

MB FINANCIAL INC /MD  
Form 10-Q  
July 31, 2015

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-36599

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

Maryland 36-4460265  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

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

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§

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232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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.

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 Exchange Act). Yes  No

There were issued and outstanding 75,082,414 shares of the Registrant’s common stock as of July 31, 2015.

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MB FINANCIAL, INC.

FORM 10-Q

June 30, 2015

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

MB FINANCIAL, INC. & SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 (Amounts in thousands, except per share data)

	(Unaudited)	
	June 30, 2015	December 31, 2014
<b>ASSETS</b>		
Cash and due from banks	\$290,266	\$256,804
Interest earning deposits with banks	144,154	55,277
Total cash and cash equivalents	434,420	312,081
Federal funds sold	5	—
Investment securities:		
Securities available for sale, at fair value	1,620,551	1,654,752
Securities held to maturity, at amortized cost (\$1,231,840 fair value at June 30, 2015 and \$1,035,061 at December 31, 2014)	1,203,627	993,380
Non-marketable securities - FHLB and FRB stock	111,400	75,569
Total investment securities	2,935,578	2,723,701
Loans held for sale	801,343	737,209
Loans:		
Total loans, excluding purchased credit impaired loans	8,929,181	8,831,572
Purchased credit impaired loans	164,775	251,645
Total loans	9,093,956	9,083,217
Less: Allowance for loan and lease losses	120,070	110,026
Net loans	8,973,886	8,973,191
Lease investments, net	167,966	162,833
Premises and equipment, net	234,651	238,377
Cash surrender value of life insurance	135,237	133,562
Goodwill	711,521	711,521
Other intangibles	34,979	38,006
Mortgage servicing rights, at fair value	261,034	235,402
Other real estate owned, net	28,517	19,198
Other real estate owned related to FDIC-assisted transactions	13,867	19,328
Other assets	285,190	297,690
Total assets	\$15,018,194	\$14,602,099
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits:		
Non-interest bearing	\$4,378,005	\$4,118,256
Interest bearing	6,483,809	6,872,686
Total deposits	10,861,814	10,990,942
Short-term borrowings	1,382,635	931,415
Long-term borrowings	89,639	82,916
Junior subordinated notes issued to capital trusts	185,971	185,778
Accrued expenses and other liabilities	420,396	382,762
Total liabilities	12,940,455	12,573,813
<b>STOCKHOLDERS' EQUITY</b>		

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Preferred stock, (\$0.01 par value, authorized 10,000,000 shares at June 30, 2015 and December 31, 2014; Series A, 8% perpetual non-cumulative, 4,000,000 shares issued and outstanding at June 30, 2015 and December 31, 2014, \$25 liquidation value)	115,280	115,280
Common stock, (\$0.01 par value; authorized 100,000,000 shares at June 30, 2015 and December 31, 2014; issued 75,421,543 shares at June 30, 2015 and 75,067,482 shares at December 31, 2014)	754	751
Additional paid-in capital	1,273,333	1,267,761
Retained earnings	677,246	629,677
Accumulated other comprehensive income	18,778	20,356
Less: 348,251 and 296,715 shares of treasury common stock, at cost, at June 30, 2015 and December 31, 2014, respectively	(9,035	) (6,974
Controlling interest stockholders' equity	2,076,356	2,026,851
Noncontrolling interest	1,383	1,435
Total stockholders' equity	2,077,739	2,028,286
Total liabilities and stockholders' equity	\$15,018,194	\$14,602,099

See Accompanying Notes to Consolidated Financial Statements.

MB FINANCIAL, INC. & SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Amounts in thousands, except share and per share data) (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Interest income:				
Loans:				
Taxable	\$98,768	\$53,649	\$197,614	\$107,595
Nontaxable	2,259	2,256	4,433	4,554
Investment securities:				
Taxable	10,002	8,794	19,936	16,940
Nontaxable	10,140	8,285	19,253	16,352
Federal funds sold	—	4	—	9
Other interest earning accounts	57	277	119	390
Total interest income	121,226	73,265	241,355	145,840
Interest expense:				
Deposits	4,554	3,754	9,199	7,523
Short-term borrowings	355	95	632	195
Long-term borrowings and junior subordinated notes	1,844	1,344	3,656	2,722
Total interest expense	6,753	5,193	13,487	10,440
Net interest income	114,473	68,072	227,868	135,400
Provision for credit losses	4,296	(1,950)	9,270	(800)
Net interest income after provision for credit losses	110,177	70,022	218,598	136,200
Non-interest income:				
Lease financing, net	15,564	14,853	40,644	28,049
Mortgage banking revenue	35,648	187	60,192	246
Commercial deposit and treasury management fees	11,062	7,106	22,100	14,250
Trust and asset management fees	5,752	5,405	11,466	10,612
Card fees	4,409	3,304	8,336	6,005
Capital markets and international banking fees	1,508	1,360	3,436	2,338
Consumer and other deposit service fees	3,260	3,156	6,343	6,091
Brokerage fees	1,543	1,356	3,221	2,681
Loan service fees	1,353	916	2,838	1,881
Increase in cash surrender value of life insurance	836	834	1,675	1,661
Net (loss) gain on investment securities	(84)	(87)	(544)	230
Net loss on sale of assets	(7)	(24)	(3)	(17)
Other operating income	2,105	1,562	4,513	2,513
Total non-interest income	82,949	39,928	164,217	76,540
Non-interest expenses:				
Salaries and employee benefits	86,145	46,622	170,931	90,999
Occupancy and equipment	12,177	9,518	25,117	19,110
Computer services and telecommunication	8,537	5,079	17,441	10,163
Advertising and marketing	2,497	2,221	4,943	4,302
Professional and legal	2,413	1,567	5,083	3,346
Other intangibles amortization	1,509	1,174	3,027	2,414
Branch exit and facilities impairment charges	438	—	7,829	—
Net loss recognized on other real estate owned and other expenses	724	528	1,620	1,111
Prepayment fees on interest bearing liabilities	—	—	85	—

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Other operating expenses	18,297	11,321	36,581	22,632
Total non-interest expenses	132,737	78,030	272,657	154,077
Income before income taxes	60,389	31,920	110,158	58,663
Income tax expense	19,437	8,814	35,095	15,588
Net income	40,952	23,106	75,063	43,075
Dividends on preferred shares	2,000	—	4,000	—
Net income available to common stockholders	\$38,952	\$23,106	\$71,063	\$43,075

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MB FINANCIAL, INC. & SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF OPERATIONS - (Continued)  
 (Amounts in thousands, except share and per share data) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Common share data:				
Basic earnings per common share	\$0.52	\$0.42	\$0.95	\$0.79
Diluted earnings per common share	0.52	0.42	0.94	0.78
Weighted average common shares outstanding for basic earnings per common share	74,596,925	54,669,868	74,582,097	54,654,992
Diluted weighted average common shares outstanding for diluted earnings per common share	75,296,029	55,200,054	75,230,455	55,232,703

See Accompanying Notes to Consolidated Financial Statements.



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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$40,952	\$23,106	\$75,063	\$43,075
Unrealized holding (losses) gains on investment securities, net of reclassification adjustments	(10,886 )	5,554	(1,482 )	10,500
Reclassification adjustment for amortization of unrealized gains on investment securities transferred to held to maturity from available for sale	(1,257 )	(1,239 )	(1,659 )	(2,615 )
Reclassification adjustments for losses (gains) included in net income	84	87	544	(230 )
Other comprehensive (loss) income, before tax	(12,059 )	4,402	(2,597 )	7,655
Income tax expense (benefit) related to items of other comprehensive income	4,736	(1,730 )	1,019	(3,004 )
Other comprehensive (loss) income, net of tax	(7,323 )	2,672	(1,578 )	4,651
Comprehensive income	\$33,629	\$25,778	\$73,485	\$47,726

See Accompanying Notes to Consolidated Financial Statements.

MB FINANCIAL, INC. & SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
Six Months Ended June 30, 2015 and 2014  
(Amounts in thousands, except per share data) (Unaudited)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net of Tax	Treasury Stock	Noncontrolling Interest	Total Stock- holders' Equity
Balance at December 31, 2013	\$—	\$551	\$738,053	\$581,998	\$ 8,383	\$(3,747)	\$ 1,444	\$1,326,682
Net income	—	—	—	43,075	—	—	141	43,216
Other comprehensive income, net of tax	—	—	—	—	4,651	—	—	4,651
Cash dividends declared on common shares (\$0.24 per share)	—	—	—	(13,332)	—	—	—	(13,332)
Restricted common stock activity, net of tax	—	2	61	—	—	60	—	123
Stock option activity, net of tax	—	—	256	—	—	—	—	256
Repurchase of common shares in connection with employee benefit plans and held in trust for deferred compensation plan	—	—	199	—	—	(608)	—	(409)
Stock-based compensation expense	—	—	4,255	—	—	—	—	4,255
Distributions to noncontrolling interest	—	—	—	—	—	—	(126)	(126)
Balance at June 30, 2014	\$—	\$553	\$742,824	\$611,741	\$ 13,034	\$(4,295)	\$ 1,459	\$1,365,316
Balance at December 31, 2014	\$115,280	\$751	\$1,267,761	\$629,677	\$ 20,356	\$(6,974)	\$ 1,435	\$2,028,286
Net income	—	—	—	75,063	—	—	148	75,211
Other comprehensive loss, net of tax	—	—	—	—	(1,578)	—	—	(1,578)
Issuance of common stock	—	—	217	—	—	—	—	217
Cash dividends declared on preferred shares	—	—	—	(4,000)	—	—	—	(4,000)
Cash dividends declared on common shares (\$0.31 per share)	—	—	—	(23,494)	—	—	—	(23,494)
Restricted common stock activity, net of tax	—	3	(2,561)	—	—	2,876	—	318
Stock option activity, net of tax	—	—	102	—	—	—	—	102

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Repurchase of common shares	—	—	—	—	—	(3,055 )	—	(3,055 )
Repurchase of common shares in connection with employee benefit plans and held in trust for deferred compensation plan	—	—	339	—	—	(1,882 )	—	(1,543 )
Stock-based compensation expense	—	—	7,475	—	—	—	—	7,475
Distributions to noncontrolling interest	—	—	—	—	—	—	(200 )	(200 )
Balance at June 30, 2015	\$ 115,280	\$ 754	\$ 1,273,333	\$ 677,246	\$ 18,778	\$(9,035)	\$ 1,383	\$ 2,077,739

See Accompanying Notes to Consolidated Financial Statements.

