899
Total noninterest expense.....	<u>\$27,301</u>	<u>\$22,623</u>	<u>\$18,059</u>	<u>\$71,740</u>	<u>\$53,773</u>

Total noninterest expense for the third quarter of 2008 increased \$4.7 million, or 20.7%, to \$27.3 million, compared with the second quarter of 2008. Third quarter 2008 total salaries and employee benefits expense increased \$3.9 million, or 34.7%, in comparison to the second quarter. Sign-on bonuses, severance and incentive accruals all increased in the third quarter of 2008. Sign-on bonus payments totaled \$609,000 and severance expense totaled \$2.5 million. Legal fees increased \$1.1 million in the third quarter of 2008, with almost half of the increase attributable to the increased volume of nonperforming loans. In addition, legal fees increased in connection with the higher volume of new loan origination and other general corporate matters.

Total noninterest expense in the nine months of 2008 increased \$18.0 million, or 33.4%, to \$71.7 million, compared with the first nine months of 2007. Total salaries and employee benefits increased \$8.3 million, or 28.2%, primarily as a result of the newly-hired commercial banking and asset-based lending professionals and increased severance expense. Sign-on bonus payments in 2008 totaled \$1.9 million, while severance expense totaled \$3.1 million. Nonperforming asset expense increased \$4.4 million as a result of the increase in volume of nonperforming assets, including \$3.4 million from the recognition of liabilities established for unfunded loan commitments associated with impaired loans. Legal fees increased in connection with the higher volume of nonperforming loans and other general corporate matters. FDIC assessments increased \$1.7 million largely because the FDIC raised deposit insurance premium assessments for all financial institutions. Early extinguishment of debt expense relates to the early redemption of above market rate brokered CDs during the first nine months of 2008.

### **Income taxes**

Income tax expense was \$25.7 million for the third quarter of 2008, notwithstanding the pre-tax loss of \$54.9 million, due to the establishment of a valuation allowance against a portion of the Company's deferred tax assets. The full realizability of the deferred tax assets is dependent upon the Company's ability to derive the benefits of the tax deductions inherent in the deferred tax asset through refunds of taxes paid in prior years or by reducing future tax obligations. As of September 30, 2008, the Company had a current federal net income tax receivable of \$13 million reflecting the impact of utilizing the federal income tax loss generated in 2008 to file for refunds of taxes paid in 2006 and a portion of taxes paid in 2007. At September 30, 2008, the deferred tax asset, net of the valuation allowance, totaled \$9.5 million which is expected to be realized primarily through carry-back against the balance of 2007 taxes

paid.

The Company expects to utilize its deferred tax assets against taxable income in future periods. However, generally accepted accounting principals limit the extent to which a company can utilize projections of future income to support recorded deferred tax assets. Therefore, the Company recorded an after-tax, non-cash valuation allowance of \$47.3 million against its deferred tax assets at September 30, 2008.

In each future accounting period, the Company will evaluate whether the accounting standards support a change in the valuation allowance against its deferred tax assets. A reduction in the valuation allowance would lower the amount of income tax expense recognized in the Company's consolidated statements of operations in future periods.

### Investment Securities

The following table presents the composition of the Company's investment portfolio as of the dates indicated:

	Sept. 30, 2008		Dec. 31, 2007		Sept. 30, 2007	
	Balance	Percent of Investments	Balance	Percent of Investments	Balance	Percent of Investments
(dollars in thousands)						
Available-for-sale (1):						
U.S. government sponsored agency securities .....	\$85,615	10.8%	\$106,305	11.9%	\$130,232	16.3%
Mortgage-related securities:						
Government-sponsored entities .....	540,162	68.0	596,853	66.9	479,343	59.9
Private issuers .....	36,015	4.5	44,848	5.0	45,680	5.7
State and municipal obligations .....	132,910	16.7	144,340	16.2	145,327	18.1
Total available-for-sale .....	<u>794,702</u>	<u>100.0</u>	<u>892,346</u>	<u>100.0</u>	<u>800,582</u>	<u>100.0</u>
Held-to-maturity (2):						
Other debt securities .....	25	*	25	*	25	*
Total .....	<u>\$794,727</u>	<u>100.0%</u>	<u>\$892,371</u>	<u>100.0%</u>	<u>\$800,607</u>	<u>100.0%</u>

(1) Based on estimated fair value.

(2) Based on amortized cost.

\* less than 0.01%

Investment securities at September 30, 2008 decreased \$97.6 million, or 10.9%, compared with December 31, 2007, because the majority of proceeds from principal payments and maturities on investment securities were not reinvested. At September 30, 2008, the net unrealized loss on available for sale securities totaled \$9.7 million, compared with a net gain of \$3.4 million at December 31, 2007. The Company does not own any Fannie Mae or Freddie Mac equity securities.



## Loan Portfolio

The following table presents the composition of the Company's loan portfolio as of the dates indicated:

	Sept. 30, 2008		June 30, 2008		Dec. 31, 2007	
	Balance	Percent Of Gross Loans	Balance	Percent Of Gross Loans	Balance	Percent Of Gross Loans
	(dollars in thousands)					
Commercial and industrial .....	\$1,331,562	43.3%	\$1,044,520	38.3%	\$850,196	33.6%
Commercial real estate secured .....	1,021,852	33.2	918,161	33.7	839,629	33.1
Residential construction & land .....	391,181	12.7	422,801	15.5	492,780	19.5
Commercial construction & land .....	178,960	5.8	178,403	6.6	178,898	7.0
Total commercial loans .....	2,923,555	95.0	2,563,885	94.1	2,361,503	93.2
Total consumer-oriented loans .....	154,891	5.0	161,994	5.9	171,863	6.8
Gross loans .....	3,078,446	100.0%	2,725,879	100.0%	2,533,366	100.0%
Less: Unearned discount .....	(19)		(24)		(33)	
Total loans .....	<u>\$3,078,427</u>		<u>\$2,725,855</u>		<u>\$2,533,333</u>	

Total loans at September 30, 2008 increased \$545.1 million, or 21.5%, compared with December 31, 2007. The composition of the Company's loan portfolio has shifted, with commercial and industrial loans (C&I) comprising an increasing percentage of the portfolio. Total C&I loans at September 30, 2008 increased \$481.4 million, or 56.6%, from December 31, 2007, reflecting the Company's focus on increasing its commercial banking business. Commercial real estate secured loans, which include owner-occupied as well as income-producing commercial and multi-family real estate, increased \$182.2 million, or 21.7%, from December 31, 2007. Residential construction and land loans declined \$101.6 million, or 20.6%, compared to December 31, 2007. Commercial construction and land loans of \$179.0 million were largely unchanged compared with December 31, 2007. Consumer-oriented loans declined \$17.0 million, or 9.9%, from December 31, 2007.

