

MB FINANCIAL INC /MD  
Form 10-Q  
May 07, 2008

---

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2008

Commission file number 0-24566-01

MB FINANCIAL, INC.  
(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of  
incorporation or organization)

36-4460265  
(I.R.S. Employer Identification No.)

800 West Madison Street, Chicago, Illinois 60607  
(Address of principal executive offices)

Registrant's telephone number, including area code: (888) 422-6562

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

There were outstanding 34,735,993 shares of the registrant's common stock as of May 7, 2008.

---

MB FINANCIAL, INC. AND SUBSIDIARIES

FORM 10-Q

March 31, 2008

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets at March 31, 2008 (Unaudited) and December 31, 2007 3

Consolidated Statements of Income for the Three Months ended March 31, 2008 and 2007 (Unaudited) 4 – 5

Consolidated Statements of Cash Flows for the Three Months ended March 31, 2008 and 2007 (Unaudited) 6 – 7

Notes to Consolidated Financial Statements (Unaudited) 8 – 21

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations 22 – 35

Item 3. Quantitative and Qualitative Disclosures about Market Risk 35 – 38

Item 4. Controls and Procedures 38

PART II. OTHER INFORMATION

Item 1A. Risk Factors 39

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 39

Item 6. Exhibits 39

Signatures 40

## PART I. – FINANCIAL INFORMATION

## Item 1. – Financial Statements

## MB FINANCIAL, INC. &amp; SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

March 31, 2008 and December 31, 2007

(Amounts in thousands, except common share data)

(Unaudited)

	March 31, 2008	December 31, 2007
<b>ASSETS</b>		
Cash and due from banks	\$ 187,116	\$ 141,248
Interest bearing deposits with banks	16,054	9,093
Total cash and cash equivalents	203,170	150,341
Investment securities		
Securities available for sale, at fair value	1,186,153	1,177,714
Non-marketable securities – FHLB and FRB stock	63,671	63,671
Total investment securities	1,249,824	1,241,385
Loans (net of allowance for loan losses of \$78,764 at March 31, 2008, and \$65,103 at December 31, 2007)	5,750,337	5,550,524
Lease investments, net	91,675	97,321
Premises and equipment, net	184,257	183,722
Cash surrender value of life insurance	118,296	116,690
Goodwill, net	379,047	379,047
Other intangibles, net	24,537	25,352
Other assets	89,213	90,321
<b>Total assets</b>	<b>\$ 8,090,356</b>	<b>\$ 7,834,703</b>

## LIABILITIES AND STOCKHOLDERS' EQUITY

## Liabilities

## Deposits:

Noninterest bearing	\$ 865,665	\$ 875,491
Interest bearing	4,814,621	4,638,292
Total deposits	5,680,286	5,513,783
Short-term borrowings	922,985	977,721
Long-term borrowings	354,010	208,865
Junior subordinated notes issued to capital trusts	158,968	159,016
Accrued expenses and other liabilities	102,060	112,949
<b>Total liabilities</b>	<b>7,218,309</b>	<b>6,972,334</b>

## Stockholders' Equity

Common stock, (\$0.01 par value; authorized 43,000,000 shares at March 31, 2008 and December 31, 2007; issued 37,414,091

Edgar Filing: MB FINANCIAL INC /MD - Form 10-Q

shares at March 31, 2008 and 37,401,023 at December 31, 2007)	374	374
Additional paid-in capital	441,405	441,201
Retained earnings	504,861	505,260
Accumulated other comprehensive income	15,511	7,597
Less: 2,734,281 and 2,785,573 shares of treasury stock, at cost, at March 31, 2008, and December 31, 2007, respectively	(90,104)	(92,063)
Total stockholders' equity	872,047	862,369
Total liabilities and stockholders' equity	\$ 8,090,356	\$ 7,834,703

See Accompanying Notes to Consolidated Financial Statements.

MB FINANCIAL, INC. & SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(Amounts in thousands, except common share data)  
(Unaudited)

	Three months ended	
	March 31, 2008	March 31, 2007
Interest income:		
Loans	\$ 93,877	\$ 93,933
Investment securities:		
Taxable	9,971	14,348
Nontaxable	3,753	3,302
Federal funds sold	95	235
Other interest bearing accounts	106	50
Total interest income	107,802	111,868
Interest expense:		
Deposits	40,849	45,453
Short-term borrowings	7,867	8,618
Long-term borrowings and junior subordinated notes	5,623	5,900
Total interest expense	54,339	59,971
Net interest income	53,463	51,897
Provision for loan losses	22,540	3,813
Net interest income after provision for loan losses	30,923	48,084
Other income:		
Loan service fees	2,470	1,537
Deposit service fees	6,530	5,158
Lease financing, net	3,867	3,996
Brokerage fees	985	2,452
Asset management and trust fees	2,220	3,190
Net gain (loss) on sale of investment securities available for sale	1,105	(24)
Increase in cash surrender value of life insurance	1,606	1,221
Net (loss) gain on sale of other assets	(306)	22
Merchant card processing	4,530	3,878
Other operating income	1,530	1,514
	24,537	22,944
Other expense:		
Salaries and employee benefits	26,784	24,822
Occupancy and equipment expense	7,525	7,200
Computer services expense	1,916	1,817
Advertising and marketing expense	1,316	1,410
Professional and legal expense	306	530
Brokerage fee expense	419	1,448
Telecommunication expense	762	681
Other intangibles amortization expense	815	881
Merchant card processing	3,926	3,270
Other operating expenses	4,455	4,747
	48,224	46,806
Income before income taxes	7,236	24,222
Income taxes	1,412	7,043

Edgar Filing: MB FINANCIAL INC /MD - Form 10-Q

Income from continuing operations	\$	5,824	\$	17,179
Discontinued operations				
Income from discontinued operations before income taxes		-		1,429
Income taxes		-		487
Income from discontinued operations		-		942
Net Income	\$	5,824	\$	18,121

	Three months ended	
	March 31, 2008	March 31, 2007
Common share data:		
Basic earnings per common share from continuing operations	\$ 0.17	\$ 0.47
Basic earning per common share from discontinued operations	-	0.02
Basic earnings per common share	\$ 0.17	\$ 0.49
Diluted earnings per common share from continuing operations	\$ 0.17	\$ 0.46
Diluted earnings per common share from discontinued operations	-	0.03
Diluted earning per common share	\$ 0.17	\$ 0.49
Weighted average common shares outstanding	34,620,435	36,630,323
Diluted weighted average common shares outstanding	34,994,731	37,180,928

See Accompanying Notes to Consolidated Financial Statements.



MB FINANCIAL, INC. & SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Amounts in thousands)  
(Unaudited)

	Three Months Ended	
	March 31, 2008	March 31, 2007
Cash Flows From Continuing Operating Activities:		
Net income	\$ 5,824	\$ 18,121
Net income from discontinued operations	-	(942)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	9,861	9,349
Amortization of restricted stock awards	360	484
Compensation expense for stock option grants	654	639
Loss (gain) on sales of premises and equipment and leased equipment	233	(1,352)
Amortization of other intangibles	815	881
Provision for loan losses	22,540	3,813
Deferred income tax benefit	(3,821)	(1,896)
Amortization of premiums and discounts on investment securities, net	777	383
Accretion of premiums and discounts on loans, net	(687)	(1,012)
Net (gain) loss on sale of investment securities available for sale	(1,105)	24
Proceeds from sale of loans held for sale	14,733	16,226
Origination of loans held for sale	(14,588)	(16,010)
Net gains on sale of loans held for sale	(145)	(216)
Increase in cash surrender value of life insurance	(1,606)	(1,221)
Decrease in other assets	841	13,930
Decrease in other liabilities, net	(11,630)	(5,128)
Net cash provided by continuing operating activities	23,056	36,073
Cash Flows From Continuing Investing Activities:		
Proceeds from sales of investment securities	9,579	22,169
Proceeds from maturities and calls of investment securities	92,333	171,679
Purchase of investment securities	(97,849)	(31,113)
Net increase in loans	(221,664)	(71,991)
Purchases of premises and equipment and leased equipment	(4,885)	(5,875)
Proceeds from sales of premises and equipment and leased equipment	633	5,681
Principal paid on lease investments	(465)	(171)
Net cash provided by (used in) continuing investing activities	(222,318)	90,379
Cash Flows From Continuing Financing Activities:		
Net increase (decrease) in deposits	166,503	(77,744)
Net increase (decrease) in short-term borrowings	(54,736)	33,913
Proceeds from long-term borrowings	145,959	15,052
Principal paid on long-term borrowings	(813)	(85,927)
Treasury stock transactions, net	(3)	(9,789)
Stock options exercised	1,153	3,262
Excess tax benefits from share-based payment arrangements	251	224

Edgar Filing: MB FINANCIAL INC /MD - Form 10-Q

Dividends paid on common stock	(6,223)	(6,619)
Net cash provided by (used in) continuing financing activities	252,091	(127,628)
Net increase (decrease) in cash and cash equivalents from continuing operations	\$ 52,829	\$ (1,176)
Cash Flows From Discontinued Operations:		
Net cash provided by operations activities of discontinued operations	-	1,594
Net cash used in investing activities of discontinued operations	-	(17,922)
Net cash provided by financing activities of discontinued operations	-	16,247
Net cash provided by discontinued operations	-	(81)
Net (decrease) increase in cash and cash equivalents	\$ 52,829	\$ (1,257)
Cash and cash equivalents:		
Beginning of period (1)	150,341	160,050
End of period (2)	\$ 203,170	\$ 158,793
(1) Includes balances from discontinued operations	\$ -	\$ 12,757
(2) Includes balances from discontinued operations	\$ -	\$ 12,676

MB FINANCIAL, INC. & SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Continued)  
 (Amounts in thousands)  
 (Unaudited)

	Three Months Ended	
	March 31, 2008	March 31, 2007
Supplemental Disclosures of Cash Flow Information:		
Cash payments from continuing operations for:		
Interest paid to depositors and other borrowed funds	\$ 56,809	\$ 64,689
Income tax paid, net	7,075	61
Supplemental Schedule of Noncash Activities from continuing operations:		
Loans transferred to other real estate owned	\$ 910	\$ 129
Loans transferred to repossessed vehicles	397	70
Long-term borrowing reclassified to short-term borrowings	-	70,936

See Accompanying Notes to Consolidated Financial Statements.



MB FINANCIAL, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2008 and 2007  
(Unaudited)

NOTE 1. BASIS OF PRESENTATION

These unaudited consolidated financial statements include the accounts of MB Financial, Inc., a Maryland corporation (the "Company"), and its subsidiaries, including its wholly owned national bank subsidiary, MB Financial Bank, N.A. ("MB Financial Bank"), based in Chicago, Illinois. On November 28, 2007, the Company sold Union Bank, N.A., a wholly owned subsidiary of the Company, to Olney Bancshares of Texas, Inc. This divestiture is accounted for in the accompanying financial statements as discontinued operations. Please see Note 2 to the notes to the unaudited consolidated financial statements for more detail. In the opinion of management, all normal recurring adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods have been made. The results of operations for the three months ended March 31, 2008 are not necessarily indicative of the results to be expected for the entire fiscal year.

These unaudited interim financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and industry practice. Certain information in footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America and industry practice has been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's December 31, 2007 audited financial statements filed on Form 10-K.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of income and expenses during the reported periods. Actual results could differ from those estimates.

We adopted SFAS No. 157, Fair Value Measurements (SFAS 157) effective January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The adoption of SFAS 157 did not have a material impact on the consolidated financial statements or results of operations of the Company. In accordance with Financial Accounting Standards Board Staff Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157," the Company will delay application of SFAS 157 for non-financial assets and non-financial liabilities such as goodwill, other intangibles, real estate owned, and repossessed assets until January 1, 2009. SFAS 157 applies to all financial instruments that are measured and reported on a fair value basis. See Note 13 for additional information.

In conjunction with the adoption of SFAS 157, we also adopted SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of SFAS No. 115 (SFAS 159) as of January 1, 2008. SFAS 159 provides companies the option to report select financial assets and liabilities at fair value. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. After the initial adoption, the election is made at the acquisition of a financial asset or financial liability and it may not be revoked. The Company has not elected the fair value option for any financial assets or liabilities. See Note 13 for additional information.

Certain prior period amounts have been reclassified to conform to current period presentation.

NOTE 2. DISCONTINUED OPERATIONS

On November 28, 2007, we completed the sale of our Oklahoma City-based subsidiary bank, Union Bank, N.A., for \$76.3 million, resulting in an after-tax gain of \$28.8 million. Prior to closing, Union Bank sold to MB Financial Bank approximately \$100 million in performing loans previously purchased from and originated by MB Financial Bank.

8

---

The sale of Union allows us to concentrate our resources on growth and expansion in the Chicago metropolitan market where we operate 73 offices under MB Financial Bank.

In accordance with FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the financial position of Union Bank is reflected on the Company's balance sheets as "assets held for sale" and "liabilities held for sale", and the results of operations of Union Bank are reflected in the Company's statements of income as "discontinued operations."