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

	Six Months Ended	
	June 30,	
	2015	2014
Cash Flows From Operating Activities		
Net income	\$75,063	\$43,075
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment and leased equipment	29,879	27,865
Branch exit and facilities impairment charges	7,829	—
Compensation expense for share-based payment plans	7,475	4,255
Net loss (gain) on sales of premises and equipment and leased equipment	2,111	(1,275)
Amortization of other intangibles	3,027	2,414
Provision for credit losses	9,270	(800)
Deferred income tax expense	14,292	(646)
Amortization of premiums and discounts on investment securities, net	23,245	22,022
Amortization of premiums and discounts on loans, net	(18,700)	(1,819)
Accretion of FDIC indemnification asset	(48)	(59)
Net loss (gain) on investment securities	544	(230)
Proceeds from sale of loans held for sale	3,577,634	9,810
Origination of loans held for sale	(3,676,454)	(10,098)
Net gain on sale of loans held for sale	(16,114)	(246)
Change in fair value of mortgage servicing rights	11,123	—
Net loss on other real estate owned	1,550	326
Net (gain) loss on other real estate owned related to FDIC-assisted transactions	(361)	52
Increase in cash surrender value of life insurance	(1,675)	(1,661)
(Increase) decrease in other assets, net	(11,335)	9,971
Decrease (increase) in other liabilities, net	7,665	(1,227)
Net cash provided by operating activities	46,020	101,729
Cash Flows From Investing Activities		
(Increase) decrease in federal funds sold	(5)	32,950
Proceeds from sales of investment securities available for sale	28,356	11,718
Proceeds from maturities and calls of investment securities available for sale	128,013	126,206
Purchases of investment securities available for sale	(137,029)	(175,645)
Proceeds from maturities and calls of investment securities held to maturity	42,460	21,319
Purchases of investment securities held to maturity	(255,091)	(82,841)
Purchases of non-marketable securities - FHLB and FRB stock	(35,831)	(15)
Net decrease in loans	32,677	147,150
Purchases of mortgage servicing rights	(352)	—
Purchases of premises and equipment and leased equipment	(31,871)	(26,964)
Proceeds from sales of premises and equipment and leased equipment	2,868	3,729
Proceeds from sale of other real estate owned	2,341	3,308
Proceeds from sale of other real estate owned related to FDIC-assisted transactions	7,544	9,060
Net proceeds from FDIC related covered assets	(4,972)	1,778
Net cash (used in) provided by investing activities	(220,892)	71,753
Cash Flows From Financing Activities		
Net (decrease) increase in deposits	(129,128)	381,805

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Net increase (decrease) in short-term borrowings	451,220	(263,580	)
Proceeds from long-term borrowings	14,881	14,853	
Principal paid on long-term borrowings	(8,158	) (5,539	)
Treasury stock transactions, net	(4,598	) (410	)
Stock options exercised	87	134	
Excess tax expense from share-based payment arrangements	94	231	
Dividends paid on preferred stock	(4,000	) —	
Dividends paid on common stock	(23,187	) (13,140	)
Net cash provided by financing activities	297,211	114,354	
Net increase in cash and cash equivalents	\$122,339	\$287,836	
Cash and cash equivalents:			
Beginning of period	312,081	473,459	
End of period	\$434,420	\$761,295	

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

	Six Months Ended June 30,	
	2015	2014
Supplemental Disclosures of Cash Flow Information:		
Cash payments for:		
Interest paid to depositors and other borrowed funds	\$14,485	\$10,393
Income tax payments, net	1,574	11,740
Supplemental Schedule of Noncash Investing Activities:		
Investment securities held to maturity purchased not settled	\$6,978	\$7,075
Loans held for sale transferred to loans held for investment	32,469	—
Loans transferred to other real estate owned	13,210	651
Loans transferred to other real estate owned related to FDIC-assisted transactions	1,290	3,894
Loans transferred to repossessed vehicles	439	345
Operating leases rewritten as direct finance leases included as loans	6,412	4,429

See Accompanying Notes to Consolidated Financial Statements.

MB FINANCIAL, INC. & SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. 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 and six months ended June 30, 2015 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 U.S. generally accepted accounting principles (“GAAP”) and industry practice. Certain information in footnote disclosure normally included in financial statements prepared in accordance with U.S. GAAP 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 Annual Report on Form 10-K for the year ended December 31, 2014.

The preparation of financial statements in conformity with U.S. GAAP 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.

Certain prior period amounts have been reclassified to conform to current period presentation. These reclassifications did not result in any changes to previously reported net income or stockholders’ equity.

Note 2. New Authoritative Accounting Guidance

ASC Topic 310 “Receivables.” New authoritative accounting guidance under ASC Topic 310, “Receivables” amended prior guidance to clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical

possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosures. The Company adopted this new authoritative guidance on January 1, 2015, and it did not have an impact on the Company’s statements of operations or financial condition.

New authoritative accounting guidance under ASC Topic 310, “Receivables” amended prior guidance to require an entity to derecognize a mortgage loan and recognize a separate other receivable upon foreclosure if (i) the loan has a government guarantee that is not separable from the loan before foreclosure, (ii) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on that guarantee, and the creditor has the ability to recover under that claim, and (iii) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. The separate other receivable is to be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The Company adopted this new authoritative guidance on January 1, 2015, and it did not have a material impact on the Company’s statements of operations or financial condition.

ASC Topic 323 “Investments - Equity Method and Joint Ventures.” New authoritative accounting guidance under ASC Topic 323, “Investments - Equity Method and Joint Ventures” amended prior guidance to permit entities to make an

accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the statement of operation as a component of income tax expense. The Company adopted this new authoritative guidance on January 1, 2015, and it did not have an impact on the Company's statements of operations or financial condition.

ASC Topics 205 "Presentation of Financial Statements" and 360 "Property, Plant, and Equipment." New authoritative accounting guidance under ASC Topic 205, "Presentation of Financial Statements" and ASC Topic 360 "Property, Plant, and Equipment" amended prior guidance to change the requirements for reporting discontinued operations. The disposal of a component of an entity or group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The new authoritative guidance also

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requires additional disclosures about discontinued operations. The Company adopted this new authoritative guidance on January 1, 2015, and it did not have an impact on the Company's statements of operations or financial condition.

ASC Topic 860 "Transfers and Servicing." New authoritative accounting guidance under ASC Topic 860, "Transfers and Servicing" amended prior guidance to change the accounting for repurchase-to-maturity transactions to secured borrowing accounting and to require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. The new authoritative guidance also requires disclosures for a transfer of a financial asset accounted for as a sale and an agreement with the same transferee entered into in contemplation of the initial transfer that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. In addition, it requires disclosures related to collateral, remaining contractual tenor and of the potential risks associated with repurchase agreements, securities lending transactions and repurchase-to-maturity transactions. The Company adopted this new authoritative guidance on January 1, 2015, and it did not have an impact on the Company's statements of operations or financial condition. The additional disclosures are included in Note 9. Short-Term Borrowings and Note 10. Long-Term Borrowings.

ASC Topic 718 "Compensation - Stock Compensation." New authoritative accounting guidance under ASC Topic 718, "Compensation - Stock Compensation" amended prior guidance to require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The Company adopted this new authoritative guidance on January 1, 2015, and it did not have an impact on the Company's statements of operations or financial condition.

ASC Topic 225 "Income Statement - Extraordinary and Unusual Items." New authoritative accounting guidance under ASC Topic 225, "Income Statement - Extraordinary and Unusual Items" amended prior guidance to eliminate the concept of extraordinary items. The new authoritative guidance will be effective for reporting periods after January 1, 2016 and is not expected to have a significant impact on the Company's statements of operations or financial condition.

ASC Topic 810 "Consolidation." New authoritative accounting guidance under ASC Topic 810, "Consolidation" amended prior guidance over the consolidation of certain legal entities. The new authoritative guidance modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership, affects the consolidation analysis of reporting entities that are involved with variable interest entities and provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements similar to those for registered money market funds. The new authoritative guidance will be effective for reporting periods after January 1, 2016 and is not expected to have a significant impact on the Company's statements of operations or financial condition.

ASC Topic 835 "Interest." New authoritative accounting guidance under ASC Topic 835, "Interest" amended prior guidance to simplify the presentation of debt issuance costs. The new authoritative guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The new authoritative guidance will be effective for reporting periods after January 1, 2016 and is not expected to have a significant impact on the Company's statements of operations or financial condition.

## Note 3. Earnings Per Common Share

Earnings per common share is computed using the two-class method. Basic earnings per common share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the applicable period, excluding outstanding participating securities. Participating securities include non-vested restricted stock awards and restricted stock units, though no actual shares of common stock related to restricted stock units are issued until the settlement of such units, to the extent holders of these securities receive non-forfeitable dividends or dividend equivalents at the same rate as holders of the Company's common stock. Diluted earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the dilutive effect of stock compensation using the treasury stock method.

The following table presents a reconciliation of the number of shares used in the calculation of basic and diluted earnings per common share (amounts in thousands, except share and per share data).

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Distributed earnings allocated to common stock	\$12,884	\$6,666	\$23,494	\$13,332
Undistributed earnings	28,068	16,440	51,569	29,743
Net income	40,952	23,106	75,063	43,075
Less: preferred stock dividends	2,000	—	4,000	—
Net income available to common stockholders	38,952	23,106	71,063	43,075
Less: earnings allocated to participating securities	2	1	3	1
Earnings allocated to common stockholders	\$38,950	\$23,105	\$71,060	\$43,074
Weighted average shares outstanding for basic earnings per common share	74,596,925	54,669,868	74,582,097	54,654,992
Dilutive effect of equity awards	699,104	530,186	648,358	577,711
Weighted average shares outstanding for diluted earnings per common share	75,296,029	55,200,054	75,230,455	55,232,703
Basic earnings per common share	\$0.52	\$0.42	\$0.95	\$0.79
Diluted earnings per common share	0.52	0.42	0.94	0.78

Note 4. Business Combination

On August 18, 2014, the Company acquired Taylor Capital Group, Inc. (“Taylor Capital”), a bank holding company and the parent company of Cole Taylor Bank, a commercial bank headquartered in Chicago, through the merger (the “Merger”) of Taylor Capital with and into the Company, followed immediately by the merger of Cole Taylor Bank with and into MB Financial Bank. This transaction solidifies the Company's market position in Chicago and diversifies its revenue streams. At the effective time of the Merger (the “Effective Time”), each share of the common stock of Taylor Capital and each share of nonvoting convertible preferred stock of Taylor Capital converted into the right to receive (1) 0.64318 of a share of the common stock of the Company, and (2) \$4.08 in cash. All “in-the-money” Taylor Capital stock options and warrants outstanding immediately prior to the Effective Time were canceled in exchange for the right to receive a cash payment as provided in the merger agreement, as were the outstanding unvested restricted stock awards of Taylor Capital; however, the cash consideration payable for such restricted stock awards will remain subject to vesting or other lapse restrictions. Each share of Taylor Capital’s perpetual non-cumulative preferred stock, Series A, converted into the right to receive one share of the Company’s perpetual non-cumulative preferred stock, Series A.