The following table presents the composition of the Company's residential construction and land portfolio as of the dates indicated:

	Sept. 30, 2008		June 30, 2008		Dec. 31, 2007	
	Balance	Percent Of Total	Balance	Percent Of Total	Balance	Percent Of Total
	(dollars in thousands)					
Single family attached and detached housing .....	\$131,451	33.6%	\$149,744	35.4%	\$176,739	35.9%
Condo (new & conversions) .....	97,069	24.8	102,379	24.2	127,112	25.8
Multi-family.....	56,723	14.5	55,463	13.1	68,976	14.0
Completed for sale.....	21,028	5.4	23,201	5.5	28,436	5.8
Total residential construction..	<u>306,271</u>	<u>78.3</u>	<u>330,787</u>	<u>78.2</u>	<u>401,263</u>	<u>81.5</u>
Land – unimproved & farmland ....	59,674	15.3	63,925	15.1	68,188	13.8
Land – improved & entitled.....	5,543	1.4	5,399	1.3	5,344	1.1
Land – under development .....	19,693	5.0	22,690	5.4	17,985	3.6
Total land.....	<u>84,910</u>	<u>21.7</u>	<u>92,014</u>	<u>21.8</u>	<u>91,517</u>	<u>18.5</u>
Total residential construction and land.....	<u>\$391,181</u>	<u>100.0%</u>	<u>\$422,801</u>	<u>100.0%</u>	<u>\$492,780</u>	<u>100.0%</u>

### Asset Quality

Nonperforming assets were \$200.7 million, or 4.93% of total assets, on September 30, 2008, compared with \$158.7 million, or 4.27% of total assets, on June 30, 2008, \$78.3 million, or 2.20% of total assets, on December 31, 2007 and \$56.8 million, or 1.65% of total assets, on September 30, 2007. The majority of the increase in nonperforming assets related to real estate developers as the residential housing market continued to deteriorate during the third quarter of 2008. Nonaccrual residential real estate construction loans comprised 73.1% of total nonaccrual loans at September 30, 2008.

The following table presents nonperforming assets and related data as of the dates indicated:

	<b>Sept. 30, 2008</b>	<b>June 30, 2008</b>	<b>Dec. 31, 2007</b>	<b>Sept. 30, 2007</b>
	(dollars in thousands)			
Loans contractually past due 90 days or more but still accruing interest.....	\$405	\$1,588	\$4,253	\$4,311
Nonaccrual loans:				
Commercial and industrial.....	14,279	12,759	5,069	4,539
Commercial real estate secured .....	16,859	14,246	10,935	6,186
Residential construction & land.....	143,458	116,376	52,000	35,554
Commercial construction & land.....	18,583	7,388	412	--
All other loan types.....	3,015	2,103	2,996	3,227
Total nonaccrual loans .....	<u>196,194</u>	<u>152,872</u>	<u>71,412</u>	<u>49,506</u>
Total nonperforming loans.....	<u>196,599</u>	<u>154,460</u>	<u>75,665</u>	<u>53,817</u>
Other real estate owned and repossessed assets.....	4,117	4,280	2,606	2,947
Total nonperforming assets.....	<u>\$200,716</u>	<u>\$158,740</u>	<u>\$78,271</u>	<u>\$56,764</u>
Nonperforming loans to total loans .....	6.39%	5.67%	2.99%	2.15%
Nonperforming assets to total loans plus repossessed property.....	6.51%	5.81%	3.09%	2.26%
Nonperforming assets to total assets.....	4.93%	4.27%	2.20%	1.65%

The following table presents loans past due 30 to 89 days and still accruing as of the dates indicated:

	<b>Sept. 30, 2008</b>	<b>June 30, 2008</b>	<b>Dec. 31, 2007</b>	<b>Sept. 30, 2007</b>
	(dollars in thousands)			
Loans contractually past due 30 through 89 days and still accruing .....	\$25,506	\$30,168	\$63,553	\$18,651
30 – 89 days past due to total loans .....	0.83%	1.11%	2.51%	0.74%



The following table presents nonaccrual loans by dollar range for the dates indicated:

	September 30, 2008		June 30, 2008		December 31, 2007	
	Number of Borrowers	Amount	Number of Borrowers	Amount	Number of Borrowers	Amount
(dollars in thousands)						
Nonaccrual loans by dollar range						
\$15.0 million or more.....	1	\$22,355	3	\$64,215	1	\$19,083
\$10.0 million to \$14.9 million.....	5	61,505	2	25,078	2	26,333
\$5.0 million to \$9.9 million.....	7	52,096	3	19,700	--	--
\$1.0 million to \$4.9 million.....	18	45,927	13	31,388	8	19,235
Under \$1.0 million.....	79	14,311	76	12,491	56	6,761
Total nonaccrual loans.....	110	\$196,194	97	\$152,872	67	\$71,412

The Company classifies all nonaccrual commercial loans as impaired, as well as those accruing commercial loans that it believes to have higher risk of noncompliance with the contractual repayment schedule for both interest and principal. For impaired loans that are secured by real estate, the Company's general practice is to use recent appraisals to determine the appropriate allowance.