The results of operations for Union Bank were as follows (in thousands):

	Three Months Ended March 31, 2007	
Interest income	\$	6,222
Interest expense		2,842
Net interest income		3,380
Provision for loan losses		188
Net interest income after provision for loans losses		3,192
Other income		361
Other expenses		2,124
Income before income taxes		1,429
Applicable income taxes		487
Income from discontinued operations	\$	942

#### NOTE 3. COMPREHENSIVE INCOME

Comprehensive income includes net income, as well as the change in net unrealized gain (loss) on investment securities available for sale arising during the periods, net of tax.

The following table sets forth comprehensive income for the periods indicated (in thousands):

	Three Months Ended	
	March 31, 2008	March 31, 2007
Net income from continuing operations	\$ 5,824	\$ 17,179
Net income from discontinued operations	-	942
Net income	\$ 5,824	\$ 18,121
Unrealized holding gains on investment securities, net of tax	8,632	3,886
Reclassification adjustments for (gains) losses included in net income, net of tax	(718)	26
Other comprehensive income, net of tax	7,914	3,912
Comprehensive income	\$ 13,738	\$ 22,033

#### NOTE 4. LOANS

Information about non homogenous impaired loans as of March 31, 2008 and December 31, 2007 are as follows (in thousands):

Edgar Filing: MB FINANCIAL INC /MD - Form 10-Q

	March 31, 2008	December 31, 2007
Impaired loans for which there were specific related allowance for loan losses	\$ 39,477	\$ 18,398
Other impaired loans	-	564
Total impaired loans	\$ 39,477	\$ 18,962
Related allowance for loan losses	14,534	5,960

9

---



A reconciliation of the activity in the allowance for loan losses follows (in thousands):

	Three Months Ended	
	March 31, 2008	March 31, 2007
Balance at beginning of period	\$ 65,103	\$ 58,983
Provision for loan losses	22,540	3,813
Charge-offs	(10,085)	(4,354)
Recoveries	1,206	263
Balance at March 31,	\$ 78,764	\$ 58,705

#### NOTE 5. GOODWILL AND INTANGIBLES

Goodwill is subject to at least annual assessments for impairment by applying a fair-value based test. An acquired intangible asset must be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so. No impairment losses on goodwill or other intangibles were incurred in the three months ended March 31, 2008 or the year ended December 31, 2007.

The following table presents the changes in the carrying amount of goodwill during the three months ended March 31, 2008 and the year ended December 31, 2007 (in thousands):

	March 31, 2008	December 31, 2007
Balance at beginning of period	\$ 379,047	\$ 379,047
Goodwill from business combinations	-	-
Balance at end of period	\$ 379,047	\$ 379,047

The Company has other intangible assets consisting of core deposit intangibles that had, as of March 31, 2008, a remaining weighted average amortization period of approximately 5 years.

The following presents the estimated future amortization expense of other intangible assets (in thousands):

	Amount
Year ending December 31,	
2008	\$ 2,440
2009	3,116
2010	2,927
2011	2,618
2012	2,430
Thereafter	11,006
	\$ 24,537

#### NOTE 6. RECENT ACCOUNTING PRONOUNCEMENTS

On March 19, 2008, the FASB issued FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement 133 (SFAS 161). SFAS 161 enhances required disclosures

regarding derivatives and hedging activities, including enhanced disclosures regarding how: (a) an entity uses derivative instruments; (b) derivative instruments and related hedged items are accounted for under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities; and (c) derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Specifically, SFAS 161 requires:

10

---

- Disclosure of the objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation;
- Disclosure of the fair values of derivative instruments and their gains and losses in a tabular format;
- Disclosure of information about credit-risk-related contingent features; and
- Cross-reference from the derivative footnote to other footnotes in which derivative-related information is disclosed.

Statement No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. Management is currently evaluating the provisions of SFAS 161 and its potential effect on its financial statements.

On December 4, 2007, the FASB issued FASB Statement 141R, Business Combinations (SFAS 141R). SFAS 141R will significantly change the accounting for business combinations. Under Statement 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS 141R will change the accounting treatment for certain specific items, including:

- acquisition costs will be generally expensed as incurred;
- noncontrolling interests (formerly known as "minority interests") will be valued at fair value at the acquisition date;
- acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies;
- the acquirer shall not recognize a separate valuation allowance as of the acquisition date for assets acquired in a business that are measured at their acquisition-date fair value;
- restructuring costs associated with a business combination will be generally expensed subsequent to the acquisition date; and
- changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

SFAS 141R also includes a substantial number of new disclosure requirements. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. Management is currently evaluating the provisions of SFAS 141R and its potential effect on the Company's financial statements.

On December 4, 2007, the FASB issued FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51(SFAS 160). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated

financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. Management is currently evaluating the provisions of SFAS 160 and its potential effect on the Company's financial statements.

## NOTE 7. STOCK-BASED COMPENSATION

Statement 123R requires that the grant date fair value of equity awards to employees be recognized as compensation expense over the period during which an employee is required to provide service in exchange for such award.

The following table summarizes the impact of the Company's share-based payment plans in the financial statements for the periods shown (in thousands):

	Three months ended	
	March 31, 2008	March 31, 2007
Total cost of share-based payment plans during the year	\$ 1,014	\$ 1,123
Amount of related income tax benefit recognized in income	\$ 347	\$ 393

The Company adopted the Omnibus Incentive Plan (the "Omnibus Plan") in 1997. In April 2007, the Omnibus Plan was modified to add 2,250,000 authorized shares. The Omnibus Plan now authorizes 6,000,000 shares of common stock for issuance to directors, officers, and employees of the Company or any of its subsidiaries. As of March 31, 2008, there were 2,170,561 shares available for grants. Grants under the Omnibus Plan can be in the form of stock options, either incentive or non-qualified, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, and other stock-based awards.

Annual equity-based incentive awards have typically been granted to officers and employees annually in July. In 2008, these grants are expected to occur in June. Options are granted with an exercise price equal to no less than the market price of the Company's shares at the date of grant; those option awards generally vest based on four years of continuous service and have 10-year contractual terms. Options may also be granted at other times throughout the year in connection with the recruitment of new officers and employees. Restricted shares granted to officers and employees typically vest over a two to three year period. Directors currently may elect, in lieu of cash, to receive up to 70% of their fees in stock options with a five-year term which are fully vested on the grant date (provided that the director may not sell the underlying shares for at least six months after the grant date), and up to 100% of their fees in restricted stock, which vests one year after the grant date.

The following table provides information about options outstanding for the three months ended March 31, 2008:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (in millions)
Options outstanding as of December 31, 2007	2,625,051	\$29.59		
Granted	9,933	\$30.78		
Exercised	(55,905)	\$16.58		
Expired or cancelled	(15,504)	\$32.60		
Forfeited	(25,982)	\$35.58		
Options outstanding as of March 31, 2008	2,537,593	\$29.80	5.93	\$ 11.1

Edgar Filing: MB FINANCIAL INC /MD - Form 10-Q

Options exercisable as of March 31, 2008	1,308,490	\$23.42	3.91	\$ 11.1
--	-----------	---------	------	---------

12

---

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model based on certain assumptions. Expected volatility is based on historical volatilities of Company shares, and expected future fluctuations. The risk free rate for periods within the contractual term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The expected life of options is estimated based on historical employee behavior and represents the period of time that options granted are expected to remain outstanding.

The following assumptions were used for options granted during the three month period ended March 31, 2008:

	March 31, 2008
Expected volatility	16.28%
Risk free interest rate	2.27%
Dividend yield	2.18%
Expected life	4 years
Weighted average fair value per option of options granted during the period	\$ 3.68

The total intrinsic value of options exercised during the three months ended March 31, 2008 and 2007 was \$765 thousand and \$586 thousand, respectively.

The following is a summary of changes in nonvested shares of restricted stock and nonvested restricted stock units for the three months ended March 31, 2008:

	Number of Shares	Weighted Average Grant Date Fair Value
Shares Outstanding at December 31, 2007	134,722	\$ 35.74
Granted	18,908	31.30
Vested	(4,047)	35.44
Cancelled	(5,840)	33.65
Shares Outstanding at March 31, 2008	143,743	\$ 35.25

As of March 31, 2008, there was \$8.0 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements (including share option and nonvested share awards) granted under the Omnibus Plan.

#### NOTE 8. SHORT-TERM BORROWINGS

Short-term borrowings are summarized as follows as of March 31, 2008 and December 31, 2007 (dollars in thousands):

	March 31, 2008		December 31, 2007	
	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount
Federal funds purchased	2.50%	\$ 100,000	3.86%	\$ 170,000

Edgar Filing: MB FINANCIAL INC /MD - Form 10-Q

Federal Reserve Term Auction Funds	2.71	150,000		-
Assets under agreements to repurchase:				
Customer repurchase agreements	1.58	328,976	3.02	367,702
Federal Home Loan Bank advances	3.74	344,009	5.05	440,019
	2.67%	\$ 922,985	4.08%	\$ 977,721

The Company uses the Federal Reserve Term Auction Funds for short-term funding. Each auction is for a fixed amount and the rate is determined by the auction process. These borrowings are primarily collateralized by commercial and indirect vehicle loans with unpaid principal balances aggregating no less than 200% of the outstanding advances from the Federal Reserve Term Auction.



Assets sold under agreements to repurchase are agreements in which the Company acquires funds by selling securities or investment grade lease loans to another party under a simultaneous agreement to repurchase the same securities or lease loans at a specified price and date. The Company enters into repurchase agreements and also offers a demand deposit account product to customers that sweeps their balances in excess of an agreed upon target amount into overnight repurchase agreements. All repurchase agreements outstanding at March 31, 2008 and December 31, 2007 were overnight repurchase agreements with customers.

At March 31, 2008, Federal Home Loan Bank advances had fixed terms with effective interest rates, net of premiums, ranging from 2.44% to 5.18% and are subject to a prepayment fee. At March 31, 2008, the advances had maturities ranging from May 2008 to March 2009.

A collateral pledge agreement exists whereby at all times, the Company must keep on hand, free of all other pledges, liens, and encumbrances, first mortgage loans and home equity loans with unpaid principal balances aggregating no less than 133% for first mortgage loans and 200% for home equity loans for all of the outstanding secured advances from the Federal Home Loan Bank. As of March 31 2008, and December 31, 2007, the Company had \$446.9 million and \$426.7 million, respectively, of loans pledged as collateral for all Federal Home Loan Bank advances. Additionally, as of March 31, 2008 and December 31, 2007, the Company had \$167.8 million and \$137.5 million, respectively, of investment securities pledged as collateral for all secured advances from the Federal Home Loan Bank.

The Company has a \$30 million correspondent bank line of credit which has certain debt covenants that require the Company to maintain "Well Capitalized" capital ratios, to have no other debt except in the usual course of business, and requires the Company to maintain minimum financial ratios on return on assets and earnings as well as maintain minimum financial ratios related to the loan loss allowance. The Company was in compliance with such debt covenants as of March 31, 2008. The correspondent bank line of credit, which is used for short-term liquidity purposes, is secured by the stock of MB Financial Bank, and its terms are renewed annually. As of March 31, 2008 and December 31, 2007, no balances were outstanding on the correspondent line of credit.

#### NOTE 9. LONG TERM BORROWINGS

The Company had Federal Home Loan Bank advances with maturities greater than one year of \$247.9 million and \$105.1 million at March 31, 2008 and December 31, 2007, respectively. As of March 31, 2008, the advances had fixed terms with effective interest rates, net of premiums, ranging from 3.28% to 5.87%.

The Company had notes payable to banks totaling \$14.8 million and \$12.5 million at March 31, 2008 and December 31, 2007, respectively, which as of March 31, 2008, were accruing interest at rates ranging from 4.27% to 12.00%. Lease investments includes equipment with an amortized cost of \$18.7 million and \$16.1 million at March 31, 2008 and December 31, 2007, respectively, that is pledged as collateral on these notes.

During the first quarter of 2006, prior to its acquisition by the Company, Oak Brook Bank entered into a \$40 million ten year structured repurchase agreement which is non-putable for five years. The borrowing agreement floats at 3-month LIBOR less 37 basis points and reprices quarterly. The counterparty to the repurchase agreement has a one-time put option after five years. If the option is not exercised, the repurchase agreement converts to a fixed rate borrowing at 4.75% for the remaining five year term.

On September 29, 2006, the Company entered into a seven year subordinated debt facility under which up to \$25 million could be borrowed. In September of 2007, the Company entered into modification of this facility, which increased the amount that can be borrowed from \$25 million to \$50 million, lowered the interest rate spread over LIBOR from 1.25% to 1.20% and extended the term of the facility from seven years to ten years (now expiring on

October 1, 2017). The Company had \$50 million outstanding under this debt facility at March 31, 2008. Interest is payable at a rate of 3 month LIBOR + 1.20%. The debt matures on October 1, 2017. In addition, the Company has a \$500 thousand ten-year term loan from the same lender. Interest is payable at a rate of 3 month LIBOR + 0.70%. As long as the subordinated debt is outstanding, the Company is required to keep the \$500 thousand debt outstanding.