The Company issued approximately 19.6 million shares of common stock and paid approximately \$129.5 million in cash in the Merger. For the “in-the-money” Taylor Capital stock options and warrants, the Company paid in the aggregate approximately \$4.4 million in cash. For the outstanding unvested Taylor Capital restricted stock awards, the Company will pay or has paid in the aggregate up to approximately \$3.7 million in cash, as and to the extent such awards vest. The \$129.5 million cash consideration includes payments for the Taylor Capital stock options, warrants and restricted stock awards.

This business combination was accounted for under the acquisition method of accounting. Accordingly, the results of operations of the acquired company have been included in the Company’s results of operations since the date of acquisition. Under this method of accounting, the assets acquired, liabilities assumed and consideration paid are recorded at their estimated fair values. The excess cost over fair value of net assets acquired is recorded as goodwill. As the consideration paid for Taylor Capital exceeded the net assets acquired, goodwill of \$288.2 million was recorded on the acquisition and was allocated to the banking segment. Goodwill recorded in the transaction, which reflects the increased Chicago market share and related synergies expected from the combined operations, is not tax deductible. The amounts recognized for the business combination in the financial statements have been determined to be final as of March 31, 2015.

Estimated fair values of the assets acquired and liabilities assumed in the Taylor Capital transaction, as of the closing date of the transaction were as follows (in thousands):

	August 18, 2014
<b>ASSETS</b>	
Cash and cash equivalents	\$ 154,684
Investment securities available for sale	826,691
Investment securities held to maturity	22,599
Non-marketable securities - FRB and FHLB Stock	50,620
Loans held for sale	670,671
Loans	3,532,211
Leases investments	11,885
Premises and equipment	19,701
Goodwill	288,152
Core deposit intangible	20,079
Mortgage servicing rights	224,453
Other real estate owned	4,720
Other assets	130,478
Total assets	\$ 5,956,944
<b>LIABILITIES</b>	
Deposits	\$ 3,953,213
Short-term borrowings	1,035,800
Junior subordinated notes issued to capital trusts	80,843
Accrued expenses and other liabilities	123,028
Total liabilities	\$ 5,192,884
Series A preferred stock at \$28.82 per share at August 15, 2014	\$ 115,280
Total identifiable net assets less Series A preferred stock	\$ 648,780
Consideration excluding Series A preferred stock:	
Market value of common stock at \$26.49 per share at August 15, 2014 (19,602,482 shares of common stock issued)	\$ 519,270
Cash paid	129,510
Total fair value of consideration, excluding Series A preferred stock	\$ 648,780

The Company's Series A preferred stock was valued based upon the closing price of Taylor Capital's Series A preferred stock on August 15, 2014, the last trading day before the Merger date.

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date without a carryover of the related allowance for loan and lease losses. These acquired loans are segregated into three types: pass rated loans with no discount attributable to credit quality, non-impaired loans with a discount attributable at least in part to credit quality and impaired loans with evidence of significant credit deterioration.

• Pass rated loans (typically performing loans) are accounted for in accordance with ASC 310-20 "Nonrefundable Fees and Other Costs" as these loans do not have evidence of credit deterioration since origination.

• Non-impaired loans (typically performing substandard loans) are accounted for in accordance with ASC 310-30 if they display at least some level of credit deterioration since origination.

• Impaired loans (typically substandard loans on non-accrual status) are accounted for in accordance with ASC 310-30 as they display significant credit deterioration since origination.

For pass rated loans (non-purchased credit-impaired loans), the difference between the estimated fair value of the loans (computed on a loan by loan basis) and the principal outstanding is accreted over the remaining life of the loans. We anticipate recording a provision for the acquired portfolio in future quarters related to renewing Taylor Capital loans which will largely offset the accretion from the pass rated loans.

In accordance with ASC 310-30, for both purchased non-impaired loans and purchased credit-impaired loans ("PCI loans"), the difference between contractually required payments at acquisition and the cash flows expected to be collected is referred to as the non-accretable difference. Further, any excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized into interest income over the remaining life of the loan when there is a reasonable expectation about the amount and timing of such cash flows.

The following table presents the acquired loans as of the acquisition date (in thousands):

	PCI Loans	Non-PCI Loans
Contractually required principal and interest payments	\$244,650	\$3,707,463
Contractually required interest payments not expected to be collected due to estimated prepayments	—	(302,329 )
Nonaccretable difference	(34,219 )	—
Cash flows expected to be collected	210,431	3,405,134
Accretable difference	(5,626 )	(77,728 )
Fair value of acquired loans	\$204,805	\$3,327,406

The Company recorded \$9.3 million and \$1.2 million in pre-tax merger related expenses for the six months ended June 30, 2015 and 2014, respectively. These merger related expenses primarily relate to retention and severance compensation costs, professional and legal fees and branch exit and facilities impairment charges. The data processing systems were converted in September 2014.

The following table provides the unaudited pro forma information for the results of operations for the three and six months ended June 30, 2014, as if the acquisition had occurred January 1, 2014. The pro forma results combine the historical results of Taylor Capital into the Company's consolidated statement of operations including the impact of certain purchase accounting adjustments including loan discount accretion, investment securities discount accretion, intangible assets amortization, deposit premium accretion and borrowing discount amortization. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results that would have been obtained had the acquisition actually occurred on January 1, 2014. No assumptions have been applied to the pro forma results of operations regarding possible revenue enhancements, provision for credit losses, expense efficiencies or asset dispositions. Net income in the table below includes merger related expenses.

	Pro Forma	
	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
(in thousands)		
Total revenues (net interest income plus non-interest income)	\$199,248	\$384,276
Net income	37,410	72,162

Revenues and earnings of the acquired company since the acquisition date have not been disclosed as it is not practicable as Taylor Capital was merged into the Company and separate financial information is not readily available.

## Note 5. Investment Securities

Amortized cost and fair value of investment securities were as follows as of the dates indicated (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2015				
Available for Sale				
U.S. Government sponsored agencies and enterprises	\$64,211	\$1,274	\$—	\$65,485
States and political subdivisions	380,221	16,160	(469)	) 395,912
Residential mortgage-backed securities	731,399	10,848	(1,069)	) 741,178
Commercial mortgage-backed securities	158,935	2,175	(271)	) 160,839
Corporate bonds	245,506	2,962	(2,000)	) 246,468
Equity securities	10,644	25	—	10,669
Total Available for Sale	1,590,916	33,444	(3,809)	) 1,620,551
Held to Maturity				
States and political subdivisions	974,032	22,990	(6,349)	) 990,673
Residential mortgage-backed securities	229,595	11,572	—	241,167
Total Held to Maturity	1,203,627	34,562	(6,349)	) 1,231,840
Total	\$2,794,543	\$68,006	\$(10,158)	) \$2,852,391
December 31, 2014				
Available for Sale				
U.S. Government sponsored agencies and enterprises	\$64,612	\$1,281	\$(20)	) \$65,873
States and political subdivisions	390,076	20,846	(68)	) 410,854
Residential mortgage-backed securities	713,413	8,977	(1,827)	) 720,563
Commercial mortgage-backed securities	186,110	1,772	(220)	) 187,662
Corporate bonds	259,526	2,428	(2,751)	) 259,203
Equity securities	10,531	66	—	10,597
Total Available for Sale	1,624,268	35,370	(4,886)	) 1,654,752
Held to Maturity				
States and political subdivisions	752,558	30,089	(382)	) 782,265
Residential mortgage-backed securities	240,822	11,974	—	252,796
Total Held to Maturity	993,380	42,063	(382)	) 1,035,061
Total	\$2,617,648	\$77,433	\$(5,268)	) \$2,689,813

The Company has no direct exposure to the State of Illinois, but approximately 22% of the state and political subdivisions portfolio consisted of securities issued by municipalities located in Illinois as of June 30, 2015. Approximately 94% of such securities were general obligation issues as of June 30, 2015.

Unrealized losses on investment securities by length of time in a continuous unrealized loss position and the fair value of the related securities at June 30, 2015 were as follows (in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale						
States and political subdivisions	\$65,211	\$(453)	\$2,243	\$(16)	\$67,454	\$(469)
Residential mortgage-backed securities	113,428	(509)	42,403	(560)	155,831	(1,069)
Commercial mortgage-backed securities	11,909	(271)	—	—	11,909	(271)
Corporate bonds	31,869	(260)	9,350	(1,740)	41,219	(2,000)
Total Available for Sale	222,417	(1,493)	53,996	(2,316)	276,413	(3,809)
Held to Maturity						
States and political subdivisions	302,960	(6,110)	6,685	(239)	309,645	(6,349)
Total	\$525,377	\$(7,603)	\$60,681	\$(2,555)	\$586,058	\$(10,158)

Unrealized losses on investment securities by length of time in a continuous unrealized loss position and the fair value of the related securities at December 31, 2014 were as follows (in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale						
U.S. Government sponsored agencies and enterprises	\$9,644	\$(20)	\$—	\$—	\$9,644	\$(20)
States and political subdivisions	7,784	(21)	3,558	(47)	11,342	(68)
Residential mortgage-backed securities	235,818	(1,336)	29,373	(491)	265,191	(1,827)
Commercial mortgage-backed securities	89,509	(220)	—	—	89,509	(220)
Corporate bonds	62,693	(1,159)	9,675	(1,592)	72,368	(2,751)
Total Available for Sale	405,448	(2,756)	42,606	(2,130)	448,054	(4,886)
Held to Maturity						
States and political subdivisions	28,786	(130)	14,238	(252)	43,024	(382)
Total	\$434,234	\$(2,886)	\$56,844	\$(2,382)	\$491,078	\$(5,268)

The total number of security positions in the investment portfolio in an unrealized loss position at June 30, 2015 was 334 compared to 168 at December 31, 2014. This increase, as well as the increase in securities in a continuous unrealized loss position from December 31, 2014 to June 30, 2015, was mainly attributable to securities issued by states and political subdivisions in the investment securities portfolio. Declines in the fair value of available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) whether the Company is more likely than not to sell the security before recovery of its cost basis.