The following table presents impaired loans and the related allowance for loan losses for impaired loans as of the dates indicated:

	Sept. 30, 2008	June 30, 2008	Dec. 31, 2007	Sept. 30, 2007
(in thousands)				
Recorded balance of impaired loans.....	\$205,714	\$174,907	\$90,972	\$52,009
Allowance for loan losses related to impaired loans.....	\$48,421	\$51,298	\$9,375	\$3,708

## Allowance for Loan Losses

The following table presents the activity in the Company's allowance for loan losses and related data for the periods indicated:

	For the Three Months Ended			For the Nine Months Ended	
	Sept. 30, 2008	June 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
	(dollars in thousands)				
Average total loans.....	\$2,909,799	\$2,558,406	\$2,531,985	\$2,652,022	\$2,511,867
Total loans at end of period.....	\$3,078,427	\$2,725,855	\$2,508,854	\$3,078,427	\$2,508,854
Allowance for loan losses:					
Allowance at beginning of period.....	\$104,742	\$64,193	\$39,799	\$54,681	\$37,516
Net (charge-offs) recoveries:					
Commercial and commercial real estate ....	(9,941)	(4,191)	(432)	(14,295)	(1,822)
Real estate – construction and land.....	(29,583)	(4,237)	(2,219)	(35,508)	(3,283)
Total consumer-oriented loans.....	49	(378)	(118)	(716)	(881)
Total net charge-offs	(39,475)	(8,806)	(2,769)	(50,519)	(5,986)
Provision for loan losses .....	52,700	49,355	3,400	113,805	8,900
Allowance at end of period .....	\$117,967	\$104,742	\$40,430	\$117,967	\$40,430
Annualized net charge-offs to average total loans.....	5.43%	1.38%	0.44%	2.54%	0.32%
Allowance to total loans at end of period.....	3.83%	3.84%	1.61%	3.83%	1.61%
Allowance to nonperforming loans .....	60.00%	67.81%	75.12%	60.00%	75.12%

Net charge-offs for the third quarter of 2008 were \$39.5 million, or 5.43% of average loans on an annualized basis, compared with \$8.8 million, or 1.38% of average loans on an annualized basis in the second quarter of 2008, and \$2.8 million, or 0.44% in the third quarter of 2007.

The allowance for loan losses on September 30, 2008 was \$118.0 million, or 3.83% of total loans, compared with \$104.7 million, or 3.84% of total loans, on June 30, 2008, and \$40.4 million, or 1.61% of total loans, on September 30, 2007.

The provision for loan losses was \$52.7 million for the third quarter of 2008, compared with \$49.4 million for the second quarter of 2008 and \$3.4 million in the third quarter of 2007. The provision in the third quarter of 2008 reflects the continued weak economic environment surrounding residential development and the increase in net charge-offs and nonperforming loans.

The following table presents the composition of the loan portfolio, the dollar amount and percentage of loans in each category that are nonaccrual or are 30 or more days past due but still accruing, and the amount of the loan loss allowance allocated to each category as of September 30, 2008.

<b>Loan Category</b>	<b>Balance</b>	<b>Nonaccrual</b>		<b>Past Due and Accruing</b>		<b>Total Allowance</b>	
		<b>Dollar</b>	<b>%</b>	<b>Dollar</b>	<b>%</b>	<b>Dollar</b>	<b>%</b>
(dollars in thousands)							
Residential construction and land.....	\$ 391,181	\$143,458	36.7%	\$ 16,648	4.3%	\$ 57,999	14.8%
Commercial construction and land.....	178,960	18,583	10.4%	-	0.0%	6,541	3.7
Commercial real estate.....	1,021,852	16,859	1.6%	4,124	0.4%	12,204	1.2
Commercial and industrial.....	1,331,562	14,279	1.1%	2,466	0.2%	22,862	1.7
Total commercial loans.....	2,923,555	193,179	6.6%	23,238	0.8%	99,606	3.4
Consumer loans.....	154,872	3,015	1.9%	2,673	1.7%	2,300	1.5
Total loans.....	<u>\$3,078,427</u>	<u>\$ 196,194</u>	<u>6.4%</u>	<u>\$ 25,911</u>	<u>0.8%</u>	101,906	3.3
Unallocated portion.....						16,061	0.5
Total loan loss allowance.....						<u>\$ 117,967</u>	<u>3.8%</u>



## Funding Liabilities

The following table presents the distribution of the Company's average deposit account balances for the periods indicated:

	Sept. 30, 2008		For the Quarter Ended June 30, 2008		Sept. 30, 2007	
	Average Balance	Percent Of Deposits	Average Balance	Percent Of Deposits	Average Balance	Percent Of Deposits
	(dollars in thousands)					
In-market deposits:						
Noninterest-bearing deposits .....	\$404,580	13.0%	\$393,341	14.5%	\$393,447	15.1%
NOW accounts.....	144,697	4.7	71,528	2.6	78,113	3.0
Savings deposits .....	43,924	1.4	45,695	1.7	52,908	2.0
Money market accounts.....	478,396	15.4	614,273	22.7	735,512	28.4
Customer certificates of deposit .....	801,047	25.8	637,966	23.6	519,572	20.0
Public time deposits .....	76,463	2.5	73,584	2.7	60,147	2.3
Total in-market deposits .....	1,949,107	62.8	1,836,387	67.8	1,839,699	70.8
Out-of-market deposits:						
Brokered money market deposits .....	99,011	3.2	86,423	3.2	62,515	2.4
Out-of-local-market certificates of deposit.....	163,372	5.2	172,064	6.4	117,034	4.5
Brokered certificates of deposit .....	892,378	28.8	610,483	22.6	578,640	22.3
Total out-of-market deposits .....	1,154,761	37.2	868,970	32.2	758,189	29.2
Total deposits .....	\$3,103,868	100.0%	\$2,705,357	100.0%	\$2,597,888	100.0%

Average total deposits during the third quarter of 2008 increased \$398.5 million, or 14.7%, compared with the second quarter of 2008. Average in-market deposits increased \$112.7 million. Money market accounts decreased \$135.9 million, primarily from the transfer of a large depositor's balances from money market to a NOW account. Customer certificates of deposit increased \$163.1 million. Average out-of-market deposits increased \$285.8 million during the third quarter of 2008 and comprised a larger percentage of total deposits than in prior periods.