The principal payments on long-term borrowings are due as follows (in thousands):

	Amount
Year ending December 31,	
2008	\$ 10,542
2009	12,841
2010	111,909
2011	12,557
2012	9,963
Thereafter	196,198
	\$ 354,010

#### NOTE 10. JUNIOR SUBORDINATED NOTES ISSUED TO CAPITAL TRUSTS

The Company has established statutory trusts for the sole purpose of issuing trust preferred securities and related trust common securities. The proceeds from such issuances were used by the trusts to purchase junior subordinated notes of the Company, which are the sole assets of each trust. Concurrently with the issuance of the trust preferred securities, the Company issued guarantees for the benefit of the holders of the trust preferred securities. The trust preferred securities are issues that qualify, and are treated by the Company, as Tier 1 regulatory capital. The Company owns all of the common securities of each trust. The trust preferred securities issued by each trust rank equally with the common securities in right of payment, except that if an event of default under the indenture governing the notes has occurred and is continuing, the preferred securities will rank senior to the common securities in right of payment. FOBB Capital Trusts I and III were established by FOBB prior to the Company's acquisition of FOBB, and the junior subordinated notes issued by FOBB to FOBB Capital Trusts I and III were assumed by the Company upon completion of the acquisition.

Edgar Filing: MB FINANCIAL INC /MD - Form 10-Q

The table below summarizes the outstanding junior subordinated notes and the related trust preferred securities issued by each trust as of March 31, 2008 (in thousands):

	Coal City Capital Trust I	MB Financial Capital Trust II	MB Financial Capital Trust III	MB Financial Capital Trust IV
<b>Junior Subordinated Notes:</b>				
Principal balance	\$ 25,774	\$ 36,083	\$ 10,310	\$ 20,619
Annual interest rate	3-mo LIBOR + 1.80%	3-mo LIBOR + 1.40%	3-mo LIBOR + 1.50%	3-mo LIBOR + 1.52%
Stated maturity date	September 1, 2028	September 15, 2035	September 23, 2036	September 15, 2036
Call date	September 1, 2008	September 15, 2010	September 23, 2011	September 15, 2011
<b>Trust Preferred Securities:</b>				
Face value	\$ 25,000	\$ 35,000	\$ 10,000	\$ 20,000
Annual distribution rate	3-mo LIBOR + 1.80%	3-mo LIBOR + 1.40%	3-mo LIBOR + 1.50%	3-mo LIBOR + 1.52%
Issuance date	July 1998	August 2005	July 2006	August 2006
Distribution dates (1)	Quarterly	Quarterly	Quarterly	Quarterly
	MB Financial Capital Trust V	MB Financial Capital Trust VI	FOBB (2) Capital Trust I	FOBB (2) Capital Trust III
<b>Junior Subordinated Notes:</b>				
Principal balance	\$ 30,928	\$ 23,196	\$ 6,186	\$ 5,155
Annual interest rate	3-mo LIBOR + 1.30%	3-mo LIBOR + 1.30%	10.60%	3-mo LIBOR + 2.80%
Stated maturity date	December 15, 2037	October 30, 2037	September 7, 2030	January 23, 2034
Call date	December 15, 2012	October 30, 2012	September 7, 2010	January 23, 2009
<b>Trust Preferred Securities:</b>				
Face value	\$ 30,000	\$ 22,500	\$ 6,000	\$ 5,000
Annual distribution rate	3-mo LIBOR + 1.30%	3-mo LIBOR + 1.30%	10.60%	3-mo LIBOR + 2.80%
Issuance date	September 2007	October 2007	September 2000	December 2003
Distribution dates (1)	Quarterly	Quarterly	Semi-annual	Quarterly

(1) All distributions are cumulative and paid in cash.

(2) Amount does not include purchase accounting adjustments totaling a premium of \$717 thousand associated with FOBB Capital Trust I and III.

The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated notes at the stated maturity date or upon redemption on a date no earlier than the call dates noted in the table above. Prior to these respective redemption dates, the junior subordinated notes may be redeemed by the

Company (in which case the trust preferred securities would also be redeemed) after the occurrence of certain events that would have a negative tax effect on the Company or the trusts, would cause the trust preferred securities to no longer qualify as Tier 1 capital, or would result in a trust being treated as an investment company. Each trust's ability to pay amounts due on the trust preferred securities is solely dependent upon the Company making payment on the related junior subordinated notes. The Company's obligation under the junior subordinated notes and other relevant trust agreements, in aggregate, constitute a full and unconditional guarantee by the Company of each trust's obligations under the trust preferred securities issued by each trust. The Company has the right to defer payment of interest on the notes and, therefore, distributions on the trust preferred securities, for up to five years, but not beyond the stated maturity date in the table above. During any such deferral period the Company may not pay cash dividends on its common stock and generally may not repurchase its common stock.

In March 2005, the Board of Governors of the Federal Reserve System issued a final rule allowing bank holding companies to continue to include qualifying trust preferred securities in their Tier 1 Capital for regulatory capital purposes, subject to a 25% limitation to all core (Tier I) capital elements, net of goodwill less any associated deferred tax liability. The final rule provides a five-year transition period, ending March 31, 2009, for application of the aforementioned quantitative limitation. As of March 31, 2008, 100% of the trust preferred securities qualified as Tier I capital. Under the final rule adopted in March 2005, that will take effect March 31, 2009, 100% of the trust preferred securities outstanding, as of March 31, 2008, would qualify as Tier I capital.

## NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), the Company designates each derivative contract at inception as either a fair value hedge or a cash flow hedge. Currently, the Company has only fair value hedges in the portfolio. For fair value hedges, the interest rate swaps are structured so that all of the critical terms of the hedged items match the terms of the appropriate leg of the interest rate swaps at inception of the hedging relationship. The Company tests hedge effectiveness on a quarterly basis for all fair value hedges. For prospective and retrospective hedge effectiveness, we use the dollar offset approach. In periodically assessing retrospectively the effectiveness of a fair value hedge in having achieved offsetting changes in fair values under a dollar-offset approach, the Company uses a cumulative approach on individual fair value hedges.

The Company uses interest rate swaps to hedge its interest rate risk. The Company had fair value commercial loan interest rate swaps and fair value brokered deposit interest rate swaps with aggregate notional amounts of \$14.0 million and \$142.2 million, respectively, at March 31, 2008. For fair value hedges, the changes in fair values of both the hedging derivative and the hedged item were recorded in current earnings as other income or other expense. When a fair value hedge no longer qualifies for hedge accounting, previous adjustments to the carrying value of the hedged item are reversed immediately to current earnings and the hedge is reclassified to a trading position.

We also offer various derivatives to our customers and offset our exposure from such contracts by purchasing other financial contracts. The customer accommodations and any offsetting financial contracts are treated as non-hedging derivative instruments which do not qualify for hedge accounting.

Interest rate swap contracts involve the risk of dealing with counterparties and their ability to meet contractual terms. The net amount payable or receivable under interest rate swaps is accrued as an adjustment to interest income. The net amount receivable for the three months ended March 31, 2008 and 2007 was approximately \$1.2 million and \$1.8 million, respectively. The Company's credit exposure on interest rate swaps is limited to the Company's net favorable value and interest payments of all swaps to each counterparty. In such cases collateral is required from the counterparties involved if the net value of the swaps exceeds a nominal amount. At March 31, 2008, the Company's credit exposure relating to interest rate swaps was not significant.

The Company's derivative financial instruments are summarized below as of March 31, 2008 and December 31, 2007 (dollars in thousands):

	March 31, 2008					December 31, 2007	
	Notional Amount	Estimated Fair Value	Years to Maturity	Weighted-Average Receive Rate	Pay Rate	Notional Amount	Estimated Fair Value
Derivative instruments designated as hedges of fair value:							
Pay fixed/receive variable swaps (1)	\$ 13,977	\$ (507)	5.0	5.23%	6.19%	\$ 14,320	\$ (23)
Pay variable/receive fixed swaps (2)	142,240	327	6.7	4.87%	3.12%	151,706	(1,245)
Non-hedging derivative instruments (3):							
Pay fixed/receive variable swaps	127,472	(9,126)	6.4	4.61%	6.58%	119,223	(4,431)
	135,232	9,131	6.4	6.49%	4.53%	127,517	4,340

Pay variable/receive fixed  
swaps

							\$	
Total portfolio swaps	\$ 418,921	\$ (175)	6.4	5.32%	4.73%	412,766	\$	(1,359)

(1) Hedges fixed-rate

commercial real estate loans

(2) Hedges fixed-rate callable brokered deposits

(3) These portfolio swaps are not designated as hedging instruments under SFAS No.

133.

17

---

## NOTE 12. COMMITMENTS AND CONTINGENCIES

Commitments: The Company is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At March 31, 2008 and December 31, 2007, the following financial instruments were outstanding, the contractual amounts of which represent off-balance sheet credit risk (in thousands):

	Contract Amount	
	March 31, 2008	December 31, 2007
Commitments to extend credit:		
Home equity lines	\$ 584,399	\$ 572,998
Other commitments	1,585,043	1,444,713
Letters of credit:		
Standby	117,325	132,843
Commercial	57,559	56,136

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require a payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

The Company, in the normal course of its business, regularly offers standby and commercial letters of credit to its bank customers. Standby and commercial letters of credit are a conditional but irrevocable form of guarantee. Under letters of credit, the Company typically guarantees payment to a third party beneficiary upon the default of payment or nonperformance by the bank customer and upon receipt of complying documentation from that beneficiary.

Both standby and commercial letters of credit may be issued for any length of time, but normally do not exceed a period of five years. These letters of credit may also be extended or amended from time to time depending on the bank customer's needs. As of March 31, 2008, the maximum remaining term for any standby letter of credit was August 1, 2014. A fee of up to two percent of face value may be charged to the bank customer and is recognized as income over the life of the letter of credit, unless considered non-rebatable under the terms of a letter of credit application.

At March 31, 2008, the aggregate contractual amount of these letters of credit, which represents the maximum potential amount of future payments that the Company would be obligated to pay, decreased \$14.1 million to \$174.9 million from \$189.0 million at December 31, 2007. Of the \$174.9 million in commitments outstanding at March 31, 2008, approximately \$18.3 million of the letters of credit have been issued or renewed since December 31, 2007. The Company had \$1.6 million of deferred fees recorded as of March 31, 2008 relating to these commitments.



Letters of credit issued on behalf of bank customers may be done on either a secured, partially secured or an unsecured basis. If a letter of credit is secured or partially secured, the collateral can take various forms including bank accounts, investments, fixed assets, inventory, accounts receivable or real estate, among other things. The Company takes the same care in making credit decisions and obtaining collateral when it issues letters of credit on behalf of its customers, as it does when making other types of loans.

Concentrations of credit risk: The majority of the loans, commitments to extend credit and standby letters of credit have been granted to customers in the Company's market area. Investments in securities issued by states and political subdivisions also involve governmental entities within the Company's market area. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Standby letters of credit are granted primarily to commercial borrowers.

Contingencies: In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from pending proceedings would not be expected to have a material adverse effect on the Company's consolidated financial statements.

As of March 31, 2008, we had approximately \$2.0 million in capital expenditure commitments outstanding which relate to various projects to build new branches or renovate existing branches. We expect to pay the outstanding commitments as of March 31, 2008 through the normal cash flows of our business operations.

#### NOTE 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, we adopted the provisions of SFAS No. 157, "Fair Value Measurements," for financial assets and financial liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

SFAS 157 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, SFAS 157 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Corporation's financial assets and financial liabilities carried at fair value effective January 1, 2008.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality, the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. Our valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Corporation's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**Securities Available for Sale.** The fair values of securities available for sale are determined by quoted prices in active markets, when available. If quoted market prices are not available, the fair value is determined by a matrix pricing, which is a mathematical technique, widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities.

#### **Assets Held in Trust for Deferred Compensation and Associated Liabilities**

Assets held in trust for deferred compensation are recorded at fair value and included in "Other Assets" on the consolidated balance sheets. These assets are invested in mutual funds and classified as Level 1. Deferred compensation liabilities, also classified as Level 1, are carried at the fair value of the obligation to the employee, which corresponds to the fair value of the invested assets.

**Derivatives.** Currently, we use interest rate swaps to manage our interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including LIBOR rate curves. We also obtain dealer quotations for these derivatives for comparative purposes to assess the reasonableness of the model valuations.

**Impaired Loans.** Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with SFAS 114, "Accounting by Creditors for Impairment of a Loan," (SFAS 114). The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At March 31, 2008, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. In accordance with SFAS 157, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

## Financial Instruments Recorded at Fair Value on a Recurring Basis

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2008, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	March 31, 2008	Fair Value Measurements at March 31, 2008 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Securities available for sale	\$ 1,186,153	\$ 3,520	\$ 1,182,633	-
Assets held in trust for deferred compensation	8,374	8,374	-	-
Derivative financial instruments	9,458	-	9,458	-
Financial liabilities				
Other liabilities (1)	8,374	8,374	-	-
Derivative financial instruments	9,633	-	9,633	-

(1) Liabilities associated with assets held in trust for deferred compensation.