As of June 30, 2015, management does not have the intent to sell any of the securities in the table above and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline. Accordingly, as of June 30, 2015, management believes the impairments detailed in the table above are temporary.

Changes in market interest rates can significantly influence the fair value of securities, and the fair value of our municipal securities portfolio would decline substantially if interest rates increase materially.

Net (losses) gains recognized on investment securities available for sale were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Realized gains	\$324	\$7	\$1,083	\$325
Realized losses	(408 )	(2 )	(1,627 )	(3 )
Impairment charges	—	(92 )	—	(92 )
Net (losses) gains	\$(84 )	\$(87 )	\$(544 )	\$230

The amortized cost and fair value of investment securities as of June 30, 2015 by contractual maturity are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without any penalties. Therefore, mortgage-backed securities are not included in the maturity categories in the following maturity summary.

(In thousands)	Amortized Cost	Fair Value
Available for sale:		
Due in one year or less	\$13,661	\$13,693
Due after one year through five years	308,631	311,523
Due after five years through ten years	40,075	41,024
Due after ten years	327,571	341,625
Equity securities	10,644	10,669
Residential and commercial mortgage-backed securities	890,334	902,017
	1,590,916	1,620,551
Held to maturity:		
Due in one year or less	63,836	64,022
Due after one year through five years	215,085	217,122
Due after five years through ten years	96,604	99,540
Due after ten years	598,507	609,989
Residential mortgage-backed securities	229,595	241,167
	1,203,627	1,231,840
Total	\$2,794,543	\$2,852,391

Investment securities with a carrying amount of \$1.5 billion at June 30, 2015 and December 31, 2014 were pledged as collateral on public deposits and for other purposes as required or permitted by law, while only \$874.9 million and \$980.4 million were required to be pledged at June 30, 2015 and December 31, 2014, respectively. Of those pledged, the Company had investment securities pledged as collateral for advances from the Federal Home Loan Bank of \$234.3 million and \$226.9 million at June 30, 2015 and December 31, 2014, respectively.

## Note 6. Loans

Loans consist of the following at (in thousands):

	June 30, 2015	December 31, 2014
Commercial loans	\$3,354,889	\$3,245,206
Commercial loans collateralized by assignment of lease payments	1,690,866	1,692,258
Commercial real estate	2,539,991	2,544,867
Residential real estate	533,118	503,287
Construction real estate	189,599	247,068
Indirect vehicle	303,777	268,840
Home equity	230,478	251,909
Other consumer loans	86,463	78,137
Total loans, excluding purchased credit-impaired loans	8,929,181	8,831,572
Purchased credit-impaired loans	164,775	251,645
Total loans	\$9,093,956	\$9,083,217

Loans are made to individuals as well as commercial and tax exempt entities. Specific loan terms vary as to interest rate, repayment, and collateral requirements based on the type of loan requested and the credit worthiness of the prospective borrower. Except for commercial loans collateralized by assignment of lease payments and asset-based loans, credit risk tends to be geographically concentrated in that a majority of the loan customers are located in the markets serviced by MB Financial Bank.

The Company's extension of credit is governed by its Credit Risk Policy, which was established to control the quality of the Company's loans. This policy is reviewed and approved by the Company's Board of Directors on a regular basis.

**Commercial Loans.** Commercial credit is extended primarily to middle market customers. Such credits are typically comprised of working capital loans, loans for physical asset expansion, asset acquisition loans and other business loans. Loans to closely held businesses will generally be guaranteed in full or for a significant amount by the businesses' principal owners. Commercial loans are made based primarily on the historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Minimum standards and underwriting guidelines have been established for all commercial loan types. Asset-based loans, also included in commercial loans, are made to businesses with the primary source of repayment derived from payments on the related assets securing the loan. Collateral for these loans may include accounts receivable, inventory and equipment, and is monitored regularly to ensure ongoing sufficiency of collateral coverage and quality. The primary risk for these loans is a significant decline in collateral values due to general market conditions. Loan terms that mitigate these risks include typical industry amortization schedules, percentage of collateral advances, maintenance of cash collateral accounts and regular asset monitoring. Because of the national scope of our asset-based lending, the risk of these loans is also diversified by geography.

**Commercial Loans Collateralized by Assignment of Lease Payments ("Lease Loans").** The Company makes lease loans to lessors where the underlying leases are with both investment grade and non-investment grade companies. Investment grade lessees are companies rated in one of the four highest categories by Moody's Investor Services or Standard & Poor's Rating Services or, in the event the related lessee has not received any such rating, where the related lessee would be viewed under the underwriting policies of the Company as an investment grade company.

Whether or not companies fall into this category, each lease loan is considered on its individual merit based on the financial wherewithal of the lessee using financial information available at the time of underwriting.

**Commercial Real Estate Loans.** Commercial real estate loans are subject to underwriting standards and processes similar to commercial loans. These loans are viewed primarily as cash flow loans and the repayment of these loans is largely dependent on the successful operation of the property. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market such as geographic location and/or property type.

**Construction Real Estate Loans.** The Company defines construction loans as loans where the loan proceeds are controlled by the Company and used exclusively for the improvement of real estate in which the Company holds a mortgage. Due to the inherent risk in this type of loan, they are subject to other industry specific policy guidelines outlined in the Company's Credit Risk Policy.

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Consumer Related Loans. The Company originates direct and indirect consumer loans, including primarily residential real estate, home equity lines and loans, credit cards, and indirect vehicle loans (motorcycle, powersports, recreational and marine vehicles). Each loan type is underwritten based upon several factors including debt to income, type of collateral and loan to collateral value, credit history and Company relationship with the borrower. Indirect loan and credit card underwriting involves the use of risk-based pricing in the underwriting process.

Purchased credit-impaired loans. Purchased credit-impaired loans are loans accounted for under ASC 310-30, which include purchased credit-impaired loans acquired through a business combination, FDIC-assisted transactions and re-purchase transactions with the Government National Mortgage Association ("GNMA"). The loans re-purchased from GNMA were originally sold by the Company with servicing retained and subsequently became delinquent. These loans are also insured by the Federal Housing Administration (commonly referred to as "FHA") or the U.S. Department of Veterans Affairs (commonly referred to as "VA") where the Company would be able to recover the principal balance of these loans. All re-purchases from GNMA are at the Company's discretion.

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 250% for home equity loans of the outstanding advances from the Federal Home Loan Bank. As of June 30, 2015 and December 31, 2014, the Company had \$3.3 billion and \$2.0 billion, respectively, of loans pledged as collateral for long-term Federal Home Loan Bank advances and third party letters of credit, while only \$2.3 billion and \$1.3 billion were required to be pledged at June 30, 2015 and December 31, 2014, respectively.

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The following table presents the contractual aging of the recorded investment in past due loans by class of loans as of June 30, 2015 and December 31, 2014 (in thousands):

	Current	30-59 Days Past Due	60-89 Days Past Due	Loans Past Due 90 Days or More	Total Past Due	Total
June 30, 2015						
Commercial	\$3,322,336	\$ 2,129	\$ 20,734	\$ 9,690	\$32,553	\$3,354,889
Commercial collateralized by assignment of lease payments	1,677,305	2,129	4,979	6,453	13,561	1,690,866
Commercial real estate						
Healthcare	379,218	—	—	—	—	379,218
Industrial	350,957	—	—	1,425	1,425	352,382
Multifamily	362,636	795	234	1,517	2,546	365,182
Retail	423,627	134	108	3,173	3,415	427,042
Office	233,567	1,199	2,179	2,868	6,246	239,813
Other	772,628	1,086	847	1,793	3,726	776,354
Residential real estate	520,930	2,710	1,358	8,120	12,188	533,118
Construction real estate	189,262	—	—	337	337	189,599
Indirect vehicle	301,239	1,930	432	176	2,538	303,777
Home equity	221,627	1,522	1,150	6,179	8,851	230,478
Other consumer	86,107	178	70	108	356	86,463
Total loans, excluding purchased credit-impaired loans	8,841,439	13,812	32,091	41,839	87,742	8,929,181
Purchased credit-impaired loans	104,520	345	1,731	58,179	60,255	164,775
Total loans	\$8,945,959	\$ 14,157	\$ 33,822	\$ 100,018	\$ 147,997	\$9,093,956
Non-performing loan aging	\$46,777	\$ 1,636	\$ 7,864	\$ 41,778	\$ 51,278	\$ 98,055
December 31, 2014						
Commercial	\$3,231,571	\$ 8,222	\$ —	\$ 5,413	\$ 13,635	\$3,245,206
Commercial collateralized by assignment of lease payments	1,679,991	2,025	6,095	4,147	12,267	1,692,258
Commercial real estate						
Healthcare	342,984	—	—	—	—	342,984
Industrial	333,907	944	—	3,182	4,126	338,033
Multifamily	417,504	1,377	—	1,517	2,894	420,398
Retail	432,718	2,481	652	2,325	5,458	438,176
Office	244,166	—	—	2,127	2,127	246,293
Other	754,031	307	2,421	2,224	4,952	758,983
Residential real estate	485,492	8,038	2,319	7,438	17,795	503,287
Construction real estate	246,731	—	—	337	337	247,068
Indirect vehicle	265,296	2,516	702	326	3,544	268,840
Home equity	242,756	2,717	1,039	5,397	9,153	251,909
Other consumer	78,106	16	12	3	31	78,137
Total loans, excluding purchased credit-impaired loans	8,755,253	28,643	13,240	34,436	76,319	8,831,572
Purchased credit-impaired loans	158,215	4,432	585	88,413	93,430	251,645
Total loans	\$8,913,468	\$ 33,075	\$ 13,825	\$ 122,849	\$ 169,749	\$9,083,217
Non-performing loan aging	\$46,149	\$ 5,764	\$ 1,099	\$ 34,075	\$ 40,938	\$ 87,087



The following table presents the recorded investment in non-accrual loans and loans past due ninety days or more and still accruing by class of loans, excluding purchased credit-impaired loans, as of June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 2015		December 31, 2014	
	Non-accrual	Loans past due 90 days or more and still accruing	Non-accrual	Loans past due 90 days or more and still accruing
Commercial	\$ 15,807	\$ —	\$ 14,088	\$ —
Commercial collateralized by assignment of lease payments	10,930	4,316	2,404	3,566
Commercial real estate:				
Healthcare	—	—	—	—
Industrial	4,382	—	6,371	—
Multifamily	5,116	—	5,333	—
Office	2,848	1,446	3,644	464
Retail	5,047	—	2,986	—
Other	13,519	—	13,541	324
Residential real estate	17,210	265	17,311	—
Construction real estate	337	—	337	—
Indirect vehicle	1,368	—	1,542	—
Home equity	15,343	—	15,171	—
Other consumer	36	85	5	—
Total	\$91,943	\$ 6,112	\$82,733	\$ 4,354

The Company utilizes an internal asset classification system as a means of reporting problem and potential problem loans. Under the Company's risk rating system, the Company classifies potential problem and problem loans as "Special Mention," "Substandard," and "Doubtful." Substandard loans include those characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loans classified as Doubtful have all the weaknesses inherent in those classified as 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. Loans that do not currently expose the Company 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. Risk ratings are updated any time the situation warrants and at least annually. Loans listed as not rated are included in groups of homogeneous loans with similar risk and loss characteristics.