***About Taylor Capital Group, Inc.***

Taylor Capital Group, Inc. is a \$4 billion bank holding company for Cole Taylor Bank, a Chicago-based commercial bank specializing in serving the business banking, real estate lending and wealth management needs of closely held and family-owned small- and mid-sized businesses. Cole Taylor Bank is a member of the FDIC and an Equal Housing Lender.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This press release includes forward-looking statements that reflect our current expectations and projections about our future results, performance, prospects and opportunities. We have tried to identify these forward-looking statements by using words including "may," "will," "expect," "anticipate," "believe," "intend," "could" and "estimate" and similar expressions. These forward-looking statements are based on information currently available to us and are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities in 2008 and beyond to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and other factors include, without limitation: the effect on our profitability if interest rates fluctuate as well as the effect of our customers' changing use of our deposit products; the possibility that our wholesale funding sources may prove insufficient to replace deposits at maturity and support our growth; the risk that our allowance for loan losses may prove insufficient to absorb probable losses in our loan portfolio; possible volatility in loan charge-offs and recoveries between periods; the decline in residential real estate sales volume and the likely potential for continuing illiquidity in the real estate market, including within the Chicago metropolitan area; the risks associated with the high concentration of commercial real estate loans in our portfolio; the uncertainties in estimating the fair value of developed real estate and undeveloped land in light of declining demand for such assets and continuing illiquidity in the real estate market; the risks associated with management changes, employee turnover and our commercial banking growth initiative, including our expansion of our asset-based lending operations and our entry into new geographical markets; the uncertainties with respect to the future utilization of our deferred tax assets; the possibility that the Company will not be able to participate in the U.S. Treasury Department's TARP capital purchase program on reasonably

The following table sets forth the period end balances of total deposits as of each of the dates indicated below, as well as categorizes the Company's deposits as "in-market" and "out-of-market" deposits:

	<u>Sept. 30, 2008</u>	<u>Dec. 31, 2007</u>	<u>Sept. 30, 2007</u>
		(in thousands)	
In-market deposits:			
Noninterest-bearing deposits .....	\$ 410,883	\$ 471,770	\$ 394,939
NOW accounts .....	200,900	76,572	77,730
Savings accounts .....	42,984	49,386	52,143
Money market accounts .....	413,145	707,829	742,637
Customer certificates of deposit .....	845,322	543,443	543,999
Public time deposits .....	72,914	52,895	50,255
Total in-market deposits .....	<u>1,986,148</u>	<u>1,901,895</u>	<u>1,861,703</u>
Out-of-market deposits:			
Brokered money market deposits .....	97,246	55,507	52,895
Out-of-local-market certificates of deposit .....	151,686	117,159	115,453
Brokered certificates of deposit .....	986,501	505,631	561,587
Total out-of-market deposits .....	<u>1,235,433</u>	<u>678,297</u>	<u>729,935</u>
Total deposits .....	<u>\$ 3,221,581</u>	<u>\$ 2,580,192</u>	<u>\$ 2,591,638</u>

Total deposits were \$3.2 billion on September 30, 2008, an increase of \$641.4 million, or 24.9%, from December 31, 2007, and an increase of \$629.9 million from September 30, 2007. In-market deposits on September 30, 2008 increased \$84.3 million compared with December 31, 2007. Seasonal noninterest-bearing deposits relating to corporate trust services totaled \$2.0 million at September 30, 2008, compared with \$62.3 million at December 31, 2007. Customer certificates of deposit increased while money market account balances declined. Money market accounts decreased primarily from the transfer of a large depositor's balance from a money market to a NOW account and a decline in money market balances maintained by another large customer. Total out-of-market deposits increased \$557.1 million since December 31, 2007, providing the majority of the funding for earning asset growth.



acceptable terms; negative developments and disruptions in the credit and lending markets, including the impact of the ongoing credit crisis on our business and on the businesses of our customers as well as other banks and lending institutions with which we have commercial relationships; a continuation of the recent unprecedented volatility in the capital markets; the effectiveness of our hedging transactions and their impact on our future results of operations; the risks associated with implementing our business strategy and managing our growth effectively, including our ability to preserve and access sufficient capital to execute on our strategy; changes in general economic and capital market conditions, interest rates, our debt credit ratings, deposit flows, loan demand, including loan syndication opportunities and competition; changes in legislation or regulatory and accounting principles, policies or guidelines affecting our business; and other economic, competitive, governmental, regulatory and technological factors impacting our operations.

For further information about these and other risks, uncertainties and factors, please review the disclosure included in the sections captioned "Risk Factors" in our December 31, 2007 Annual Report on Form 10-K filed with the SEC on March 13, 2008. You should not place undue reliance on any forward-looking statements. Except as otherwise required by federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements or risk factors, whether as a result of new information, future events, changed circumstances or any other reason after the date of this press release.

For further information contact:

Ilene Stevens  
847-653-7731

**TAYLOR CAPITAL GROUP, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	(Unaudited) Sept. 30, 2008	(Unaudited) June 30, 2008	December 31, 2007
<b>ASSETS</b>			
Cash and cash equivalents .....	\$210,376	\$155,245	\$83,561
Investment securities.....	794,727	818,242	892,371
Loans, net of allowance for loan losses of \$117,967, \$104,742 and \$54,681 at September 30, 2008, June 30, 2008 and December 31, 2007, respectively .....	2,960,460	2,621,113	2,478,652
Premises, leasehold improvements and equipment, net.....	17,241	15,708	16,109
Investment in Federal Home Loan Bank and Federal Reserve Bank stock.....	15,335	15,335	15,310
Other real estate and repossessed assets, net.....	4,117	4,280	2,606
Other assets.....	72,494	89,211	67,854
Total assets .....	<u>\$4,074,750</u>	<u>\$3,719,134</u>	<u>\$3,556,463</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Deposits:			
Noninterest-bearing .....	\$410,883	\$424,440	\$471,770
Interest-bearing .....	2,810,698	2,495,194	2,108,422
Total deposits.....	3,221,581	2,919,634	2,580,192
Other borrowings.....	305,230	300,567	389,054
Accrued interest, taxes and other liabilities .....	60,539	43,928	41,354
Notes payable and FHLB advances .....	147,000	147,000	205,000
Junior subordinated debentures.....	86,607	86,607	86,607
Subordinated notes, net.....	55,212	--	--
Total liabilities.....	<u>3,876,169</u>	<u>3,497,736</u>	<u>3,302,207</u>
Stockholders' equity:			
Preferred stock.....	60,000	--	--
Common stock.....	120	119	115
Surplus.....	216,259	198,175	197,214
Retained earnings (deficit) .....	(52,308)	44,908	75,145
Accumulated other comprehensive income (loss), net .....	(854)	2,832	6,418
Treasury stock .....	(24,636)	(24,636)	(24,636)
Total stockholders' equity.....	<u>198,581</u>	<u>221,398</u>	<u>254,256</u>
Total liabilities and stockholders' equity.....	<u>\$4,074,750</u>	<u>\$3,719,134</u>	<u>\$3,556,463</u>