## Financial Instruments Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain financial assets and financial liabilities at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below (in thousands):

	March 31, 2008	Fair Value Measurements at March 31, 2008 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Impaired loans	\$ 24,943	-	-	\$24,943

Effective January 1, 2008, we adopted the provisions of SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115." SFAS 159 permits the Corporation to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value measurement option has been elected are reported in earnings at each subsequent reporting date. The fair value option (i) may be applied instrument by instrument, with certain exceptions, thus the Corporation may record identical financial assets and liabilities at fair value or by another measurement basis permitted under generally accepted accounting principals, (ii) is irrevocable (unless a new election date occurs) and (iii) is applied only to entire instruments and not to portions of instruments. The Company has not elected the fair value option for any financial assets or liabilities. Adoption of SFAS 159 on January 1, 2008 did not have a significant impact on the Corporation's

financial statements.

NOTE 14. SUBSEQUENT EVENTS

On April 18, 2008, we purchased an 80% interest in Cedar Hill Associates, LLC an asset management firm located in Chicago, Illinois, with approximately \$960 million in assets under management. The purchase of Cedar Hill is expected to complement and expand our wealth management product offerings and revenues.

21

---

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion and analysis of MB Financial, Inc.'s financial condition and results of operations and should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report. The words "we," "our" and "us" refer to MB Financial, Inc. and its wholly owned subsidiaries, unless we indicate otherwise.

### Overview

The profitability of our operations depends primarily on our net interest income after provision for loan losses, which is the difference between interest earned on interest earning assets and interest paid on interest bearing liabilities less provision for loan losses. The provision for loan losses is dependent on changes in our loan portfolio and management's assessment of the collectability of our loan portfolio as well as prevailing economic and market conditions. Additionally, our net income is affected by other income and other expenses. The provision for loan losses reflects the amount that we believe is adequate to cover potential credit losses in our loan portfolio. Non-interest income or other income consists of loan service fees, deposit service fees, net lease financing income, brokerage fees, asset management and trust fees, net gains on the sale of investment securities available for sale, increase in cash surrender value of life insurance, net gains on sale of other assets, merchant card processing fees and other operating income. Other expenses include salaries and employee benefits, occupancy and equipment expense, computer services expense, advertising and marketing expense, professional and legal expense, brokerage fee expense, telecommunication expense, other intangibles amortization expense, merchant card processing expense, charitable contributions, and other operating expenses.

On November 28, 2007, we completed the sale of our Oklahoma City-based subsidiary bank, Union Bank for \$76.3 million, resulting in an after-tax gain of \$28.8 million. Prior to closing, Union Bank sold to MB Financial Bank approximately \$100 million in performing loans previously purchased from and originated by MB Financial Bank.

For purposes of the following discussion, balances, average rate, income and expenses associated with Union Bank, including the gain recognized on the sale, have been excluded from continuing operations. See Note 2 of the notes to our consolidated financial statements for additional information on discontinued operations.

Net interest income is affected by changes in the volume and mix of interest earning assets, interest earned on those assets, the volume and mix of interest bearing liabilities and interest paid on interest bearing liabilities. Other income and other expenses are impacted by growth of operations and growth in the number of loan and deposit accounts through both acquisitions and core banking business growth. Growth in operations affects other expenses primarily as a result of additional employees, branch facilities and promotional marketing expense. Growth in the number of loan and deposit accounts affects other income, including service fees as well as other expenses such as computer services, supplies, postage, telecommunications and other miscellaneous expenses.

Our net income from continuing operations was \$5.8 million for the first quarter of 2008, compared to \$17.2 million for the first quarter of 2007, primarily due to an \$18.7 million increase in provision for loan losses. Our 2008 first quarter results generated an annualized return on average assets from continuing operations of 0.30% and an annualized return on average equity from continuing operations of 2.66%, compared to 0.88% and 8.18%, respectively, for the same period in 2007. Fully diluted earnings per share from continuing operations for the first quarter of 2008 decreased to \$0.17 compared to \$0.46 per share in the 2007 first quarter.

## Critical Accounting Policies

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and follow general practices within the industries in which we operate. This preparation requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, actual results could differ from the estimates, assumptions, and judgments reflected in the financial statements. Certain policies inherently have a greater reliance on the use of estimates, assumptions, and judgments and, as such, have a greater possibility of producing results that could be materially different than originally reported. Management believes the following policies are both important to the portrayal of our financial condition and results of operations and require subjective or complex judgments; therefore, management considers the following to be critical accounting policies. Management has reviewed the application of these policies with the Audit Committee of our board of directors.

**Allowance for Loan Losses.** Subject to the use of estimates, assumptions, and judgments is management's evaluation process used to determine the adequacy of the allowance for loan losses, which combines several factors: management's ongoing review and grading of the loan portfolio, consideration of past loan loss experience, trends in past due and nonperforming loans, risk characteristics of the various classifications of loans, existing economic conditions, the fair value of underlying collateral, and other qualitative and quantitative factors which could affect probable credit losses. Because current economic conditions can change and future events are inherently difficult to predict, the anticipated amount of estimated loan losses, and therefore the adequacy of the allowance, could change significantly. As an integral part of their examination process, various regulatory agencies also review the allowance for loan losses. Such agencies may require that certain loan balances be charged off when their credit evaluations differ from those of management or require that adjustments be made to the allowance for loan losses, based on their judgments about information available to them at the time of their examination. We believe the allowance for loan losses is adequate and properly recorded in the financial statements. See "Allowance for Loan Losses" section below for further analysis.

**Residual Value of Our Direct Finance, Leveraged, and Operating Leases.** Lease residual value represents the present value of the estimated fair value of the leased equipment at the termination date of the lease. Realization of these residual values depends on many factors, including management's use of estimates, assumptions, and judgment to determine such values. Several other factors outside of management's control may reduce the residual values realized, including general market conditions at the time of expiration of the lease, whether there has been technological or economic obsolescence or unusual wear and tear on, or use of, the equipment and the cost of comparable equipment. If, upon the expiration of a lease, we sell the equipment and the amount realized is less than the recorded value of the residual interest in the equipment, we will recognize a loss reflecting the difference. On a quarterly basis, management reviews the lease residuals for potential impairment. If we fail to realize our aggregate recorded residual values, our financial condition and profitability could be adversely affected. At March 31, 2008, the aggregate residual value of the equipment leased under our direct finance, leveraged, and operating leases totaled \$37.6 million. See Note 1 and Note 7 of the notes to our December 31, 2007 audited consolidated financial statements for additional information.

**Income Tax Accounting.** In June 2006, the FASB issued FASB interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold that a tax position must meet to be recognized in the financial statements. FIN 48 also provides guidance on measurement, recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted FIN 48 as of January 1, 2007. As a result of the implementation of FIN 48, the Company recognized no material adjustment in the liability for uncertain income tax positions. As of March 31, 2008, the



Company had \$3.5 million of uncertain tax positions. The Company elects to treat interest and penalties recognized for the underpayment of income taxes as income tax expense. However, interest and penalties imposed by taxing authorities on issues specifically addressed in FIN 48 will be taken out of the tax reserves up to the amount allocated to interest and penalties. The amount of interest and penalties exceeding the amount allocated in the tax reserves will be treated as income tax expense. As of March 31, 2008, the Company had \$89 thousand of accrued interest related to tax reserves. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in our subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of income.

**Fair Value of Assets and Liabilities.** On January 1, 2008, the Company adopted SFAS 157 which defines fair value as the price that would be received to sell the financial asset or paid to transfer the financial liability in an orderly transaction between market participants at the measurement date.

The degree of management judgment involved in determining the fair value of assets and liabilities is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not fully available, management judgment is necessary to estimate fair value. In addition, changes in market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. Therefore, when market data is not available, the Company would use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement.

At March 31, 2008, \$1.2 billion of investment securities, or 14.8 percent of total assets, were recorded at fair value on a recurring basis. All of these financial instruments used valuation methodologies involving market-based or market-derived information, collectively Level 1 and 2 measurements, to measure fair value. At March 31, 2008, \$9.6 million, or less than one percent of total liabilities, consisted of financial instruments recorded at fair value on a recurring basis.

At March 31, 2008, \$24.9 million of impaired loans, or less than one percent of total assets, were recorded at fair value on a nonrecurring basis. These assets were measured using Level 3 measurements. The assets valued using Level 3 measurements consisted of impaired loans. At March 31, 2008, no liabilities were measured at fair value on a nonrecurring basis.

See Note 13 to the consolidated financial statements for a complete discussion on the Company's use of fair valuation of assets and liabilities and the related measurement techniques.

## Results of Continuing Operations

### First Quarter Results

Net income from continuing operations was \$5.8 million for the first quarter of 2008, compared to \$17.2 million for the first quarter of 2007. The results for the first quarter of 2008 generated an annualized return on average assets of 0.30% and an annualized return on average equity of 2.66%, compared to 0.88% and 8.18%, respectively, for the same period in 2007.

Net interest income was \$53.5 million for the three months ended March 31, 2008, an increase of \$1.6 million, or 3.0% from \$51.9 million for the comparable period in 2007. The growth in net interest income reflects a \$381.1 million, or 5.8% increase in average interest earning assets, and a \$301.5 million, or 5.3%, increase in average interest bearing liabilities. This was partially offset by approximately 11 basis points of margin compression. The increase in average interest earning assets and the increase in average interest bearing liabilities was primarily due to organic growth. The net interest margin, expressed on a fully tax equivalent basis, was 3.22% for the first quarter of 2008 and 3.33% for the first quarter of 2007. The decline in the net interest margin was primarily due to our interest earning assets adjusting to the decrease in market rates more rapidly than our interest bearing liabilities. After remaining constant for approximately 15 months, the Fed Funds rate declined 300 basis points from September 2007 to March 2008.

Provision for loan losses was \$22.5 million in the first quarter of 2008 as compared to \$3.8 million in first quarter of 2007. Net charge-offs were \$8.9 million in the quarter ended March 31, 2008 compared to \$4.1 million in the quarter

ended March 31, 2007. The increase in charge-offs was primarily due to the charge-off of two commercial loans during the first quarter of 2008 totaling \$5.9 million. These two charge-offs were due to customer fraud. With regard to one of the frauds, an extensive review of the applicable lending division revealed that it was not consistently following our established monitoring and reporting procedures. Furthermore, all credits in this division were reviewed and while no additional customer frauds were identified, we downgraded three additional commercial credits totaling \$42.5 million to potential problem status. All three loans are current with respect to their payments of principal and interest.

The impact of the customer frauds resulted in a provision of approximately \$7 million. The three additional commercial credits downgraded in the loan division due to credit weakness resulted in an increase to the provision for loan losses of approximately \$10 million. Based on our extensive review of this loan division, we are not aware of any other issues of this type. As discussed in Item 4, certain enhancements were subsequently made to our control environment in response to this matter. The remaining portion of the provision was primarily attributable to our robust loan growth for the quarter. See “Asset Quality” section below for further analysis of the allowance for loan losses.

Other income increased \$1.6 million, or 6.9% to \$24.5 million for the quarter ended March 31, 2008 from \$22.9 million for the first quarter of 2007. Deposit service fees increased by \$1.4 million, primarily due to enhancements made to our courtesy overdraft program and a fee increase that was implemented during the second quarter of 2007. Net gains on sale of investment securities increased by \$1.1 million as a net gain of \$1.1 million was realized in the first quarter of 2008 compared to net losses of \$24 thousand in the first quarter of 2007, primarily due to an \$832 thousand gain on sale of investment securities related to the partial redemption of our equity interest in Visa recognized during the first quarter of 2008. This redemption was approximately 39% of our interest in Visa. Loan service fees increased \$933 thousand, primarily due to an increase in letter of credit fees and prepayment fees recognized during the first quarter of 2008 compared to the first quarter of 2007. Merchant card processing income increased by \$652 thousand due to an increase in transactions processed during the quarter ended March 31, 2008 compared to the same period in 2007. Brokerage fees decreased by \$1.5 million, primarily due to the sale of our third party brokerage business during the second quarter of 2007. The decrease in our brokerage fee income was offset by significant corresponding reductions in brokerage expense as a result of selling our third party brokerage business. Trust and asset management fees decreased \$970 thousand primarily due to a \$909 thousand gain realized on the sale of our land trust operations in the first quarter of 2007.

Other expense increased by \$1.4 million, or 3.0% to \$48.2 million for the quarter ended March 31, 2008 from \$46.8 million for the quarter ended March 31, 2007. Salaries and employee benefits expense increased \$2.0 million primarily due to organic growth. We have hired 27 bankers from the third quarter of 2007 to the first quarter of 2008. We incurred approximately \$500 thousand of salary and employee benefits expense (including salaries, signing bonuses, and recruiting fees) during the first quarter of 2008, related to these additional bankers. Merchant card processing expense increased by \$656 thousand due to an increase in transactions processed during the quarter ended March 31, 2008 compared to the same period in 2007. Merchant card processing expense is positively correlated with increases and decreases in Merchant card processing income. Occupancy and equipment expense increased by \$325 thousand from the first quarter of 2007 to the first quarter of 2008, primarily due to an increase in snow removal expense during the first quarter of 2008 compared to the first quarter of 2007. As noted earlier, the decrease in our brokerage fee expense from the first quarter of 2007 to the first quarter of 2008 was primarily due to the sale of our third party brokerage business during the second quarter of 2007.