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The following tables present the risk category of loans by class of loans based on the most recent analysis performed, excluding purchased credit-impaired loans, as of June 30, 2015 and December 31, 2014 (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
June 30, 2015					
Commercial	\$3,100,715	\$156,718	\$97,456	\$—	\$3,354,889
Commercial collateralized by assignment of lease payments	1,677,745	683	12,438	—	1,690,866
Commercial real estate					
Healthcare	379,218	—	—	—	379,218
Industrial	334,463	12,894	5,025	—	352,382
Multifamily	357,937	739	6,506	—	365,182
Retail	416,120	2,879	8,043	—	427,042
Office	220,939	9,301	9,573	—	239,813
Other	727,399	13,903	35,052	—	776,354
Construction real estate	189,262	—	337	—	189,599
Total	\$7,403,798	\$197,117	\$174,430	\$—	\$7,775,345
December 31, 2014					
Commercial	\$3,036,069	\$178,984	\$30,153	\$—	\$3,245,206
Commercial collateralized by assignment of lease payments	1,680,736	6,853	4,669	—	1,692,258
Commercial real estate					
Healthcare	338,622	4,362	—	—	342,984
Industrial	314,225	8,817	14,991	—	338,033
Multifamily	412,824	920	6,654	—	420,398
Retail	423,842	2,740	11,594	—	438,176
Office	229,947	8,524	7,822	—	246,293
Other	708,447	22,013	28,523	—	758,983
Construction real estate	246,204	527	337	—	247,068
Total	\$7,390,916	\$233,740	\$104,743	\$—	\$7,729,399

Approximately \$58.0 million and \$49.1 million of the substandard and doubtful loans were non-performing as of June 30, 2015 and December 31, 2014, respectively.

For residential real estate, home equity, indirect vehicle and other consumer loan classes, which are not rated, the Company evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the recorded investment in those loan classes based on payment activity, excluding purchased credit-impaired loans, as of June 30, 2015 and December 31, 2014 (in thousands):

	Performing	Non-performing	Total
June 30, 2015			
Residential real estate	\$515,643	\$17,475	\$533,118
Indirect vehicle	302,409	1,368	303,777
Home equity	215,135	15,343	230,478
Other consumer	86,342	121	86,463
Total	\$1,119,529	\$34,307	\$1,153,836
December 31, 2014			
Residential real estate	\$485,976	\$17,311	\$503,287

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Indirect vehicle	267,297	1,543	268,840
Home equity	236,739	15,170	251,909
Other consumer	78,132	5	78,137
Total	\$1,068,144	\$34,029	\$1,102,173

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The following tables present loans individually evaluated for impairment by class of loans, excluding purchased credit-impaired loans, as of June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 2015				Three Months Ended		Six Months Ended	
	Unpaid Principal Balance	Recorded Investment	Partial Charge-offs	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:								
Commercial	\$3,626	\$3,626	\$ —	\$ —	\$3,906	\$ —	\$7,254	\$ —
Commercial collateralized by assignment of lease payments	1,138	1,138	—	—	1,366	18	1,495	47
Commercial real estate:								
Healthcare	—	—	—	—	—	—	—	—
Industrial	5,549	4,373	1,176	—	4,884	—	4,923	—
Multifamily	1,814	1,814	—	—	1,926	10	1,859	17
Retail	2,013	801	1,212	—	824	—	824	—
Office	1,608	1,031	577	—	1,031	—	1,318	—
Other	1,490	1,464	26	—	1,502	—	1,514	—
Residential real estate	970	970	—	—	959	—	482	—
Construction real estate	—	—	—	—	—	—	—	—
Indirect vehicle	—	—	—	—	—	—	—	—
Home equity	1,327	1,025	302	—	1,327	—	667	—
Other consumer	—	—	—	—	—	—	—	—
With an allowance recorded:								
Commercial	13,396	12,636	760	3,706	12,210	—	9,500	—
Commercial collateralized by assignment of lease payments	9,800	9,785	15	4,606	6,098	62	3,728	76
Commercial real estate:								
Healthcare	—	—	—	—	—	—	—	—
Industrial	10	10	—	3	18	—	33	—
Multifamily	4,916	4,066	850	661	3,798	19	4,856	27
Retail	7,713	7,043	670	738	7,160	—	7,433	—
Office	4,519	4,016	503	1,438	2,319	—	2,297	—
Other	12,543	12,522	21	250	13,322	—	13,265	—
Residential real estate	13,249	13,249	—	2,831	13,762	—	14,083	—
	2,708	337	2,371	162	431	—	431	—

Construction real  
estate

Indirect vehicle	132	132	—	10	248	—	310	—
Home equity	27,482	27,482	—	2,506	27,384	—	27,299	—
Other consumer	—	—	—	—	—	—	—	—
Total	\$116,003	\$107,520	\$8,483	\$16,911	\$104,475	\$109	\$103,571	\$167

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	December 31, 2014				Year Ended	
	Unpaid Principal Balance	Recorded Investment	Partial Charge-offs	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:						
Commercial	\$9,752	\$8,992	\$760	\$ —	\$10,324	\$—
Commercial collateralized by assignment of lease payments	2,316	2,316	—	—	2,569	121
Commercial real estate:						
Healthcare	—	—	—	—	—	—
Industrial	9,115	5,858	3,257	—	7,870	—
Multifamily	1,733	1,733	—	—	1,928	52
Retail	2,025	813	1,212	—	3,465	—
Office	—	—	—	—	1,127	—
Other	1,479	1,465	14	—	5,249	—
Residential real estate	1,941	1,941	—	—	2,740	—
Construction real estate	—	—	—	—	34	—
Indirect vehicle	—	—	—	—	—	—
Home equity	577	577	—	—	762	—
Other consumer	—	—	—	—	—	—
With an allowance recorded:						
Commercial	7,987	7,987	—	2,395	14,227	—
Commercial collateralized by assignment of lease payments	715	715	—	105	1,515	91
Commercial real estate:						
Healthcare	—	—	—	—	—	—
Industrial	517	513	4	130	4,982	—
Multifamily	5,680	4,709	971	996	6,354	131
Retail	9,264	7,897	1,367	720	8,547	—
Office	4,528	2,986	1,542	545	2,833	—
Other	12,612	12,527	85	136	11,022	12
Residential real estate	14,234	14,234	—	3,126	14,632	—
Construction real estate	2,707	337	2,370	162	455	—
Indirect vehicle	227	227	—	14	358	—
Home equity	25,927	25,705	222	2,153	25,672	—
Other consumer	—	—	—	—	—	—
Total	\$113,336	\$101,532	\$11,804	\$10,482	\$126,665	\$407

Impaired loans included accruing restructured loans of \$16.9 million and \$15.6 million that have been modified and are performing in accordance with those modified terms as of June 30, 2015 and December 31, 2014, respectively. In addition, impaired loans included \$24.5 million and \$25.8 million of non-performing restructured loans as of June 30, 2015 and December 31, 2014, respectively.

Loans may be restructured in an effort to maximize collections from financially distressed borrowers. We use various restructuring techniques, including, but not limited to, deferring past due interest or principal, implementing an A/B note structure, redeeming past due taxes, reducing interest rates, extending maturities and modifying amortization schedules. Residential real estate loans are restructured in an effort to minimize losses while allowing borrowers to remain in their primary residences when possible. Programs that we offer to residential real estate borrowers include

the Home Affordable Refinance Program (“HARP”), a restructuring program similar to the Home Affordable Modification Program (“HAMP”) for first mortgage borrowers, the Second Lien Modification Program (“2MP”) and similar programs for home equity borrowers in keeping with the restructuring techniques discussed above.

Periodically, the Company will restructure a note into two separate notes (A/B structure), charging off the entire B portion of the note. The A note is structured with appropriate loan-to-value and cash flow coverage ratios that provide for a high likelihood of repayment. The A note is classified as a non-performing note until the borrower has displayed a historical payment performance for a reasonable time prior to and subsequent to the restructuring. A period of sustained repayment for at least six months generally is required to return the note to accrual status provided that management has determined that the performance is reasonably expected to continue. The A note will be classified as a restructured note (either performing or non-performing) through the calendar year of the restructuring that the historical payment performance has been established. As of June 30, 2015 and December 31, 2014, there was one A/B structure with a recorded investment of \$1.0 million, which is included above as an accruing restructured loan.

A loan classified as a troubled debt restructuring will no longer be included in the troubled debt restructuring disclosures in the years after the restructuring if the loan performs in accordance with the terms specified by the restructuring agreement and the interest rate specified in the restructuring agreement represents a market rate at the time of modification. The specified interest rate is considered a market rate when the interest rate is equal to or greater than the rate the Company is willing to accept at the time of restructuring for a new loan with comparable risk. If there are concerns that the borrower will not be able to meet the modified terms of the loan, the loan will continue to be included in the troubled debt restructuring disclosures.

Impairment analyses on commercial-related loans classified as troubled debt restructurings are performed in conjunction with the normal allowance for loan and lease losses process. Consumer loans classified as troubled debt restructurings are aggregated in two pools that share common risk characteristics, home equity and residential real estate loans, with impairment measured on a quarterly basis based on the present value of expected future cash flows discounted at the loan's effective interest rate.