**TAYLOR CAPITAL GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)**  
(in thousands, except per share data)

	For the Three Months Ended			For the Nine Months Ended	
	Sept. 30, 2008	June 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
Interest income:					
Interest and fees on loans .....	\$40,069	\$35,749	\$49,226	\$117,047	\$146,614
Interest and dividends on investment securities:					
Taxable.....	8,664	8,954	6,113	27,019	17,528
Tax-exempt .....	1,449	1,456	1,516	4,387	4,570
Interest on cash equivalents .....	582	247	628	1,371	1,468
Total interest income.....	<u>50,764</u>	<u>46,406</u>	<u>57,483</u>	<u>149,824</u>	<u>170,180</u>
Interest expense:					
Deposits.....	23,456	19,606	25,216	65,035	73,098
Other borrowings.....	2,364	2,355	2,497	7,454	8,044
Notes payable and FHLB advances ...	1,298	1,173	1,475	4,045	3,895
Junior subordinated debentures .....	1,715	1,707	1,988	5,320	5,925
Subordinated notes .....	33	--	--	33	--
Total interest expense.....	<u>28,866</u>	<u>24,841</u>	<u>31,176</u>	<u>81,887</u>	<u>90,962</u>
Net interest income .....	21,898	21,565	26,307	67,937	79,218
Provision for loan losses .....	52,700	49,355	3,400	113,805	8,900
Net interest income (loss) after provision for loan losses.....	<u>(30,802)</u>	<u>(27,790)</u>	<u>22,907</u>	<u>(45,868)</u>	<u>70,318</u>
Noninterest income:					
Service charges.....	2,256	2,255	1,982	6,677	5,687
Trust and investment management fees .....	894	1,035	890	2,736	2,847
Loan syndication fees .....	--	--	2,200	116	2,600
Other derivative income .....	154	65	159	1,106	122
Other noninterest income.....	(84)	675	332	717	1,573
Total noninterest income.....	<u>3,220</u>	<u>4,030</u>	<u>5,563</u>	<u>11,352</u>	<u>12,829</u>
Noninterest expense:					
Salaries and employee benefits.....	14,948	11,096	9,916	37,747	29,446
Occupancy of premises.....	1,943	1,883	2,178	5,773	6,144
Furniture and equipment.....	830	850	803	2,498	2,502
Non-performing asset expense.....	1,398	2,471	94	4,877	527
Legal fees, net.....	1,841	769	442	3,195	1,898
Early extinguishment of debt.....	412	384	-	1,606	-
FDIC assessment .....	779	586	72	1,891	234
Other professional services.....	501	404	555	1,551	1,739
Other noninterest expense.....	4,649	4,180	3,999	12,602	11,283
Total noninterest expense.....	<u>27,301</u>	<u>22,623</u>	<u>18,059</u>	<u>71,740</u>	<u>53,773</u>
Income (loss) before income taxes .....	(54,883)	(46,383)	10,411	(106,256)	29,374
Income tax expense (benefit) .....	25,653	(21,067)	3,190	3,436	9,679
Net income (loss) .....	<u>(80,536)</u>	<u>(25,316)</u>	<u>7,221</u>	<u>(109,692)</u>	<u>19,695</u>
Implied non-cash preferred dividend .....	(16,680)	--	--	(16,680)	--
Net income applicable to common shareholders .....	<u>\$(97,216)</u>	<u>\$(25,316)</u>	<u>\$7,221</u>	<u>\$(126,372)</u>	<u>\$19,695</u>
Basic earnings (loss) per common share..	\$(9.30)	\$(2.42)	\$0.68	\$(12.10)	\$1.81
Diluted earnings (loss) per common share.....	<u>(9.30)</u>	<u>(2.42)</u>	<u>0.67</u>	<u>(12.10)</u>	<u>1.79</u>

**TAYLOR CAPITAL GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)**  
(dollars in thousands, except per share data)

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Surplus</u>	<u>Retained Earnings (Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Treasury Stock</u>	<u>Total</u>
Balance at June 30, 2008.....	\$—	\$119	\$198,175	\$44,908	\$2,832	\$(24,636)	\$221,398
Issuance of preferred stock, net of issuance costs.....	60,000	—	(3,652)	—	—	—	56,348
Discount from preferred stock for beneficial conversion feature.....	(16,680)	—	16,680	—	—	—	—
Implied non-cash preferred dividend for beneficial conversion feature.....	16,680	—	—	(16,680)	—	—	—
Issuance of warrants to purchase common stock, net of issuance costs.....	—	—	4,692	—	—	—	4,692
Amortization of stock based compensation awards.....	—	—	372	—	—	—	372
Issuance of restricted stock grants...	—	1	(1)	—	—	—	—
Tax benefit on stock options exercised and stock awards.....	—	—	(7)	—	—	—	(7)
Comprehensive income (loss):							
Net loss.....	—	—	—	(80,536)	—	—	(80,536)
Change in unrealized gains and losses on available-for-sale investment securities, net of income taxes.....	—	—	—	—	(3,756)	—	(3,756)
Changes in gains and losses from cash flow hedging instruments, net of income taxes.....	—	—	—	—	70	—	70
Total comprehensive loss.....	—	—	—	—	—	—	(84,222)
Balance at September 30, 2008.....	<u>\$60,000</u>	<u>\$120</u>	<u>\$216,259</u>	<u>\$(52,308)</u>	<u>\$(854)</u>	<u>\$(24,636)</u>	<u>\$198,581</u>