Income tax expense for the three months ended March 31, 2008 decreased \$5.6 million to \$1.4 million compared to \$7.0 million for the same period in 2007. The effective tax rate was 19.5% and 29.1% for the quarter ended March 31, 2008 and 2007, respectively. The decrease in the effective tax rate was primarily due to a larger percentage of income before taxes being comprised of tax exempt income during the first quarter of 2008 compared to the first quarter of 2007.

## Net Interest Margin

The following table presents, for the periods indicated, the total dollar amount of interest income from average interest earning assets and the resultant yields, as well as the interest expense on average interest bearing liabilities, and the resultant costs, expressed both in dollars and rates (dollars in thousands):

	Three Months Ended March 31,					
	2008			2007		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
<b>Interest Earning Assets:</b>						
Loans (1) (2)	\$ 5,680,086	\$ 93,785	6.64 %	\$ 4,974,649	\$ 93,715	7.64 %
Loans exempt from federal income taxes (3)	7,560	141	7.38	15,168	336	8.86
Taxable investment securities	819,845	9,971	4.86	1,183,744	14,348	4.85
Investment securities exempt from federal income taxes (3)	401,207	5,774	5.69	360,015	5,080	5.64
Federal funds sold	15,220	95	2.47	18,003	235	5.22
Other interest bearing deposits	15,387	106	2.77	6,579	50	3.08
Total interest earning assets	6,939,305	109,872	6.37	6,558,158	113,764	7.04
Assets available for sale	-			387,919		
Non-interest earning assets	925,512			933,684		
Total assets	\$ 7,864,817			\$ 7,789,761		
<b>Interest Bearing Liabilities:</b>						
<b>Deposits:</b>						
NOW and money market deposit accounts	\$ 1,234,965	\$ 6,603	2.15 %	\$ 1,070,252	\$ 7,730	2.93 %
Savings deposits	388,956	443	0.46	459,109	864	0.76
Time deposits	3,018,204	33,803	4.50	3,072,622	36,859	4.87
Short-term borrowings	939,746	7,867	3.37	744,671	8,618	4.69
Long-term borrowings and junior subordinated notes	461,053	5,623	4.82	394,780	5,900	5.98
Total interest bearing liabilities	6,042,924	54,339	3.62	5,741,434	59,971	4.24
Non-interest bearing deposits	839,386			859,141		
Liabilities held for sale	-			356,299		
Other non-interest bearing liabilities	103,451			71,102		
Stockholders' equity	879,056			851,785		
Total liabilities and stockholders' equity	\$ 7,864,817			\$ 7,879,761		
Net interest income/interest rate spread (4)		\$ 55,533	2.75 %		\$ 53,793	2.80 %
Taxable equivalent adjustment		2,070			1,896	
Net interest income, as reported		\$ 53,463			\$ 51,897	
Net interest margin (5)			3.10 %			3.21 %

Tax equivalent effect	0.12 %	0.12 %
Net interest margin on a fully tax equivalent basis (5)	3.22 %	3.33 %

(1) Non-accrual loans are included in average loans.

(2) Interest income includes amortization of deferred loan origination fees of \$2.0 million and \$1.7 million for the three months ended March 31, 2008 and 2007, respectively.

(3) Non-taxable loan and investment income is presented on a fully tax equivalent basis assuming a 35% tax rate.

(4) Interest rate spread represents the difference between the average yield on interest earning assets and the average cost of interest bearing liabilities and is presented on a fully tax equivalent basis.

(5) Net interest margin represents net interest income as a percentage of average interest earning assets.

Net interest income on a tax equivalent basis increased \$1.7 million, or 3.2% to \$55.5 million for the three months ended March 31, 2008 from \$53.8 million for the three months ended March 31, 2007. Tax-equivalent interest income decreased by \$3.9 million, primarily due to a decrease in overall short-term interest rates, partially offset by a \$381.1 million, or 5.8% increase in average interest earning assets. The yield on average interest earning assets decreased 67 basis points to 6.37%. The increase in average interest earning assets was primarily due to organic growth. Interest expense decreased by \$5.6 million, primarily due to a decrease in overall short-term interest rates, partially offset by a \$301.5 million, or 5.3% increase in average interest bearing liabilities. The increase in average interest bearing liabilities was primarily due to organic growth.

The net interest margin expressed on a fully tax equivalent basis for the first quarter of 2008 decreased by 11 basis points from 3.33% in the first quarter of 2007. Substantial decreases in interest rates during the three months ended March 31, 2008, resulted in our interest earning assets repricing more rapidly than our interest bearing liabilities. After remaining constant for approximately 15 months, the Fed Funds rate declined 300 basis points from September 2007 to March 2008.

#### Volume and Rate Analysis of Net Interest Income

The following table presents the extent to which changes in volume and interest rates of interest earning assets and interest bearing liabilities have affected our interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior period rate), (ii) changes attributable to changes in rates (changes in rates multiplied by prior period volume) and (iii) change attributable to a combination of changes in rate and volume (change in rates multiplied by the changes in volume) (in thousands). Changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

	Three Months Ended March 31, 2008 Compared to March 31, 2007		
	Change Due to Volume	Change Due to Rate	Total Change
<b>Interest Earning Assets:</b>			
Loans	\$ 12,920	\$ (12,850)	\$ 70
Loans exempt from federal income taxes (1)	(147)	(48)	(195)
Taxable investment securities	(4,308)	(69)	(4,377)
Investment securities exempt from federal income taxes (1)	631	63	694
Federal funds sold	(31)	(109)	(140)
Other interest bearing deposits	61	(5)	56
Total increase (decrease) in interest income	9,126	(13,018)	(3,892)
<b>Interest Bearing Liabilities:</b>			
NOW and money market deposit accounts	1,106	(2,233)	(1,127)
Savings deposits	(116)	(305)	(421)
Time deposits	(590)	(2,466)	(3,056)
Short-term borrowings	2,001	(2,752)	(751)
Long-term borrowings and junior subordinated notes	933	(1,210)	(277)
Total increase (decrease) in interest expense	3,334	(8,966)	(5,632)
Increase (decrease) in net interest income	\$ 5,792	\$ (4,052)	\$ 1,740

(1) Non-taxable loan and investment income is presented on a fully tax equivalent basis assuming a 35% tax rate.

#### Balance Sheet

Total assets increased \$255.7 million or 3.3% from \$7.8 billion at December 31, 2007 to \$8.1 billion at March 31, 2008. Net loans increased by \$199.8 million, or 14.5% on an annualized basis, to \$5.8 billion at March 31, 2008 from \$5.6 billion at December 31, 2007. In aggregate, commercial related credits grew by \$188.9 million, or 16.2% on a

combined annualized basis. See “Loan Portfolio” section below for further analysis. Investment securities did not change significantly from December 31, 2007 to March 31, 2008.

Total liabilities increased by \$246.0 million, or 3.5% to \$7.2 billion at March 31, 2008 from December 31, 2007. Total deposits increased by \$166.5 million or 3.0% to \$5.7 billion at March 31, 2008 from December 31, 2007, primarily due to increases in certificates of deposit and brokerage deposit accounts, partially offset by decreases in public funds deposits and money market and NOW accounts. Long-term borrowings increased \$145.1 million. This increase was primarily due to a \$146.9 million increase in Federal Home Loan Bank advances.



Total stockholders' equity increased \$9.7 million, or 1.1% to \$872.0 million at March 31, 2008 compared to \$862.4 million at December 31, 2007, primarily due to a \$7.9 million increase in accumulated other comprehensive income. The increase in accumulated other comprehensive income was due to a change in unrealized gains on investment securities available for sale.

At March 31, 2008, the Company's total risk-based capital ratio was 11.81%; Tier 1 capital to risk-weighted assets ratio was 9.78% and Tier 1 capital to average asset ratio was 8.29%. MB Financial Bank, N.A. was categorized as "Well-Capitalized" under Federal Deposit Insurance Corporation regulations at March 31, 2008.

### Loan Portfolio

The following table sets forth the composition of the loan portfolio as of the dates indicated (dollars in thousands):

	March 31, 2008		December 31, 2007		March 31, 2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial related credits:						
Commercial loans	\$ 1,433,114	25%	\$ 1,323,455	24%	\$ 1,106,806	22%
Commercial loans collateralized by assignment of lease payments (lease loans)	581,502	10%	553,138	10%	375,763	7%
Commercial real estate (1)	2,048,123	35%	1,994,312	36%	1,819,098	36%
Construction real estate	822,312	14%	825,216	14%	841,065	17%
Total commercial related credits	4,885,051	84%	4,696,121	84%	4,142,732	82%
Other loans:						
Residential real estate (1)	379,279	6%	372,787	6%	350,100	8%
Indirect vehicle	162,348	3%	146,311	3%	120,342	2%
Home equity	347,752	6%	347,676	6%	363,967	7%
Consumer loans	54,671	1%	52,732	1%	63,265	1%
Total other loans	944,050	16%	919,506	16%	897,674	18%
Gross loans (2)	5,829,101	100%	5,615,627	100%	5,040,406	100%
Allowance for loan losses	(78,764)		(65,103)		(58,705)	
Net loans	\$ 5,750,337		\$ 5,550,524		\$ 4,981,701	

(1) Gross loan balances at March 31, 2008, December 31, 2007, and March 31, 2007 are net of unearned income, including net deferred loan fees of \$3.6 million, \$3.7 million, and \$2.8 million, respectively.

Commercial related credits increased by \$188.9 million, or 16.2% on an annualized basis, to \$4.9 billion at March 31, 2008 from \$4.7 billion at December 31, 2007. Total loans increased by 15.3% on an annualized basis over the same period. The increases in both commercial related credits and total loans from December 31, 2007 to March 31, 2008 were primarily due to growth in both existing customer and new customer loan demand. For the same reasons, from March 31, 2007 to March 31, 2008, commercial related credits increased by approximately 17.9% and total loans increased by approximately 15.6%.



## Asset Quality

The following table presents a summary of non-performing assets as of the dates indicated (dollar amounts in thousands):

	March 31, 2008	December 31, 2007	March 31, 2007
Non-performing loans:			
Non-accrual loans (1)	\$ 46,666	\$ 24,459	\$ 23,222
Loans 90 days or more past due, still accruing interest	4,218	-	-
Total non-performing loans	50,884	24,459	23,222
Other real estate owned	1,770	1,120	319
Repossessed vehicles	225	179	61
Total non-performing assets	\$ 52,879	\$ 25,758	\$ 23,602
Total non-performing loans to total loans	0.87 %	0.44 %	0.46 %
Allowance for loan losses to non-performing loans	154.79 %	266.17 %	252.80 %
Total non-performing assets to total assets	0.65 %	0.33 %	0.30 %

## Allowance for Loan Losses

Management believes the allowance for loan losses accounting policy is critical to the portrayal and understanding of our financial condition and results of operations. Selection and application of this “critical accounting policy” involves judgments, estimates, and uncertainties that are subject to change. In the event that different assumptions or conditions were to prevail, and depending upon the severity of such changes, materially different financial condition or results of operations is a reasonable possibility.

We maintain our allowance for loan losses at a level that management believes is appropriate to absorb probable losses on existing loans based on an evaluation of the collectability of loans, underlying collateral and prior loss experience.

Our allowance for loan losses is comprised of three elements: a general loss reserve; a specific reserve for impaired loans; and a reserve for smaller-balance homogenous loans. Each element is discussed below.

**General Loss Reserve.** We maintain a general loan loss reserve for the four categories of commercial-related loans in our portfolio - commercial loans, commercial loans collateralized by the assignment of lease payments (lease loans), commercial real estate loans and construction real estate loans. We use a loan loss reserve model that incorporates the migration of loan risk rating and historical default data over a multi-year period (minimum of five years). Under our loan risk rating system, each loan, with the exception of those included in large groups of smaller-balance homogeneous loans, is risk rated between one and nine by the originating loan officer, Senior Credit Management, Loan Review or any loan committee. A loan rated one represents those loans least likely to default and nine represents those most likely to default. The probability of loans defaulting for each risk rating, sometimes referred to as default factors, are estimated based on the frequency with which loans migrate from one risk rating to another and to default status over time. Estimated loan default factors are multiplied by individual loan balances in each risk-rating category and again multiplied by an historical loss given default estimate for each loan type (which incorporates estimated recoveries) to determine an appropriate level of allowance by loan type. This approach is applied to the commercial, commercial real estate and construction real estate components of the portfolio. Moody’s Corporation migration factors, rather than the Company’s actual loss and migration experience, are used to develop

estimated default factors for lease loans, since we do not have sufficient loss experience to develop statistically reliable factors of our own.

Other components may be added to the general loss reserve depending on other inherent risks in the portfolio. As a result of higher than expected losses on contractor loans as of March 31, 2008, a general loss factor was included for contractor loans that met certain guidelines by adjusting upward estimated default and loss given default factors.

The general allowance for loan losses also includes estimated losses resulting from macroeconomic factors and imprecision of our loan loss model. Macroeconomic factors adjust the allowance for loan losses upward or downward based on the current point in the economic cycle and are applied to the loan loss model through a separate allowance element for the commercial, commercial real estate, construction real estate and lease loan components. To determine our macroeconomic factors, we use specific economic data that has a statistical correlation to loan losses. We annually review this data to determine that such a correlation continues to exist.