The following table presents loans that were restructured during the three months ended June 30, 2015 (dollars in thousands):

	June 30, 2015			
	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment	Charge-offs and Specific Reserves
Performing:				
Commercial	1	\$ 80	\$ 80	\$ —
Home equity	6	1,467	1,467	—
Total	7	\$ 1,547	\$ 1,547	\$ —
Non-Performing:				
Commercial real estate:				
Multifamily	1	\$ 334	\$ 334	\$ —
Residential real estate	1	140	140	17
Indirect vehicle	3	21	21	7
Total	5	\$ 495	\$ 495	\$ 24

The following table presents loans that were restructured during the six months ended June 30, 2015 (dollars in thousands):

	June 30, 2015			
	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment	Charge-offs and Specific Reserves

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Performing:				
Commercial	1	\$80	\$ 80	\$ —
Home equity	12	3,813	3,813	—
Total	13	\$3,893	\$ 3,893	\$ —
Non-Performing:				
Commercial real estate:				
Multifamily	1	\$334	\$ 334	\$ —
Residential real estate	1	140	140	17
Indirect vehicle	6	30	30	7
Home equity	5	798	798	122
Total	13	\$1,302	\$ 1,302	\$ 146

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The following table presents loans that were restructured during the three months ended June 30, 2014 (dollars in thousands):

	June 30, 2014			
	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment	Charge-offs and Specific Reserves
Performing:				
Home equity	3	\$ 843	\$ 843	\$ —
Total	3	\$ 843	\$ 843	\$ —
Non-Performing:				
Commercial	1	\$ 263	\$ 263	\$ 85
Commercial real estate:				
Multifamily	1	158	158	40
Indirect vehicle	11	59	59	27
Home equity	3	531	531	—
Total	16	\$ 1,011	\$ 1,011	\$ 152

The following table presents loans that were restructured during the six months ended June 30, 2014 (dollars in thousands):

	June 30, 2014			
	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment	Charge-offs and Specific Reserves
Performing:				
Indirect vehicle	1	\$ 5	\$ 5	\$ —
Home equity	6	1,883	1,883	—
Total	7	\$ 1,888	\$ 1,888	\$ —
Non-Performing:				
Commercial	1	\$ 263	\$ 263	\$ 85
Commercial real estate:				
Multifamily	1	158	158	40
Residential real estate	4	1,439	1,439	—
Indirect vehicle	29	167	167	27
Home equity	7	1,063	1,063	—
Total	42	\$ 3,090	\$ 3,090	\$ 152

Of the troubled debt restructurings entered into during the past twelve months, \$224 thousand subsequently defaulted during the six months ended June 30, 2015. Performing troubled debt restructurings are considered to have defaulted when they become 90 days or more past due post-restructuring or are placed on non-accrual status.

The following table presents the troubled debt restructurings activity during the six months ended June 30, 2015 (in thousands):

	Performing	Non-performing
Beginning balance	\$ 15,603	\$ 25,771
Additions	3,893	1,302
Charge-offs	—	(299)
Principal payments, net	(11)	(946)
Removals	(3,093)	(867)
Transfer from/to performing	561	78
Transfer from/to non-performing	(78)	(561)
Ending balance	\$ 16,875	\$ 24,478

Loans removed from troubled debt restructuring status are those that were restructured in a previous calendar year at a market rate of interest and have performed in compliance with the modified terms.

The following table presents the type of modification for loans that have been restructured during the six months ended June 30, 2015 (in thousands):

	June 30, 2015			
	Extended Maturity, Amortization and Reduction of Interest Rate	Extended Maturity and/or Amortization	Delay in Payments or Reduction of Interest Rate	Total
Commercial	\$—	\$—	\$80	\$80
Commercial real estate:				
Multifamily	—	334	—	334
Residential real estate	140	—	—	140
Indirect vehicle	—	—	30	30
Home equity	1,991	267	2,353	4,611
Total	\$2,131	\$601	\$2,463	\$5,195

The following table presents the activity in the allowance for credit losses, balance in allowance for credit losses and recorded investment in loans by portfolio segment and based on impairment method as of June 30, 2015 and 2014 (in thousands):

	Commercial	Commercial collateralized by assignment of lease payments	Commercial real estate	Residential real estate	Construction real estate	Indirect vehicle	Home equity	Other consumer	Unfunded commitments	Total
June 30, 2015										
Allowance for credit losses:										
Three Months Ended										
Beginning balance	\$32,827	\$9,825	\$41,958	\$6,760	\$9,473	\$1,715	\$8,780	\$2,074	\$3,777	\$117,189
Charge-offs	57	100	108	318	3	627	276	500	—	1,989
Recoveries	816	340	2,561	8	35	545	160	169	—	4,634
Provision	5,556	1,203	(6,335)	219	2,954	276	(252)	392	283	4,296
Ending balance	\$39,142	\$11,268	\$38,076	\$6,669	\$12,459	\$1,909	\$8,412	\$2,135	\$4,060	\$124,130
Six Months Ended										
Beginning balance	\$29,571	\$9,962	\$41,826	\$6,646	\$8,918	\$1,687	\$9,456	\$1,960	\$4,031	\$114,057
Charge-offs	626	100	2,142	897	6	1,501	720	924	—	6,916
Recoveries	1,058	1,089	3,936	80	37	1,020	261	238	—	7,719
Provision	9,139	317	(5,544)	840	3,510	703	(585)	861	29	9,270
Ending balance	\$39,142	\$11,268	\$38,076	\$6,669	\$12,459	\$1,909	\$8,412	\$2,135	\$4,060	\$124,130
Ending allowance balance attributable to loans:										
Individually evaluated for impairment	\$3,706	\$4,606	\$3,090	\$2,831	\$162	\$10	\$2,506	\$—	\$1,334	\$18,245
Collectively evaluated for impairment	34,984	6,662	34,195	3,838	12,292	1,899	5,906	2,135	2,726	104,637
Acquired and accounted	452	—	791	—	5	—	—	—	—	1,248

for under ASC 310-30 <sup>(1)</sup> Total ending allowance balance	\$39,142	\$11,268	\$38,076	\$6,669	\$12,459	\$1,909	\$8,412	\$2,135	\$4,060	\$124,130
Loans: Individually evaluated for impairment	\$16,262	\$10,923	\$37,140	\$14,219	\$337	\$132	\$28,507	\$—	\$—	\$107,520
Collectively evaluated for impairment	3,338,627	1,679,943	2,502,851	518,899	189,262	303,645	201,971	86,463	—	8,821,661
Acquired and accounted for under ASC 310-30 <sup>(1)</sup> Total ending loans balance	52,675	—	53,141	27,861	11,764	—	86	19,248	—	164,775
	\$3,407,564	\$1,690,866	\$2,593,132	\$560,979	\$201,363	\$303,777	\$230,564	\$105,711	\$—	\$9,093,956

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	Commercial	Commercial collateralized by assignment of lease payments	Commercial real estate	Residential real estate	Construction real estate	Indirect vehicle	Home equity	Other consumer	Unfunded commitments	Total
June 30, 2014										
Allowance for credit losses:										
Three Months Ended										
Beginning balance	\$23,938	\$9,058	\$47,540	\$8,087	\$6,484	\$1,684	\$8,397	\$1,564	\$1,643	\$108,395
Charge-offs	446	40	1,727	433	14	583	817	590	—	4,650
Recoveries	696	130	567	6	77	439	127	68	—	2,110
Provision	(1,034)	) 277	(2,447)	) (165)	) (1,934)	) 187	574	1,240	1,352	(1,950)
Ending balance	\$23,154	\$9,425	\$43,933	\$7,495	\$4,613	\$1,727	\$8,281	\$2,282	\$2,995	\$103,905
Six Months Ended										
Beginning balance	\$23,461	\$9,159	\$51,628	\$8,872	\$6,856	\$1,662	\$8,478	\$1,630	\$1,716	\$113,462
Charge-offs	536	40	8,883	698	70	1,503	1,436	1,085	—	14,251
Recoveries	2,324	130	1,052	525	176	881	260	146	—	5,494
Provision	(2,095)	) 176	136	(1,204)	) (2,349)	) 687	979	1,591	1,279	(800)
Ending balance	\$23,154	\$9,425	\$43,933	\$7,495	\$4,613	\$1,727	\$8,281	\$2,282	\$2,995	\$103,905
Ending allowance balance attributable to loans:										
Individually evaluated for impairment	\$5,500	\$98	\$4,511	\$3,135	\$161	\$29	\$1,727	\$—	\$1,307	\$16,468
Collectively evaluated for impairment	17,128	9,327	38,734	4,360	4,447	1,698	6,554	2,282	1,688	86,218
Acquired and accounted for under ASC 310-30 <sup>(1)</sup>	526	—	688	—	5	—	—	—	—	1,219

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Total ending allowance balance	\$23,154	\$9,425	\$43,933	\$7,495	\$4,613	\$1,727	\$8,281	\$2,282	\$2,995	\$103,905
Loans:										
Individually evaluated for impairment	\$34,117	\$3,267	\$57,587	\$16,888	\$337	\$187	\$25,451	\$—	\$—	\$137,834
Collectively evaluated for impairment	1,217,963	1,512,179	1,561,735	288,813	116,659	272,654	219,684	70,584	—	5,260,271
Acquired and accounted for under ASC 310-30 <sup>(1)</sup>	26,680	—	73,708	5,695	28,554	—	121	23,861	—	158,619
Total ending loans balance	\$1,278,760	\$1,515,446	\$1,693,030	\$311,396	\$145,550	\$272,841	\$245,256	\$94,445	\$—	\$5,556,724

<sup>(1)</sup> Loans acquired in business combinations and accounted for under ASC Subtopic 310-30 “Receivables — Loans and Debt Securities Acquired with Deteriorated Credit Quality.”

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date without a carryover of the related allowance for loan and lease losses. These acquired loans are segregated into three types: pass rated loans with no discount attributable to credit quality, non-impaired loans with a discount attributable at least in part to credit quality and impaired loans with evidence of significant credit deterioration.

Pass rated loans (typically performing loans) are accounted for in accordance with ASC 310-20 "Nonrefundable Fees and Other Costs" as these loans do not have evidence of credit deterioration since origination.

- Non-impaired loans (typically performing substandard loans) are accounted for in accordance with ASC 310-30 if they display at least some level of credit deterioration since origination.

- Impaired loans (typically substandard loans on non-accrual status) are accounted for in accordance with ASC 310-30 as they display significant credit deterioration since origination.

For pass rated loans (non-purchased credit-impaired loans), the difference between the estimated fair value of the loans (computed on a loan by loan basis) and the principal outstanding is accreted over the remaining life of the loans. We anticipate recording a provision for the acquired portfolio in future quarters related to renewing Taylor loans which will largely offset the accretion from the pass rated loans.