	Year To Date		2008			2007	
	September 30,		Third	Second	First	Fourth	Third
	2008	2007	Quarter	Quarter	Quarter	Quarter	Quarter
<b>Condensed Income Data:</b>							
Interest income	\$ 149,824	\$ 170,180	\$ 50,764	\$ 46,406	\$ 52,654	\$ 56,879	\$ 57,483
Interest expense	81,887	90,962	28,866	24,841	28,180	31,392	31,176
Net interest income	67,937	79,218	21,898	21,565	24,474	25,487	26,307
Provision for loan losses	113,805	8,900	52,700	49,355	11,750	23,000	3,400
Net interest income after provision for loan losses	(45,868)	70,318	(30,802)	(27,790)	12,724	2,487	22,907
Noninterest income:							
Service charges	6,677	5,687	2,256	2,255	2,166	2,022	1,982
Trust and investment mgmt. fees	2,736	2,847	894	1,035	807	1,017	890
Other derivative income	1,106	122	154	65	887	270	159
Other	833	4,173	(84)	675	242	573	2,532
Total noninterest income	11,352	12,829	3,220	4,030	4,102	3,882	5,563
Noninterest expense:							
Salaries and employee benefits	37,747	29,446	14,948	11,096	11,703	8,325	9,916
Goodwill Impairment	-----	-----	-----	-----	-----	23,237	-----
Occupancy, furniture and equipment	8,271	8,646	2,773	2,733	2,765	3,458	2,981
Legal fees, net	3,195	1,898	1,841	769	585	566	442
Other	22,527	13,783	7,739	8,025	6,763	5,166	4,720
Total noninterest expense	71,740	53,773	27,301	22,623	21,816	40,752	18,059
Income (loss) before income taxes	(106,256)	29,374	(54,883)	(46,383)	(4,990)	(34,383)	10,411
Income tax expense (benefit)	3,436	9,679	25,653	(21,067)	(1,150)	(5,118)	3,190
Net income (loss)	<u>\$ (109,692)</u>	<u>\$ 19,695</u>	<u>\$ (80,536)</u>	<u>\$ (25,316)</u>	<u>\$ (3,840)</u>	<u>\$ (29,265)</u>	<u>\$ 7,221</u>
Preferred dividend requirement	(16,680)	-----	(16,680)	-----	-----	-----	-----
Net income (loss) applicable to common shareholders	<u>\$ (126,372)</u>	<u>\$ 19,695</u>	<u>\$ (97,216)</u>	<u>\$ (25,316)</u>	<u>\$ (3,840)</u>	<u>\$ (29,265)</u>	<u>\$ 7,221</u>

**Per Share Data:**

Net income (loss) per common share:							
Basic	\$ (12.10)	\$ 1.81	\$ (9.30)	\$ (2.42)	\$ (0.37)	\$ (2.78)	\$ 0.68
Diluted	(12.10)	1.79	(9.30)	(2.42)	(0.37)	(2.78)	0.67
Cash dividends per common share	0.10	0.30	-	-	0.10	0.10	0.10
Book value per common share	12.59	26.00	12.59	20.19	23.71	24.10	26.00
Tangible book value per common share (1)	12.59	23.85	12.59	20.19	23.71	24.10	23.85
Dividend payout ratio	NM	16.76%	NM	NM	NM	NM	14.93%
Weighted average shares-basic	10,447,264	10,871,989	10,456,544	10,446,512	10,438,634	10,516,220	10,687,516
Weighted average shares-diluted	10,447,264	10,994,879	10,456,544	10,446,512	10,438,634	10,516,220	10,784,289
Shares outstanding-end of period	11,011,184	10,809,875	11,011,184	10,965,986	10,800,335	10,551,994	10,809,875

**Average Balance Sheet Data (2):**

Total assets	\$ 3,657,857	\$ 3,310,389	\$ 3,918,831	\$ 3,526,768	\$ 3,525,104	\$ 3,513,661	\$ 3,346,412
Investments	851,212	655,798	829,206	844,063	880,609	875,480	664,970
Cash equivalents	80,075	37,790	121,498	46,516	71,756	29,621	49,087
Loans	2,652,022	2,511,867	2,909,799	2,558,406	2,485,028	2,494,125	2,531,985
Total interest-earning assets	3,583,309	3,205,455	3,860,503	3,448,985	3,437,393	3,399,226	3,246,042
Interest-bearing deposits	2,428,925	2,177,657	2,699,288	2,312,016	2,272,500	2,169,858	2,204,441
Borrowings	456,941	346,381	457,398	440,073	473,347	512,638	348,998
Junior subordinated debentures	86,607	86,607	86,607	86,607	86,607	86,607	86,607
Total interest-bearing liabilities	2,972,473	2,610,645	3,243,293	2,838,696	2,832,454	2,769,103	2,640,046
Noninterest-bearing deposits	396,774	384,830	404,580	393,341	392,315	419,203	393,447
Total stockholders' equity	243,580	273,600	221,394	251,888	257,702	283,533	271,745

**Performance Ratios (annualized):**

Return (loss) on average assets	-4.00%	0.79%	-8.22%	-2.87%	-0.44%	-3.33%	0.86%
Return (loss) on average equity	-60.04%	9.60%	-145.51%	-40.20%	-5.96%	-41.29%	10.63%
Efficiency ratio (3)	90.48%	58.42%	108.69%	88.39%	76.34%	138.76%	56.66%

**Tax Equivalent Net Interest Margin:**

Net interest income as stated	\$ 67,937	\$ 79,218	\$ 21,898	\$ 21,565	\$ 24,474	\$ 25,487	\$ 26,307
Add: Tax equivalent adjust.-investment (4)	2,363	2,460	780	785	798	812	816
Tax equivalent adjust.-loans (4)	94	183	31	31	33	57	62
Tax equivalent net interest income	<u>\$ 70,394</u>	<u>\$ 81,861</u>	<u>\$ 22,709</u>	<u>\$ 22,381</u>	<u>\$ 25,305</u>	<u>\$ 26,356</u>	<u>\$ 27,185</u>
Net interest margin without tax adjust.	2.53%	3.30%	2.26%	2.51%	2.86%	2.98%	3.22%
Net interest margin - tax equivalent (4)	2.62%	3.41%	2.35%	2.60%	2.95%	3.08%	3.33%
Yield on earning assets without tax adjust.	5.58%	7.10%	5.24%	5.40%	6.15%	6.65%	7.03%
Yield on earning assets - tax equivalent (4)	5.67%	7.21%	5.32%	5.50%	6.25%	6.75%	7.14%
Yield on interest-bearing liabilities	3.68%	4.66%	3.54%	3.52%	4.00%	4.50%	4.69%
Net interest spread - without tax adjust.	1.90%	2.44%	1.70%	1.88%	2.15%	2.15%	2.35%
Net interest spread - tax equivalent (4)	1.99%	2.55%	1.78%	1.98%	2.25%	2.25%	2.45%
Average interest-earning assets to average interest-bearing liabilities	120.55%	122.78%	119.03%	121.50%	121.36%	122.76%	122.95%