Model imprecision accounts for the possibility that our limited loan loss history may result in inaccurate estimated default and loss given default factors. Factors for imprecision modify estimated default factors calculated by our migration analysis and are based on the standard deviation of each estimated default factor. We do not apply imprecision factors to the lease portfolio, as we use migration factors that incorporate approximately 30 years of data from Moody's Corporation.

At each quarter end, potential problem loans are reviewed individually, with adjustments made to the general calculated reserve for each loan as deemed necessary. Specific adjustments are made depending on expected cash flows and/or the value of the collateral securing the loan.

The general loss reserve was \$62.0 million as of March 31, 2008, and \$56.2 million as of December 31, 2007. The increase in the general loss reserve was primarily due to loans migrating to potential problem loans and our loan growth during the three months ended March 31, 2008. See additional discussion in "Potential Problem Loans" below.

**Specific Reserves.** Our allowance for loan losses also includes specific reserves on impaired loans. A loan is considered to be impaired when management believes, after considering collection efforts and other factors, the borrower's financial condition is such that the collection of all contractual principal and interest payments due is doubtful. The total specific reserve component of the allowance was \$14.5 million as of March 31, 2008 and \$6.0 million as of December 31, 2007. The increase in specific reserve relates to the increase in impaired loans in the portfolio.

**Smaller Balance Homogenous Loans.** Pools of homogeneous loans with similar risk and loss characteristics are also assessed for probable losses. These loan pools include consumer, residential real estate, home equity and indirect vehicle loans. Migration probabilities obtained from past due roll rate analyses are applied to current balances to forecast charge-offs over a one year time horizon. For improved accuracy, indirect vehicle loan losses are estimated using a combination of our historical loss statistics as well as industry loss statistics. The reserves for smaller balance homogenous loans totaled \$2.3 million at March 31, 2008, and \$2.9 million at December 31, 2007.

Loan quality is monitored closely by management and is reviewed by MB Financial Bank's board of directors at its regularly scheduled meetings. We consistently apply our methodology for determining the appropriateness of the allowance for loan losses, but may adjust our methodologies and assumptions based on historical information related to charge-offs and management's evaluation of the loan portfolio.

A reconciliation of the activity in the allowance for loan losses follows (dollar amounts in thousands):

	Three Months Ended	
	March 31, 2008	March 31, 2007
Balance at beginning of period	\$ 65,103	\$ 58,983
Provision for loan losses	22,540	3,813
Charge-offs	(10,085)	(4,354)
Recoveries	1,206	263
Balance at March 31,	\$ 78,764	\$ 58,705
Total loans at March 31,	\$ 5,829,101	\$ 5,040,406
Total average loans at March 31,	\$ 5,687,646	\$ 4,989,817
Ratio of allowance for loan losses to total loans	1.35 %	1.16 %
Net loan charge-offs to average loans (annualized)	0.63 %	0.33 %

Net charge-offs increased \$4.8 million to \$8.9 million in the quarter ended March 31, 2008 as compared to \$4.1 million in the quarter ended March 31, 2007. As noted in "First Quarter Results", the increase in charge-offs was primarily due to the charge-off of two commercial loans during the first quarter of 2008 totaling \$5.9 million.

Provision for loan losses increased by \$18.7 million to \$22.5 million in the three months ended March 31, 2008 from \$3.8 million in the same period of 2007. The increase in our provision for loan losses was primarily the result of two fraudulent commercial credits being charged-off in the first quarter of 2008 and additional reserves on loans in the corresponding division as noted in "First Quarter Results". Also factoring into our provision was our robust loan growth for the quarter.

Additions to the allowance for loan losses, which are charged to earnings through the provision for loan losses, are determined based on a variety of factors, including specific reserves, current loan risk ratings, delinquent loans, historical loss experience and economic conditions in our market area. In addition, federal regulatory authorities, as part of the examination process, periodically review our allowance for loan losses. The regulators may require us to record adjustments to the allowance level based upon their assessment of the information available to them at the time of examination. Although management believes the allowance for loan losses is sufficient to cover probable losses inherent in the loan portfolio, there can be no assurance that the allowance will prove sufficient to cover actual loan losses.

#### Potential Problem Loans

We utilize an internal asset classification system as a means of reporting problem and potential problem assets. At our scheduled meetings of the board of directors of MB Financial Bank, a watch list is presented, showing significant loan relationships listed as “Special Mention,” “Substandard,” and “Doubtful.” Under our risk rating system noted above, Special Mention, Substandard, and Doubtful loan classifications correspond to risk ratings six, seven, and eight, respectively. An asset is classified Substandard, or risk rated seven if it is inadequately protected by the current net worth and paying capacity of the obligor or the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Assets classified as Doubtful, or risk rated eight have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Assets classified as Loss, or risk rated nine are those considered uncollectible and viewed as valueless assets and have been charged-off. Assets that do not currently expose us to sufficient risk to warrant classification in one of the aforementioned categories, but possess weaknesses that deserve management’s close attention are deemed to be Special Mention, or risk rated six.

Our determination as to the classification of our assets and the amount of our valuation allowances is subject to review by the Office of the Comptroller of the Currency, MB Financial Bank’s primary regulator, which can order the establishment of additional general or specific loss allowances. There can be no assurance that regulators, in reviewing our loan portfolio, will not request us to materially adjust our allowance for loan losses. The Office of the Comptroller of the Currency, in conjunction with the other federal banking agencies, has adopted an interagency policy statement on the allowance for loan losses. The policy statement provides guidance for financial institutions on both the responsibilities of management for the assessment and establishment of adequate allowances and guidance for banking agency examiners to use in determining the adequacy of general valuation guidelines. Generally, the policy statement recommends that (1) institutions have effective systems and controls to identify, monitor and address asset quality problems; (2) management has analyzed all significant factors that affect the collectability of the portfolio in a reasonable manner; and (3) management has established acceptable allowance evaluation processes that meet the objectives set forth in the policy statement. Management believes it has established an adequate allowance for probable loan losses. We analyze our process regularly, with modifications made if needed, and report those results four times per year at meetings of our board of directors. However, there can be no assurance that regulators, in reviewing our loan portfolio, will not request us to materially adjust our allowance for loan losses at the time of their examination.

Although management believes that adequate specific and general loan loss allowances have been established, actual losses are dependent upon future events and, as such, further additions to the level of specific and general loan loss allowances may become necessary.

We define potential problem loans as performing loans rated substandard or doubtful, that do not meet the definition of a non-performing loan (See “Asset Quality” section above for non-performing loans). We do not necessarily expect to realize losses on potential problem loans, but we recognize potential problem loans carry a higher probability of default and require additional attention by management. The aggregate principal amounts of potential problem loans

as of March 31, 2008, and December 31, 2007 were approximately \$123.0 million, and \$87.6 million, respectively. As noted earlier, the increase in potential problem loans was primarily due to the addition of three commercial credits totaling \$42.5 million.



## Lease Investments

The lease portfolio is comprised of various types of equipment, generally technology related, including computer systems and satellite equipment, material handling and general manufacturing equipment. The credit quality of the lessee is often an investment grade public debt rating by Moody's or Standard & Poors, or the equivalent as determined by us, and at times below investment grade.

Lease investments by categories follow (in thousands):

	March 31, 2008	December 31, 2007	March 31, 2007
Direct finance leases:			
Minimum lease payments	\$ 60,833	\$ 52,150	\$ 40,935
Estimated unguaranteed residual values	6,960	6,029	5,626
Less: unearned income	(7,687)	(6,675)	(4,378)
Direct finance leases (1)	\$ 60,106	\$ 51,504	\$ 42,183
Leveraged leases:			
Minimum lease payments	\$ 35,489	\$ 34,172	\$ 30,385
Estimated unguaranteed residual values	4,917	4,830	3,857
Less: unearned income	(3,578)	(3,547)	(2,778)
Less: related non-recourse debt	(33,110)	(31,755)	(28,095)
Leveraged leases (1)	\$ 3,718	\$ 3,700	\$ 3,369
Operating leases:			
Equipment, at cost	\$ 148,953	\$ 151,663	\$ 129,986
Less accumulated depreciation	(57,278)	(54,342)	(58,678)
Lease investments, net	\$ 91,675	\$ 97,321	\$ 71,308

(1) Direct finance and leveraged leases are included as commercial loans collateralized by assignment of lease payments for financial statement purposes.

Leases that transfer substantially all of the benefits and risk related to the equipment ownership to the lessee are classified as direct financing. If these direct finance leases have non-recourse debt associated with them, they are further classified as leveraged leases, and the associated debt is netted with the outstanding balance in the consolidated financial statements. Interest income on direct finance and leveraged leases is recognized using methods which approximate a level yield over the term of the lease.

Operating leases are investments in equipment leased to other companies, where the residual component makes up more than 10% of the investment. The Company funds most of the lease equipment purchases internally, but has some loans at other banks which totaled \$14.8 million at March 31, 2008, \$12.5 million at December 31, 2007 and \$10.6 million at March 31, 2007.

The lease residual value represents the present value of the estimated fair value of the leased equipment at the termination of the lease. Lease residual values are reviewed quarterly and any write-downs, or charge-offs deemed necessary are recorded in the period in which they become known. Gains on leased equipment periodically result when a lessee renews a lease or purchases the equipment at the end of a lease, or the equipment is sold to a third party at a profit. Individual lease transactions can, however, result in a loss. This generally happens when, at the end of a

lease, the lessee does not renew the lease or purchase the equipment. To mitigate this risk of loss, we usually limit individual leased equipment residuals (expected lease book values at the end of initial lease terms) to approximately \$500 thousand per transaction and seek to diversify both the type of equipment leased and the industries in which the lessees to whom such equipment is leased participate. Often times, there are several individual lease schedules under one master lease. There were 2,027 leases at March 31, 2008 compared to 1,969 leases at December 31, 2007 and 1,638 leases at March 31, 2007. The average residual value per lease schedule was approximately \$19 thousand at March 31, 2008, and \$18 thousand at December 31, 2007 and \$19 thousand at March 31, 2007. The average residual value per master lease schedule was approximately \$157 thousand at March 31, 2008, \$152 thousand at December 31, 2007, and \$169 thousand at March 31, 2007.

At March 31, 2008, the following reflects the residual values for leases by category in the year the initial lease term ends (in thousands):

End of initial lease term December 31,	Residual Values			
	Direct Finance Leases	Leveraged Leases	Operating Leases	Total
2008	\$ 1,451	\$ 594	\$ 4,072	\$ 6,117
2009	1,368	875	5,424	7,667
2010	1,734	2,475	4,748	8,956
2011	1,629	871	7,385	9,885
2012	264	102	2,686	3,052
2013	514	-	1,456	1,970
	\$ 6,960	\$ 4,917	\$ 25,771	\$ 37,647

#### Investment Securities Available for Sale

The following table sets forth the amortized cost and fair value of our investment securities available for sale, by type of security as indicated (in thousands):

	At March 31, 2008		At December 31, 2007		At March 31, 2007	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury securities	\$ -	\$ -	\$ -	\$ -	\$ 7,302	\$ 7,280
Government sponsored agencies	266,276	274,217	305,768	310,538	538,836	540,141
States and political subdivisions	408,969	417,609	407,973	412,302	365,600	366,865
Mortgage-backed securities	472,482	479,383	435,743	438,056	475,335	468,092
Corporate bonds	10,779	11,123	12,797	13,057	30,327	30,215
Equity securities	3,484	3,520	3,446	3,460	6,590	6,531
Debt securities issued by foreign governments	301	301	299	301	547	547
Total	\$ 1,162,291	\$ 1,186,153	\$ 1,166,026	\$ 1,177,714	\$ 1,424,537	\$ 1,419,671

#### Liquidity and Sources of Capital

Our cash flows are composed of three classifications: cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities.

Cash flows from continuing operating activities primarily include net income for the quarter, adjusted for items in net income that did not impact cash. Net cash provided by continuing operating activities decreased by \$13.0 million to \$23.1 million for the quarter ended March 31, 2008, from the quarter ended March 31, 2007. The decrease was primarily due to changes in other assets and other liabilities. The Company had accounts payable to outside parties for cash owed for investment security purchases at March 31, 2008, compared to accounts receivable for cash due from outside parties for investment security sales at March 31, 2007.

Cash used in continuing investing activities reflects the impact of loans and investments acquired for the Company's interest-earning asset portfolios, as well as cash flows from asset sales and the impact of acquisitions. For the three months ended March 31, 2008, the Company had net cash flows used in continuing investing activities of \$222.3 million, compared to net cash flows provided by continuing investing activities of \$90.4 million for the three months ended March 31, 2007. The change in cash flows from continuing investing activities was primarily due to the funding of our loan growth during the three months ended March 31, 2008, and a decrease in the proceeds from the sale of investment securities during the three months ended March 31, 2008 compared to the same period in 2007.

Cash flows from continuing financing activities include transactions and events whereby cash is obtained from depositors, creditors or investors. For the three months ended March 31, 2008, the Company had net cash flows provided by continuing financing activities of \$252.1 million, compared to net cash used by continuing financing activities of \$127.6 million for the three months ended March 31, 2007. The change in cash flows from continuing financing activities was primarily due to increases in deposits and long-term borrowings. The Company used the funds generated from the increase in deposits and long-term borrowings to fund its loan growth during the three months ended March 31, 2008.