In accordance with ASC 310-30, for both purchased non-impaired loans and purchased credit-impaired loans, the difference between contractually required payments at acquisition and the cash flows expected to be collected is referred to as the non-accretable difference. Further, any excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized into interest income over the remaining life of the loan when there is a reasonable expectation about the amount and timing of such cash flows.



Substantially all of the loans acquired in transactions with the FDIC displayed at least some level of credit deterioration and as such are included as non-impaired and impaired loans as described immediately above.

During the six months ended June 30, 2015, there was a negative provision for credit losses of \$538 thousand and net recoveries of \$503 thousand, in relation to 16 pools of purchased loans with a total carrying amount of \$52.6 million as of June 30, 2015. There was \$1.2 million and \$1.3 million in allowance for loan and lease losses related to these purchased loans at June 30, 2015 and December 31, 2014, respectively. The provision for credit losses and accompanying charge-offs are included in the table above.

Changes in the accretable yield for loans acquired and accounted for under ASC 310-30 were as follows for the six months ended June 30, 2015 and 2014 (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Balance at beginning of period	\$6,367	\$2,361	\$7,434	\$2,337
Accretion	(1,817 )	(1,143 )	(3,747 )	(1,693 )
Other <sup>(1)</sup>	6,906	—	7,769	574
Balance at end of period	\$11,456	\$1,218	\$11,456	\$1,218

<sup>(1)</sup> Primarily includes discount transfers from non-accretable discount to accretable discount due to better than expected performance of loans acquired and accounted for under ASC 310-30.

In our FDIC-assisted transactions, the fair value of purchased credit-impaired loans, on the acquisition date, was determined based on assigned risk ratings, expected cash flows and the fair value of loan collateral. The fair value of loans that were non-impaired was determined based on estimates of losses on defaults and other market factors. Due to the loss-share agreements with the FDIC, we recorded a receivable (FDIC indemnification asset) from the FDIC equal to the present value of the corresponding reimbursement percentages on the estimated losses embedded in the loan portfolio.

When cash flow estimates are adjusted downward for a particular loan pool, the FDIC indemnification asset is increased. An allowance for loan and lease losses is established for the impairment of the loans. A provision for credit losses is recognized for the difference between the increase in the FDIC indemnification asset and the decrease in cash flows.

When cash flow estimates are adjusted upward for a particular loan pool, the FDIC indemnification asset is decreased. The difference between the decrease in the FDIC indemnification asset and the increase in cash flows is accreted over the estimated life of the loan pool.

When cash flow estimates are adjusted downward for covered foreclosed real estate, the FDIC indemnification asset is increased. A charge is recognized for the difference between the increase in the FDIC indemnification asset and the decrease in cash flows.

When cash flow estimates are adjusted upward for covered foreclosed real estate, the FDIC indemnification asset is decreased. Any write-down after the transfer to covered foreclosed real estate is reversed.

In both scenarios, the clawback liability (the amount the FDIC requires the Company to pay back if certain thresholds are met) will increase or decrease accordingly.



For other loans acquired through business combinations, the fair value of purchased credit-impaired loans, on the acquisition date, was determined based on assigned risk ratings, expected cash flows and the fair value of loan collateral. The fair value of loans that were non-impaired was determined based on estimates of losses on defaults and other market factors.

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The carrying amount of loans acquired through a business combination by loan type are as follows (in thousands):

June 30, 2015	Purchased Credit-Impaired Loans	Purchased Non-Credit-Impaired Loans	Total
Covered loans:			
Commercial related <sup>(1)</sup>	\$ 247	\$ —	\$247
Commercial	344	—	344
Commercial real estate	23,816	—	23,816
Construction real estate	4,549	—	4,549
Other	20,533	—	20,533
Total covered loans	49,489	—	49,489
Non-covered loans:			
Commercial related <sup>(1)</sup>	8,352	10,399	18,751
Commercial loans	43,762	1,037,522	1,081,284
Commercial loans collateralized by assignment of lease payments	—	105,327	105,327
Commercial real estate	29,294	753,681	782,975
Construction real estate	7,216	60,750	67,966
Other	26,662	216,753	243,415
Total non-covered loans	115,286	2,184,432	2,299,718
Total acquired	\$ 164,775	\$ 2,184,432	\$2,349,207
Estimated receivable amount from the FDIC under the loss-share agreement <sup>(2)</sup>	\$ 2,288	\$ —	\$2,288

<sup>(1)</sup> Commercial related loans include commercial, commercial real estate and construction real estate for the InBank, Heritage and Benchmark FDIC-assisted transactions.

<sup>(2)</sup> Estimated reimbursable amounts from the FDIC under the loss-share agreement exclude \$936 thousand in amounts due to the FDIC related to covered other real estate owned.

Outstanding balances on purchased loans from the FDIC were \$75.1 million and \$95.1 million as of June 30, 2015 and December 31, 2014, respectively. The related carrying amount on loans purchased from the FDIC was \$74.4 million and \$91.4 million as of June 30, 2015 and December 31, 2014, respectively.

Effective April 1, 2014, the losses on commercial related loans (commercial, commercial real estate and construction real estate) acquired in connection with the Heritage FDIC-assisted transaction ceased being covered under the loss-share agreement for that transaction. The carrying amount of those loans was \$2.8 million as of June 30, 2015. Any recoveries, net of expenses, received on commercial related loans on which losses were incurred prior to April 1, 2014 will continue to be covered (and any such net recoveries must be shared with the FDIC in accordance with the loss-share agreement) through March 31, 2017. The losses on consumer related loans acquired in connection with the Heritage FDIC-assisted transaction will continue to be covered under the loss-share agreement through March 31, 2019.

The losses on commercial related loans acquired in connection with the Benchmark FDIC-assisted transaction ceased to be covered under the loss-share agreement for that transaction effective January 1, 2015. The carrying amount of those loans was \$2.3 million as of June 30, 2015. Any recoveries, net of expenses, received on commercial related loans on which losses were incurred prior to January 1, 2015 will continue to be covered (and any such net recoveries must be shared with the FDIC in accordance with the loss-share agreements) through December 31, 2017. The losses

on consumer related loans acquired in connection with the Benchmark FDIC-assisted transaction will continue to be covered under the loss-share agreements through December 31, 2019.

Effective July 1, 2015, the losses on commercial related loans acquired in connection with Broadway and New Century FDIC-assisted transactions will cease to be covered under the loss-share agreements for those transactions. Any recoveries, net of expenses, received on commercial related loans on which losses were incurred prior to July 1, 2015 will continue to be covered (and any such net recoveries must be shared with the FDIC in accordance with the loss-share agreements) through June 30, 2018. The losses on consumer related loans acquired in connection with the Broadway and New Century FDIC-assisted transactions will continue to be covered under the loss-share agreements through June 30, 2020.

## Note 7. Goodwill and Intangibles

The excess of the cost of an acquisition over the fair value of the net assets acquired, including core deposit and client relationship intangibles, consists of goodwill. Under ASC Topic 350, goodwill is subject to at least annual assessments for impairment by applying a fair value based test. The Company reviews goodwill to determine potential impairment annually, or more frequently if events and circumstances indicate that goodwill might be impaired, by comparing the carrying value of the reporting units with the fair value of the reporting units.

The Company's annual assessment date is as of December 31. Goodwill is tested for impairment at the reporting unit level. The Company has three reporting units: banking, leasing and mortgage banking. No impairment losses were recognized during the six months ended June 30, 2015 or 2014. The carrying amount of goodwill was \$711.5 million at June 30, 2015 and December 31, 2014.

The Company has other intangible assets consisting of core deposit and client relationship intangibles that had a remaining weighted average amortization period of approximately five years as of June 30, 2015.

The following table presents the changes in the carrying amount of core deposit and client relationship intangibles, gross carrying amount, accumulated amortization, and net book value as of June 30, 2015 (in thousands):

	Six Months Ended June 30, 2015
Balance at beginning of period	\$38,006
Amortization expense	(3,027 )
Balance at end of period	\$34,979
Gross carrying amount	\$80,371
Accumulated amortization	(45,392 )
Net book value	\$34,979

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

Year ending December 31,	Amount
2015	\$2,936
2016	5,157
2017	4,637
2018	4,221
2019	2,743
Thereafter	15,285
	\$34,979

## Note 8. Deposits

The composition of deposits was as follows (in thousands):

	June 30, 2015	December 31, 2014
Demand deposit accounts, noninterest bearing	\$4,378,005	\$4,118,256
NOW and money market accounts	3,842,264	3,913,765

Savings accounts	970,875	940,345
Certificates of deposit, \$250,000 or more	689,504	838,928
Other certificates of deposit	981,166	1,179,648
Total	\$10,861,814	\$10,990,942

Certificates of deposit of \$250,000 or more included \$401.0 million and \$485.3 million of brokered deposits at June 30, 2015 and December 31, 2014, respectively. Brokered deposits typically consist of smaller individual time certificates that have the same liquidity characteristics and yields consistent with time certificates of \$250,000 or more.

## Note 9. Short-Term Borrowings

Short-term borrowings were as follows as of June 30, 2015 and December 31, 2014 (dollars in thousands):

	June 30, 2015		December 31, 2014	
	Weighted Average Cost	Amount	Weighted Average Cost	Amount
Customer repurchase agreements	0.18	% \$276,724	0.21	% \$219,824
Federal Home Loan Bank advances	0.12	1,100,000	0.13	700,000
Federal funds purchased	0.08	5,911	0.14	11,591
	0.13	% \$1,382,635	0.15	% \$931,415

Securities sold under agreements to repurchase are agreements in which the Company acquires funds by selling assets to another party under a simultaneous agreement to repurchase the same assets 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 securities sold under agreements to repurchase are recorded on the face of the balance sheet. The Company pledges mortgage-backed securities as collateral for the repurchase agreements and may be required to provide additional collateral based on the fair value of those securities.

The Company had Federal Home Loan Bank fixed rate advances with a maturity date less than one year of \$1.1 billion and \$700.0 million at June 30, 2015 and December 31, 2014, respectively. At June 30, 2015, the interest rate on the advance outstanding on that date had a rate of 0.12% with a maturity of December 11, 2015. The Company has investment securities available for sale and loans pledged as collateral on this FHLB advance. See Note 5. Investment Securities and Note 6. Loans of the notes to the consolidated financial statements.

On March 9, 2012, the Company entered into a \$35.0 million unsecured line of credit with a correspondent bank. Interest is payable at a rate of one month LIBOR + 1.85%. As of June 30, 2015, no amount was outstanding and the line of credit is scheduled to mature on September 7, 2015.