**Taylor Capital Group, Inc.**  
**Summary of Selected Financial Data**

Dollars in Thousands  
 Unaudited

Page 2

	Sept 30, 2008	Sept 30, 2007	June 30, 2008	Mar. 31, 2008	Dec. 31, 2007
<b>Condensed Balance Sheet Data:</b>					
Total assets	\$4,074,750	\$ 3,445,227	\$ 3,719,134	\$ 3,520,480	\$ 3,556,463
Investment securities	794,727	800,607	818,242	858,860	892,371
Total loans	3,078,427	2,508,854	2,725,855	2,512,193	2,533,333
Allowance for loan losses	117,967	40,430	104,742	64,193	54,681
Goodwill	-----	23,237	-----	-----	-----
Total deposits	3,221,581	2,591,638	2,919,634	2,705,518	2,580,192
Other borrowings	305,230	303,234	300,567	324,501	389,054
Notes payable and FHLB advances	147,000	145,000	147,000	105,000	205,000
Junior subordinated debentures	86,607	86,607	86,607	86,607	86,607
Subordinated notes, net	55,512	-----	-----	-----	-----
Total stockholders' equity	198,581	281,051	221,398	256,085	254,256
<b>Asset Quality Ratios:</b>					
Nonperforming loans	\$ 196,599	\$ 53,817	\$ 154,460	\$ 99,502	\$ 75,665
Nonperforming assets	200,716	56,764	158,740	104,575	78,271
Allowance for loan losses to total loans	3.83%	1.61%	3.84%	2.56%	2.16%
Allowance for loan losses to nonperforming loans	60.00%	75.12%	67.81%	64.51%	72.27%
Net charge-offs to average total loans (5)	2.54%	0.32%	0.88%	0.36%	0.59%
Nonperforming assets to total loans plus repossessed property	6.51%	2.26%	5.81%	4.15%	3.09%
<b>Capital Ratios (Taylor Capital Group, Inc.):</b>					
Total stockholders' equity to assets	4.87%	8.16%	5.95%	7.27%	7.15%
Total tangible equity to assets (1)	4.87%	7.48%	5.95%	7.27%	7.15%
Average stockholders' equity to average assets (6)	6.66%	8.26%	7.23%	7.31%	8.21%

NM Not meaningful

**Footnotes:**

- (1) Tangible equity excludes goodwill.
- (2) Average balances are daily averages.
- (3) Efficiency ratio is determined by dividing noninterest expense by an amount equal to net interest income plus noninterest income, less the gains from the sale of investment securities.
- (4) This adjustment reflects tax-exempt interest income on an equivalent before-tax basis assuming a tax rate of 35.0%.
- (5) Based upon year-to-date annualized net charge-offs.
- (6) Based upon year-to-date averages.



## **Taylor Capital Group Completes Transactions For \$120 Million of New Capital**

### **Additional Capital Will Strengthen Balance Sheet, Support Strategic Growth**

Rosemont, IL – September 29, 2008 – Taylor Capital Group, Inc. (Nasdaq: TAYC), the holding company of Cole Taylor Bank, today announced that it has completed the previously-announced transactions to raise \$120 million in capital through the private placement of \$60 million of non-cumulative, convertible preferred stock by Taylor Capital Group and \$60 million of subordinated debt by Cole Taylor Bank. The announcement was made following the special meeting of the Company’s stockholders held earlier today to approve the transactions.

“We are pleased that these transactions have been completed in such a smooth and timely fashion and that our new investors share our excitement about our company’s prospects,” said Bruce W. Taylor, Chairman and Chief Executive Officer of Taylor Capital Group, Inc. “This new capital strengthens our balance sheet and, with a new and expanded commercial lending team in place, puts us in an excellent position to take advantage of the unique opportunities in the market.”

As previously announced, the investors in the preferred stock transaction include Harrison I. Steans, Jennifer W. Steans, the Taylor family, several members of Cole Taylor Bank’s management and a number of Chicago-based investment firms and individuals. Harrison I. Steans is a former Chairman of LaSalle National Bank and NBD Illinois, and Jennifer W. Steans is the President of Financial Investments Corporation and Chairman of USAmeribancorp, Inc.

“We are very excited to be part of Cole Taylor and to be partnering with the Taylor family to help the bank grow,” commented Harrison Steans. “My daughter Jennifer and I believe very strongly in this organization and its leadership team. We plan to work with that team to bring about opportunities for the bank, its employees and clients and for our community.”

In a related matter, Taylor Capital’s Board of Directors has appointed Harrison I. Steans and Jennifer W. Steans to the Company’s Board of Directors. Mr. Steans was also appointed as Chairman of a newly-formed Executive Committee of the Company, which includes Bruce W. Taylor and Mark A. Hoppe, President and Chief Executive Officer of Cole Taylor Bank. The Board also appointed Jeffrey W. Taylor as Vice Chairman of the Board of Taylor Capital Group, Inc.



“On behalf of the Taylor family and our entire organization, I want to welcome Harrison Steans and Jennifer Steans to our Board of Directors,” said Bruce Taylor. “We are delighted to have them as part of the Cole Taylor family and look forward to the many contributions that they and our other new investors will bring.”

The net proceeds of the transactions will primarily be used to fund the Company’s strategic growth initiative and to strengthen the balance sheet and regulatory capital of the Company and Cole Taylor Bank. Keefe, Bruyette & Woods, Inc. served as financial advisor to Taylor Capital Group in connection with these transactions.

**About Taylor Capital Group, Inc. (Nasdaq: TAYC)**

Taylor Capital Group, Inc., is a \$3.6 billion bank holding company for Cole Taylor Bank, a Chicago-based commercial bank specializing in serving the business banking, real estate lending and wealth management requirements of closely held and family-owned small- and medium-sized businesses. Cole Taylor is a member of the FDIC and an Equal Housing Lender.

***Cautionary Note Regarding Forward-Looking Statements***

*Certain statements included in this press release are “forward-looking statements” intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Factors that may affect the business or financial results or condition of the Company are described in the Company’s filings with the SEC, including the risk factors and other disclosures in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007 filed with the SEC on March 13, 2008. Stockholders and other readers are urged to consider these risks carefully in evaluating the forward-looking statements made herein and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date of this press release and, except as required by the federal securities laws, the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events, circumstances or developments.*