We expect to have available cash to meet our liquidity needs. Liquidity management is monitored by an Asset/Liability Management Committee, consisting of members of management, and the board of directors of both of our subsidiary banks, which review historical funding requirements, current liquidity position, sources and stability of funding, marketability of assets, options for attracting additional funds, and anticipated future funding needs, including the level of unfunded commitments.

The Company has numerous sources of liquidity including readily marketable investment securities, shorter-term loans within the loan portfolio, principal and interest cash flows from investments and loans, the ability to attract retail and public fund time deposits and to purchase brokered time deposits.

In the event that additional short-term liquidity is needed, our bank has established relationships with several large regional banks to provide short-term borrowings in the form of federal funds purchases. While, at March 31, 2008, there were no firm lending commitments in place, management believes that our banks could borrow approximately \$475.0 million for a short time from these banks on a collective basis. MB Financial Bank can participate in the Federal Reserve's Term Auction Facility to provide additional short-term borrowings. As of March 31, 2008, the Company had \$150.0 million outstanding from the Federal Reserve Term Auction Facility, and could borrow an additional amount of approximately \$355 million. Additionally, MB Financial Bank is a member of and has the ability to borrow from the Federal Home Loan Bank of Chicago. We also have a \$30 million correspondent bank line of credit at the holding company level. See Note 8 to the Consolidated Financial Statements. As a contingency plan for significant funding needs, the Asset/Liability Management Committee may also consider the sale of investment securities, selling securities under agreement to repurchase, or the temporary curtailment of lending activities.

The following table summarizes our significant contractual obligations and other potential funding needs at March 31, 2008 (in thousands):

Contractual Obligations	Total	Payments Due by Period			
		Less Than 1 Year	1 – 3 Years	3 – 5 Years	More Than 5 Years
Time deposits	\$3,204,526	\$2,782,915	\$243,828	\$ 39,962	\$ 137,821
Long-term borrowings	354,010	13,464	124,432	22,975	193,139
Junior subordinated notes issued to capital trusts	158,968	-	-	-	158,968
Operating leases	35,485	3,572	5,761	4,330	21,822
Capital expenditures	2,048	2,048	-	-	-
Total	\$3,755,037	\$2,801,999	\$374,021	\$ 67,267	\$ 511,750
Commitments to extend credit and letters of credit	\$2,344,326				

At March 31, 2008, the Company's total risk-based capital ratio was 11.81%; Tier 1 capital to risk-weighted assets ratio was 9.78% and Tier 1 capital to average asset ratio was 8.29%. MB Financial Bank, N.A. was categorized as

“Well-Capitalized” under Federal Deposit Insurance Corporation regulations at March 31, 2008.

## Non-GAAP Financial Information

This report contains certain financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America (GAAP). These measures include net interest income on a fully tax equivalent basis and net interest margin on a fully tax equivalent basis. Our management uses these non-GAAP measures in its analysis of our performance. The tax equivalent adjustment to net interest income recognizes the income tax savings when comparing taxable and tax-exempt assets and assumes a 35% tax rate. Management believes that it is a standard practice in the banking industry to present net interest income and net interest margin on a fully tax equivalent basis, and accordingly believes that providing these measures may be useful for peer comparison purposes. These disclosures should not be viewed as substitutes for the results determined to be in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Reconciliations of net interest income on a fully tax equivalent basis to net interest income and net interest margin on a fully tax equivalent basis to net interest margin are contained in the tables under "Net Interest Margin."

## Forward-Looking Statements

When used in this Quarterly Report on Form 10-Q and in other filings with the Securities and Exchange Commission, in press releases or other public shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "believe," "will," "should," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "plans," or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date made. These statements may relate to MB Financial, Inc.'s future financial performance, strategic plans or objectives, revenues or earnings projections, or other financial items. By their nature, these statements are subject to numerous uncertainties that could cause actual results to differ materially from those anticipated in the statements.

Important factors that could cause actual results to differ materially from the results anticipated or projected include, but are not limited to, the following: (1) expected synergies from our merger and acquisition activities, including our recently completed acquisition of Cedar Hill Associates, might not be realized within the expected time frames; (2) the credit risks of lending activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses; (3) competitive pressures among depository institutions; (4) interest rate movements and their impact on customer behavior and net interest margin; (5) the impact of repricing and competitors' pricing initiatives on loan and deposit products; (6) the ability to adapt successfully to technological changes to meet customers' needs and developments in the market place; (7) our ability to realize the residual values of our direct finance, leveraged, and operating leases; (8) our ability to access cost-effective funding; (9) changes in financial markets; (10) changes in economic conditions in general and in the Chicago metropolitan area in particular; (11) the costs, effects and outcomes of litigation; (12) new legislation or regulatory changes, including but not limited to changes in federal and/or state tax laws or interpretations thereof by taxing authorities; (13) changes in accounting principles, policies or guidelines; (14) our future acquisitions of other depository institutions or lines of business; (15) the impact of the guidance recently prepared by the Office of the Comptroller of the Currency regarding concentrations in real estate lending.

We do not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date on which the forward-looking statement is made.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk

### Market Risk and Asset Liability Management

**Market Risk.** Market risk is the risk that the market value or estimated fair value of our assets, liabilities, and derivative financial instruments will decline as a result of changes in interest rates or financial market volatility, or that our net income will be significantly reduced by interest rate changes. Market risk is managed operationally in our Treasury Group, and is addressed through a selection of funding and hedging instruments supporting balance sheet assets, as well as monitoring our asset investment strategies.

**Asset Liability Management.** Management and our Treasury Group continually monitor our sensitivity to interest rate changes. It is our policy to maintain an acceptable level of interest rate risk over a range of possible changes in interest rates while remaining responsive to market demand for loan and deposit products. The strategy we employ to manage our interest rate risk is to measure our risk using an asset/liability simulation model. The model considers several factors to determine our potential exposure to interest rate risk, including measurement of repricing gaps, duration, convexity, value at risk, and the market value of portfolio equity under assumed changes in the level of interest rates, shape of the yield curves, and general market volatility. Management controls our interest rate exposure using several strategies, which include adjusting the maturities of securities in our investment portfolio, and limiting fixed rate loans or fixed rate deposits with terms of more than five years. We also use derivative instruments, principally interest rate swaps, to manage our interest rate risk. See Note 11 to the Consolidated Financial Statements.



**Interest Rate Risk.** Interest rate risk can come in a variety of forms, including repricing risk, yield curve risk, basis risk, and prepayment risk. We experience repricing risk when the change in the average yield of either our interest earning assets or interest bearing liabilities is more sensitive than the other to changes in market interest rates. Such a change in sensitivity could reflect a number of possible mismatches in the repricing opportunities of our assets and liabilities.

In the event that yields on our assets and liabilities do adjust to changes in market rates to the same extent, we may still be exposed to yield curve risk. Yield curve risk reflects the possibility the changes in the shape of the yield curve could have different effects on our assets and liabilities.

Variable, or floating rate, assets and liabilities that reprice at similar times and have base rates of similar maturity may still be subject to interest rate risk. If financial instruments have different base rates, we are subject to basis risk reflecting the possibility that the spread from those base rates will deviate.

We hold mortgage-related investments, including mortgage loans and mortgage-backed securities. Prepayment risk is associated with mortgage-related investments and results from homeowners' ability to pay off their mortgage loans prior to maturity. We limit this risk by restricting the types of mortgage-backed securities we may own to those with limited average life changes under certain interest-rate shock scenarios, or securities with embedded prepayment penalties. We also limit the fixed rate mortgage loans held with maturities greater than five years.

**Measuring Interest Rate Risk.** As noted above, interest rate risk can be measured by analyzing the extent to which the repricing of assets and liabilities are mismatched to create an interest sensitivity gap. An asset or liability is said to be interest rate sensitive within a specific period if it will mature or reprice within that period. The interest rate sensitivity gap is defined as the difference between the amount of interest earning assets maturing or repricing within a specific time period and the amount of interest bearing liabilities maturing or repricing within that same time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. During a period of rising interest rates, therefore, a negative gap would tend to adversely affect net interest income. Conversely, during a period of falling interest rates, a negative gap position would tend to result in an increase in net interest income.

The following table sets forth the amounts of interest earning assets and interest bearing liabilities outstanding at March 31, 2008 that we anticipate, based upon certain assumptions, to reprice or mature in each of the future time periods shown. Except as stated below, the amount of assets and liabilities shown which reprice or mature during a particular period were determined based on the earlier of the term to repricing or the term to repayment of the asset or liability. The table is intended to provide an approximation of the projected repricing of assets and liabilities at March 31, 2008 based on contractual maturities and scheduled rate adjustments within a three-month period and subsequent selected time intervals. The loan amounts in the table reflect principal balances expected to be reinvested and/or repriced because of contractual amortization and rate adjustments on adjustable-rate loans. Loan and investment securities' contractual maturities and amortization reflect expected prepayment assumptions. While NOW, money market and savings deposit accounts have adjustable rates, it is assumed that the interest rates on some of the accounts will not adjust immediately to changes in other interest rates.

Therefore, the information in the table is calculated assuming that NOW, money market and savings deposits will reprice as follows: 6%, 9% and 8%, respectively, in the first three months, 19%, 26%, and 23%, respectively, in the next nine months, 52%, 51% and 51%, respectively, from one year to five years, and 23%, 14%, and 18%, respectively over five years (dollars in thousands):

	Time to Maturity or Repricing				Total
	0 – 90 Days	91 - 365 Days	1 - 5 Years	Over 5 Years	
<b>Interest Earning Assets:</b>					
Interest bearing deposits with banks	\$ 14,780	\$ 420	\$ 854	\$ -	\$ 16,054
Investment securities	115,853	235,938	446,863	451,170	1,249,824
Loans	3,469,898	748,229	1,497,121	113,853	5,829,101
Total interest earning assets	\$ 3,600,531	\$ 984,587	\$ 1,944,838	\$ 565,023	\$ 7,094,979
<b>Interest Bearing Liabilities:</b>					
NOW and money market deposit accounts					
	\$ 100,642	\$ 285,303	\$ 625,416	\$ 208,791	\$ 1,220,152
Savings deposits	30,390	89,672	197,852	72,030	389,944
Time deposits	1,763,267	1,174,299	263,211	3,748	3,204,525
Short-term borrowings	380,064	297,292	168,882	76,747	922,985
Long-term borrowings	3,588	10,298	147,340	192,784	354,010
Junior subordinated notes issued to capital trusts					
	152,071	-	-	6,897	158,968
Total interest bearing liabilities	\$ 2,430,022	\$ 1,856,864	\$ 1,402,701	\$ 560,997	\$ 6,250,584
Cumulative Rate sensitive assets (RSA)	\$ 3,600,531	4,585,118	6,529,956	7,094,979	7,094,979
Cumulative Rate sensitive liabilities (RSL)	2,430,022	4,286,886	5,689,587	6,250,584	6,250,584
Cumulative GAP (GAP=RSA-RSL)	1,170,509	298,232	840,369	844,395	844,395
RSA/Total assets	44.50 %	56.67 %	80.71 %	87.70 %	87.70 %
RSL/Total assets	30.04 %	52.99 %	70.33 %	77.26 %	77.26 %
GAP/Total assets	14.47 %	3.69 %	10.39 %	10.44 %	10.44 %
GAP/RSA	32.51 %	6.50 %	12.87 %	11.90 %	11.90 %

Certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types of assets may lag behind changes in market rates. Additionally, in the event of a change in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed in calculating the table. Therefore, we do not rely on a gap analysis to manage our interest rate risk, but rather we use what we believe to be the more reliable simulation model relating to changes in net interest income.

Based on simulation modeling which assumes immediate changes in interest rates at March 31, 2008 and December 31, 2007, we believe that our net interest income would change over a one-year period due to changes in interest rates

as follows (dollars in thousands):

Immediate Changes in Levels of Interest Rates	Change in Net Income Over One Year Horizon			
	At March 31, 2008		At December 31, 2007	
	Dollar Change	Percentage Change	Dollar Change	Percentage Change
+ 2.00%	\$ 2,257	0.98%	\$ (1,299)	(0.59)%
+ 1.00	1,495	0.65	(450)	(0.20)
(1.00)	4,384	1.90	(13)	(0.00)

In addition to the simulation assuming an immediate change in interest rates above, management models many scenarios including simulations with gradual changes in interest rates over a one-year period to evaluate our interest rate sensitivity. Based on simulation modeling which assumes gradual changes in interest rates, we believe that our net interest income would change over a one-year period due to changes in interest rates as follows (dollars in thousands):

Gradual Changes in Levels of Interest Rates	Change in Net Interest Income Over One Year Horizon			
	At March 31, 2008		At December 31, 2007	
	Dollar Change	Percentage Change	Dollar Change	Percentage Change
+ 2.00%	\$ 2,462	1.07%	\$ 502	0.23%
+ 1.00	1,431	0.62	736	0.33
(1.00)	953	0.41	384	0.17

In both the immediate and gradual interest rate sensitivity tables above, changes in net interest income between March 31, 2008 and December 31, 2007 reflect changes in the composition of interest earning assets and interest bearing liabilities, related interest rates, repricing frequencies, and the fixed or variable characteristics of the interest earning assets and interest bearing liabilities.

The assumptions used in our interest rate sensitivity simulations discussed above are inherently uncertain and, as a result, the simulations cannot precisely measure net interest income or precisely predict the impact of changes in interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and management strategies.

#### Item 4. Controls and Procedures

**Evaluation of Disclosure Controls and Procedures:** An evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Act")) was carried out as of March 31, 2008 under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and several other members of our senior management. Our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2008, our disclosure controls and procedures were effective in ensuring that the information we are required to disclose in the reports we file or submit under the Act is (i) accumulated and communicated to our management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

**Changes in Internal Control Over Financial Reporting:** During the quarter ended March 31, 2008, we enhanced our controls with respect to certain loan monitoring requirements. The enhancements consisted of a requirement that third party field audits are sent independently by the provider to credit management. In addition, credit management will independently monitor whether all required field audits have been received.

Except as discussed above, there have not been any changes in the Company's internal control over financial reporting which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

We do not expect that our disclosure controls and procedures and internal control over financial reporting will prevent all error and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns in controls or procedures can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will

succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

38

---

PART II. – OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes to the factors disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth information for the three months ended March 31, 2008 with respect to our repurchases of our outstanding common shares:

	Total Number of Shares Purchased	Average Price Paid per Share	Number of Shares Purchased as Part Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2008 – January 31, 2008	-	-	-	666,730
February 1, 2008 – February 28, 2008	-	-	-	666,730
March 1, 2008 - March 31, 2008	-	-	-	666,730
Total	-	-	-	

Item 6. Exhibits

See Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MB FINANCIAL, INC.

Date: May 7, 2008

By: /s/ Mitchell Feiger

Mitchell Feiger  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: May 7, 2008

By: /s/ Jill E. York

Jill E. York  
Vice President and Chief Financial Officer  
(Principal Financial and Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description
2.1	Amended and Restated Agreement and Plan of Merger, dated as of April 19, 2001, by and among the Registrant, MB Financial, Inc., a Delaware corporation (“Old MB Financial”) and MidCity Financial (incorporated herein by reference to Appendix A to the joint proxy statement-prospectus filed by the Registrant pursuant to Rule 424(b) under the Securities Act of 1933 with the Securities and Exchange Commission (the “Commission”) on October 9, 2001)
2.2	Agreement and Plan of Merger, dated as of November 1, 2002, by and among the Registrant, MB Financial Acquisition Corp II and South Holland Bancorp, Inc. (incorporated herein by reference to Exhibit 2 to the Registrant’s Current Report Form 8-K filed on November 5, 2002 (File No. 0-24566-01))
2.3	Agreement and Plan of Merger, dated as of January 9, 2004, by and among the Registrant and First SecurityFed Financial, Inc. (incorporated herein by reference to Exhibit 2 to the Registrant’s Current Report on Form 8-K filed on January 14, 2004 (File No.0-24566-01))
2.4	Agreement and Plan of Merger, dated as of May 1, 2006, by and among the Registrant, MBFI Acquisition Corp. and First Oak Brook Bancshares, Inc. (“First Oak Brook”)(incorporated herein by reference to Exhibit 2.1 to the Registrant’s Current Report on Form 8-K filed on May 2, 2006 (File No.0-24566-01))
3.1	Charter of the Registrant, as amended (incorporated herein by reference to Exhibit 3.1 to the Registrant’s Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2007 (File No. 0-24566-01))
3.2	Bylaws of the Registrant, as amended (incorporated herein by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed on December 11, 2007 (File No. 0-24566-01))
4.1	The Registrant hereby agrees to furnish to the Commission, upon request, the instruments defining the rights of the holders of each issue of long-term debt of the Registrant and its consolidated subsidiaries
4.2	Certificate of Registrant’s Common Stock (incorporated herein by reference to Exhibit 4.1 to Amendment No. One to the Registrant’s Registration Statement on Form S-4 (No. 333-64584))
10.1	Reserved.
10.2	Employment Agreement between the Registrant and Mitchell Feiger (incorporated herein by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on December 18, 2007 (File No. 0-24566-01))
10.3	Form of Employment Agreement between the Registrant and Burton Field (incorporated herein by reference to Exhibit 10.5 to Old MB Financial’s Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (File No. 0-24566))
10.3A	Amendment No. One to Employment Agreement between MB Financial Bank, N.A. and Burton Field (incorporated herein by reference to Exhibit 10.3A to the Registrant’s Registration Statement on Form S-4 filed on April 6, 2004 (File No. 333-114252))





EXHIBIT INDEX

Exhibit Number	Description
10.3B	Amendment No. Two to Employment Agreement between MB Financial Bank, N.A. and Burton Field (incorporated herein by reference to Exhibit 10.3B to the Registrant's Annual Report on Form 10-K for the year-end December 31, 2005 (File No. 0-24566-01))
10.3C	Amendment No. Three to Employment Agreement between MB Financial Bank, N.A. and Burton Field (incorporated herein by reference to Exhibit 10.3B to the Registrant's Annual Report on Form 10-K for the year-end December 31, 2005 (File No. 0-24566-01))
10.4	Form of Change of Control Severance Agreement between MB Financial Bank, National Association and each of Thomas Panos, Jill E. York and Thomas P. Fitzgibbon, Jr. (incorporated herein by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 0-24566-01))
10.4A	First Amendments to Change in Control Severance Agreements between MB Financial Bank, National Association and each of Jill E. York, Thomas D. Panos and Thomas P. FitzGibbon, Jr. (incorporated herein by reference to Exhibits 10.2 – 10.4 to the Registrant's Current Report on Form 8-K filed on December 18, 2007 (File No. 0-24566-01))
10.4B	Change in Control Severance Agreements between MB Financial Bank, National Association and each of Larry J. Kallembach, Brian Wildman, Rosemarie Bouman and Susan Peterson (incorporated herein by reference to Exhibits 10.5 – 10.8 to the Registrant's Current Report on Form 8-K filed on December 18, 2007 (File No. 0-24566-01))
10.5	Reserved.
10.6	Coal City Corporation 1995 Stock Option Plan (incorporated herein by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-4 (No. 333-64584))
10.6A	Amendment to Coal City Corporation 1995 Stock Option Plan ((incorporated herein by reference to Exhibit 10.6A to the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2006, filed on March 2, 2007 (File No. 0-24566-01))
10.7	MB Financial, Inc. Amended and Restated Omnibus Incentive Plan (the "Omnibus Incentive Plan") (incorporated herein by reference to the Registrant's definitive proxy statement filed on March 23, 2007 (File No. 0-24566-01))
10.8	MB Financial Stock Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.8(a) to Amendment No. One to the Registrant's Registration Statement on Form S-4 (No. 333-64584))
10.9	MB Financial Non-Stock Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.8(b) to Amendment No. One to the Registrant's Registration Statement on Form S-4 (No. 333-64584))
10.9A	Amendments to MB Financial Stock Deferred Compensation Plan and Non-Stock Deferred Compensation Plan ((incorporated herein by reference to Exhibit 10.9A to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007, filed on February 29, 2008 (File No.

0-24566-01))

EXHIBIT INDEX

Exhibit Number	Description
10.10	Avondale Federal Savings Bank Supplemental Executive Retirement Plan Agreement (incorporated herein by reference to Exhibit 10.2 to Old MB Financial's (then known as Avondale Financial Corp.) Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 0-24566))
10.11	Reserved.
10.12	Reserved.
10.13	Amended and Restated Employment Agreement between MB Financial Bank, N.A. and Ronald D. Santo (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 14, 2004 (File No. 0-24566-01))
10.13A	Amendment to Amended and Restated Employment Agreement between MB Financial Bank, N.A. and Ronald D. Santo ((incorporated herein by reference to Exhibit 10.13A to the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2006, filed on March 2, 2007 (File No. 0-24566-01))
10.14	First SecurityFed Financial, Inc. 1998 Stock Option and Incentive Plan (incorporated herein by reference to Exhibit B to the definitive proxy statement filed by First SecurityFed Financial, Inc. on March 24, 1998 (File No. 0-23063))
10.14A	Amendment to First SecurityFed Financial, Inc. 1998 Stock Option and Incentive Plan ((incorporated herein by reference to Exhibit 10.14A to the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2006, filed on March 2, 2007 (File No. 0-24566-01))
10.15	Tax Gross Up Agreements between the Registrant and each of Mitchell Feiger, Burton J. Field, Ronald D. Santo, Thomas D. Panos, Jill E. York and Thomas P. FitzGibbon, Jr. (incorporated herein by reference to Exhibits 10.1 – 10.6 to the Registrant's Current Report on Form 8-K filed on November 5, 2004 (File No. 0-24566-01))
10.15A	Tax Gross Up Agreements between the Registrant and each of Larry J. Kallembach, Brian Wildman, Rosemarie Bouman and Susan Peterson (incorporated herein by reference to Exhibits 10.9 – 10.12 to the Registrant's Current Report on Form 8-K filed on December 18, 2007 (File No. 0-24566-01))
10.16	Form of Incentive Stock Option Agreement for Executive Officers under the Omnibus Incentive Plan (incorporated herein by reference to Exhibit 10.16 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 0-24566-01))
10.17	Form of Non-Qualified Stock Option Agreement for Directors under the Omnibus Incentive Plan (incorporated herein by reference to Exhibit 10.16 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 0-24566-01))
10.18	Form of Restricted Stock Agreement for Executive Officers under the Omnibus Incentive Plan (incorporated herein by reference to Exhibit 10.16 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 0-24566-01))



EXHIBIT INDEX

Exhibit Number	Description
10.19	Form of Restricted Stock Agreement for Directors under the Omnibus Incentive Plan (incorporated herein by reference to Exhibit 10.16 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 0-24566-01))
10.20	First Oak Brook Bancshares, Inc. Incentive Compensation Plan (incorporated herein by reference to Appendix A to the definitive proxy statement filed by First Oak Brook on March 30, 2004 (File No. 0-14468))
10.20A	Amendment to First Oak Brook Bancshares, Inc. Incentive Compensation Plan ((incorporated herein by reference to Exhibit 10.20A to the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2006, filed on March 2, 2007 (File No. 0-24566-01))
10.21	First Oak Brook Bancshares, Inc. 2001 Stock Incentive Plan (incorporated herein by reference to Appendix A to the definitive proxy statement filed by First Oak Brook on April 2, 2001 (File No. 0-14468))
10.21A	Amendment to First Oak Brook Bancshares, Inc. 2001 Stock Incentive Plan ((incorporated herein by reference to Exhibit 10.21A to the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2006, filed on March 2, 2007 (File No. 0-24566-01))
10.22	First Oak Brook Bancshares, Inc. Directors Stock Plan (incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form S-8 filed by First Oak Brook on October 25, 1999 (File No. 333-89647))
10.23	Separation and Settlement Agreement and Mutual Release between the Registrant and Richard M. Rieser, Jr. (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 29, 2007 (File No. 0-24566-01))
10.24	Tax Gross Up Agreement between the Registrant and Richard M. Rieser, Jr. (incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 0-24566-01))
10.25	Form of Supplemental Pension Benefit Agreement for Richard M. Rieser, Jr. (incorporated herein by reference to Exhibit 10.13 to First Oak Brook's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 0-14468))
10.26	Form of Agreement Regarding Post-Employment Restrictive Covenants between the Registrant (as successor to First Oak Brook) and Richard M. Rieser, Jr. (incorporated herein by reference to Exhibit 10.13 to First Oak Brook's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 0-14468))
10.27	First Oak Brook Bancshares, Inc. Executive Deferred Compensation Plan (incorporated by reference to Exhibit 10.3 to First Oak Brook's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 0-14468))
10.27A	

Amendment to First Oak Brook Bancshares, Inc. Executive Deferred Compensation Plan incorporated herein by reference to Exhibit 10.27A to the Registrant's Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2007 filed on May 15, 2007)

EXHIBIT INDEX

Exhibit Number	Description
10.29	Form of Transitional Employment Agreement between the Registrant (as successor to First Oak Brook) and Rosemarie Bouman (incorporated herein by reference to Exhibit 10.10 to First Oak Brook's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 0-14468))
10.29A	First Amendment to Transitional Employment Agreement between the Registrant (as successor to First Oak Brook) and Rosemarie Bouman ((incorporated herein by reference to Exhibit 10.28A to the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2006, filed march 2, 2007 (File No. 0-24566-01))
10.29B	Second Amendment to Transitional Employment Agreement between the Registrant (as successor to First Oak Brook) and Rosemarie Bouman ((incorporated herein by reference to Exhibit 10.28B to the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2006, filed March 2, 2007 (File No. 0-24566-01))
<u>31.1</u>	<u>Rule 13a – 14(a)/15d – 14(a) Certification (Chief Executive Officer)*</u>
<u>31.2</u>	<u>Rule 13a – 14(a)/15d – 14(a) Certification (Chief Financial Officer)*</u>
<u>32</u>	<u>Section 1350 Certifications*</u>

\* Filed herewith.