*Contact:*  
Ilene Stevens  
847-653-7731



**Summary of TCG Executive Compensation Plans & Status**

<b>Executive Compensation Requirements of TARP</b>	<b>Taylor Capital Group Plans</b>	<b>Status/Date Completed</b>
<p>Identify the features in the Senior Executive Officer (SEO) incentive compensation arrangements that could lead SEOs to take unnecessary and excessive risks that could threaten the value of the financial institution</p>	<ul style="list-style-type: none"> <li>• The Taylor Capital Group’s (TCG) Board of Directors reviewed the definition of SEO and identified the Company’s SEOs</li> <li>• The Senior Risk Officers (SROs) identified all incentive plans of TCG in which an SEO may be eligible to the TCG Compensation Committee</li> <li>• The SROs presented an excessive risk analysis of compensation plans to the TCG Compensation Committee, which included an assessment of the General Oversight and Monitoring Controls applicable to the company, and the Risk-Specific Controls to Incentive Plans; in addition, the SROs identified certain key controls specific to mitigating risks of the incentive compensation plan features by each of the six major categories of risk as identified by TCG’s primary regulator, the Federal Reserve Bank. The risks that were evaluated include:  <ul style="list-style-type: none"> <li>Credit Risk</li> <li>Market Risk</li> <li>Liquidity Risk</li> <li>Operational Risk</li> <li>Legal/Regulatory Risk</li> <li>Reputational Risk</li> </ul> </li> </ul>	<p>Complete 2/4/09</p> <p>Complete 2/4/09</p> <p>Complete 2/4/09</p>
<p>Certify that the contracts of the top five SEOs do not encourage or reward unnecessary and excessive risk taking that threatens the value of the financial institution</p>	<ul style="list-style-type: none"> <li>• For each of the risk categories listed above, the Compensation Committee reviewed the SROs’ evaluation and agreed with their conclusion that the incentive plans in which the SEOs are eligible to participate do not encourage the SEOs to take unnecessary and excessive risks that threaten the value of the financial institution</li> <li>• The Committee’s certification will be included in the Compensation Discussion and Analysis of the proxy statement for TCG’s 2009 annual meeting of stockholders</li> </ul>	<p>Complete 2/4/09</p> <p>In progress</p>

<b>Executive Compensation Requirements of TARP</b>	<b>Taylor Capital Group Plans</b>	<b>Status/Date Completed</b>
<p>Top five SEOs cannot receive a bonus unless a) authorized by a written contract executed on or before Feb 11, 2009 or b) it is paid in long-term restricted stock as long as it does not vest while the TARP assistance is outstanding, has a value of not greater than 1/3 of the total annual comp, and is subject to other UST terms</p>	<ul style="list-style-type: none"> <li>TCG will pay bonuses pursuant to written employment contracts to be identified by the Compensation Committee, accepted and executed, on or before February 11, 2009, conditional on execution of additional certifications that these bonuses would be subject to “claw back” if ARRA would require this in the future.</li> </ul>	<p>In progress</p>
<p>Company must permit a nonbinding stockholder vote to approve executive compensation per the SEC’s compensation disclosure rules</p>	<ul style="list-style-type: none"> <li>Pending clarification of the TARP compensation rules to the contrary, we plan to include “Say on Pay” in the Company’s upcoming proxy statement</li> </ul>	<p>In progress</p>
<p>Review of excessive prior payments to top five SEOs and next 20 highly-compensated officers</p>	<ul style="list-style-type: none"> <li>We are preserving and maintaining information related to compensation of the SEOs and the next 20 highly-compensated employees and will submit it to the UST on a format-appropriate and timely basis once procedures are published</li> </ul>	<p>In progress</p>
<p>Recover or “clawback” any bonus or incentive compensation paid to the top five SEOs based on statements or earnings, gains or other criteria that are later proven to be materially inaccurate (the Recovery Act also contemplates recovery on the next 20 most highly-compensated employees)</p>	<ul style="list-style-type: none"> <li>The TCG Compensation Committee adopted the clawback policy through completion of a resolution</li> <li>All SEO participants have signed the necessary Waiver, Compliance, Amendment &amp; Consent Agreements in the language prescribed by the US Treasury</li> <li>All SEOs signed the Clawback Policy, the TARP Capital Purchase Program Plan Annex, the TARP Capital Purchase Program SEO Agreement Annex, and a Power of Attorney</li> <li>If provision stands, TCG will amend its plan document, as needed, to reflect the provision and communicate to the impacted next 20 most highly-compensated employees</li> </ul>	<p>Complete 11/18/08</p> <p>Complete 2/9/09</p> <p>Complete 2/5/09</p> <p>Pending final Recovery Act provisions</p>

<b>Executive Compensation Requirements of TARP</b>	<b>Taylor Capital Group Plans</b>	<b>Status/Date Completed</b>
Not make any golden parachute payments to the SEOs	<ul style="list-style-type: none"> <li>With the revised definition of a parachute payment being any payment to an officer or employee upon such person's departure except for payments for services provided and benefits accrued, TCG is reviewing its plans, policies and employment contracts and amending them, if needed, to comply with the provision</li> </ul>	In progress
Agree not to deduct for tax purposes executive compensation in excess of \$500,000 for each of the top five SEOs.	<ul style="list-style-type: none"> <li>SEO identification and tracking of compensation is in place in the Tax Department of TCG to ensure that tax deductibility does not exceed \$500,000</li> </ul>	Complete 2/4/09
Have a company-wide policy in place regarding excessive or luxury expenditures	<ul style="list-style-type: none"> <li>We are reviewing the existing relevant TCG policies and we will revise them, if needed</li> </ul>	In progress
PEO provides written certification of compliance with executive compensation and corporate governance requirements of the Recovery Act	<ul style="list-style-type: none"> <li>Bruce Taylor (PEO) will sign certification and submit it to the SEC within the required time frame</li> </ul>	In progress

**Executive Compensation Rules under TARP Capital Purchase Program**

January 2009

On or before February 19, 2009, the Compensation Committee is required to review with TAYC's senior risk officers those incentive compensation programs in which TAYC's senior executive officers (SEOs) participate. The purpose of this review is to ensure that the SEO incentive compensation arrangements do not encourage SEOs to take unnecessary and excessive risks. The Committee, as well as Bruce Taylor, as TAYC's CEO, will be required to certify that the Committee has reviewed with senior risk officers the SEO incentive compensation arrangements and has made reasonable efforts to ensure that such arrangements do not encourage SEOs to take unnecessary and excessive risks that threaten the value of the financial institution.

The Committee's certification will be included in the CD&A proxy statement for TAYC's 2009 annual meeting of stockholders. The Committee will be required to undertake this assessment, and the related certifications will be required, annually, so long as the United States Treasury holds an equity or debt position in TAYC acquired under the TARP Capital Purchase Program.

(b) (4)



(b) (4)