## Note 10. Long-Term Borrowings

The Company had Federal Home Loan Bank advances with remaining contractual maturities greater than one year of \$4.1 million at June 30, 2015 and \$4.2 million at December 31, 2014. As of June 30, 2015, the advances had fixed terms with effective interest rates, net of discounts, ranging from 3.23% to 5.87% and maturities ranging from April 2021 to April 2035. The Company has investment securities available for sale and loans pledged as collateral on these FHLB advances. See Note 5. Investment Securities and Note 6. Loans of the notes to the consolidated financial statements.

The Company had notes payable to banks totaling \$45.4 million and \$38.5 million at June 30, 2015 and December 31, 2014, respectively, which as of June 30, 2015, were accruing interest at rates ranging from 2.25% to 12.00%, with a weighted average rate of 4.42%. Lease investments includes equipment with an amortized cost of \$54.7 million and \$48.8 million at June 30, 2015 and December 31, 2014, respectively, that is pledged as collateral on these notes.

The Company had a \$40.0 million 10-year structured repurchase agreement as of June 30, 2015 and December 31, 2014, which bears interest at a fixed rate borrowing of 4.75% and expires in 2016. The Company pledges mortgage-backed securities as collateral for the repurchase agreement and may be required to provide additional collateral based on the fair value of those securities.



## Note 11. 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 Company's outstanding trust preferred securities 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.

The table below summarizes the outstanding junior subordinated notes and the related trust preferred securities issued by each trust as of June 30, 2015 (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	December 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 Statutory Trust III (2)	TAYC Capital Trust II (3)
<b>Junior Subordinated Notes:</b>				
Principal balance	\$30,928	\$23,196	\$5,155	\$41,238
Annual interest rate	3-mo LIBOR + 1.30%	3-mo LIBOR + 1.30%	3-mo LIBOR + 2.80%	3-mo LIBOR + 2.68%
Stated maturity date	December 15, 2037	October 30, 2037	January 23, 2034	June 17, 2034
Call date	December 15, 2012	October 30, 2012	January 23, 2009	June 17, 2009
<b>Trust Preferred Securities:</b>				
Face Value	\$30,000	\$22,500	\$5,000	\$40,000
Annual distribution rate	3-mo LIBOR + 1.30%	3-mo LIBOR + 1.30%	3-mo LIBOR + 2.80%	3-mo LIBOR + 2.68%
Issuance date	September 2007	October 2007	December 2003	June 2004
Distribution dates (1)	Quarterly	Quarterly	Quarterly	Quarterly



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

FOBB Statutory Trust III was established by First Oak Brook Bancshares, Inc. ("FOBB") prior to the Company's acquisition of FOBB in 2006, and the junior subordinated notes issued by FOBB to FOBB Statutory Trust III were assumed by the Company upon completion of the acquisition.

TAYC Capital Trust II was established by Taylor Capital prior to the Company's acquisition of Taylor Capital in 2014, and the junior subordinated notes issued by Taylor Capital to TAYC Capital Trust II were assumed by the Company upon completion of the acquisition. Principal balance and face value amounts associated with TAYC Capital Trust II do not include purchase accounting adjustments to such amounts, which in each case resulted in a discount of \$7.3 million.

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. 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 or preferred stock and generally may not repurchase its common or preferred stock.

## 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 June 30, 2015 and December 31, 2014, the following financial instruments were outstanding, the contractual amounts of which represent off-balance sheet credit risk (in thousands):

	Contractual Amount	
	June 30, 2015	December 31, 2014
Commitments to extend credit:		
Home equity lines	\$197,121	\$221,102
Other commitments	2,810,547	2,643,220
Letters of credit:		
Standby	128,807	131,810
Commercial	1,179	2,401

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 home 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 June 30, 2015, the maximum remaining term for any standby letters of credit was September 30, 2030. A fee is 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 June 30, 2015, 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 \$4.2 million to \$130.0 million from \$134.2 million at December 31, 2014. Of the \$130.0 million in commitments outstanding at June 30, 2015, approximately \$52.8 million of the letters of credit have been issued or renewed since December 31, 2014.

Letters of credit issued on behalf of bank customers may be done on either a secured or unsecured basis. If a letter credit is secured, the collateral can take various forms including bank accounts, investments, fixed assets, inventory, accounts receivable or real estate. 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.

As of June 30, 2015, the Company had approximately \$2.7 million in capital expenditure commitments outstanding which relate to various projects to renovate existing branches.

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. As of June 30, 2015, approximately 22% of our investments in securities issued by states and political subdivisions were within the state of Illinois. We did not hold any direct exposure to the state of Illinois as of June 30, 2015. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Standby letters of credit are granted primarily to commercial borrowers. Our asset-based loans are made to borrowers located

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throughout the United States. Lease banking provides banking services to lessors located throughout the United States. Our leasing subsidiaries originate leases to companies located throughout the United States.

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.

#### Note 13. Fair Value Measurements

ASC Topic 820 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.

ASC Topic 820 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 expected future amounts, such as cash flows or earnings, to a single present value 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, ASC Topic 820 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.

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 Company'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. Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or circumstances that caused the transfer, which generally coincides with the Company's monthly and/or quarterly valuation process.

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

**Securities Available for Sale.** The fair values of securities available for sale are determined by quoted prices in active markets, when available, and classified as Level 1. 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 and classified as Level 2. In cases where significant credit valuation adjustments are incorporated into the estimation of fair value, reported amounts are classified as Level 3.

**Loans Held for Sale.** Residential real estate loans originated and held for sale in the secondary market are carried at fair value. The fair value of loans held for sale is determined using quoted secondary market prices and classified as Level 2.

**Loans.** The Company has elected to record certain mortgage loans at fair value. The fair value of these loans is determined using quoted secondary market prices and classified as Level 2.

**Mortgage Servicing Rights.** The Company has elected to record its mortgage servicing rights at fair value. Mortgage servicing rights do not trade in an active market with readily observable prices. Accordingly, the Company determines the fair value of mortgage servicing rights by estimating the fair value of the future cash flows associated with the mortgage loans being serviced. Key economic assumptions used in measuring the fair value of mortgage servicing rights include, but are not limited to, prepayment speeds, discount rates, delinquencies and cost to service. The assumptions used in the model are validated on a regular basis. The fair value is validated on a quarterly basis with an independent third party. Any discrepancies between the internal model and the third party validation are investigated and resolved by an internal committee. Due to the nature of the valuation inputs, mortgage servicing rights are classified in Level 3 of the fair value hierarchy.

**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 and classified as Level 2. 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. In addition, we use forward commitments to buy to-be-announced mortgage securities for which we do not intend to take delivery of the security and will enter into an offsetting position before physical delivery to lessen the price volatility of the mortgage servicing rights asset. Dealer quotations are used for these derivatives and are classified as Level 1. We also offer other derivatives, including foreign currency forward contracts and interest rate lock commitments, to our customers and offset our exposure from such contracts by purchasing other financial contracts, which are valued using market consensus prices. For certain interest rate lock commitments, the Company uses an external valuation model that relies on internally developed inputs to estimate the fair value of its interest rate lock commitments which is based on unobservable inputs that reflect management's assumptions and specific information about each borrower transaction and is classified in Level 3 of the hierarchy.



The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2015				
Financial assets				
Securities available for sale:				
U.S Government sponsored agencies and enterprises	\$65,485	\$ —	\$ 65,485	\$ —
States and political subdivisions	395,912	—	395,449	463
Residential mortgage-backed securities	741,178	—	740,744	434
Commercial mortgage-backed securities	160,839	—	160,839	—
Corporate bonds	246,468	—	246,468	—
Equity securities	10,669	10,669	—	—
Loans held for sale	801,343	—	801,343	—
Loans	19,822	—	19,822	—
Mortgage servicing rights	261,034	—	—	261,034
Assets held in trust for deferred compensation	17,019	17,019	—	—
Derivative financial instruments	43,345	7,683	31,856	3,806
Financial liabilities				
Other liabilities <sup>(1)</sup>	16,488	16,488	—	—
Derivative financial instruments	47,054	13,711	33,343	—
December 31, 2014				
Financial assets				
Securities available for sale:				
U.S. Government sponsored agencies and enterprises	\$65,873	\$ —	\$ 65,873	\$ —
States and political subdivisions	410,854	—	410,391	463
Residential mortgage-backed securities	720,563	—	720,053	510
Commercial mortgage-backed securities	187,662	—	187,662	—
Corporate bonds	259,203	—	259,203	—
Equity securities	10,597	10,597	—	—
Loans held for sale	737,209	—	737,209	—
Mortgage servicing rights	235,402	—	—	235,402
Assets held in trust for deferred compensation	16,829	16,829	—	—
Derivative financial instruments	46,388	1,607	39,707	5,074
Financial liabilities				
Other liabilities <sup>(1)</sup>	16,483	16,483	—	—
Derivative financial instruments	40,499	7,209	33,290	—

<sup>(1)</sup> Liabilities associated with assets held in trust for deferred compensation





The following table presents additional information about the unobservable inputs used in the fair value measurement of financial assets measured on a recurring basis that were categorized within the Level 3 of the fair value hierarchy:

	Fair Value at June 30, 2015 (in thousands)	Valuation Technique	Unobservable Input	Range
States and political subdivisions	\$463	Discounted cash flows	Credit assumption	45% Loss
Residential mortgage-backed securities	434	Discounted cash flows	Constant pre-payment rates (CPR)	1% - 3%
Mortgage servicing rights	261,034	Discounted cash flows	CPR	8.3% - 12.8%
			Discount rate	9.25 - 12.00
			Maturity (months)	326 - 356
			Delinquencies	0.51 - 3.74
			Costs to service	\$ 60 - \$ 160
			Costs to service - delinquent	\$ 150 - \$ 1,000
Derivative financial instruments (mortgage interest rate lock commitments)	3,806	Sales cash flows	Expected closing ratio	70% - 95%
			Expected delivery price	98.01 bps - 108.19 bps

The significant unobservable inputs used in the fair value measurement of the Company's mortgage servicing rights include prepayment speeds, discount rates, maturities, delinquencies and cost to service. Significant increases in prepayment speeds, discount rates, delinquencies or cost to service would result in a significantly lower fair value measurement. Conversely, significant decreases in prepayment speeds, discount rates, delinquencies or costs to service would result in a significantly higher fair value measurement. With the exception of changes in delinquencies, which can change the cost to service, the unobservable inputs move independently of each other.

Key economic assumptions used in the measuring of the fair value of the mortgage servicing rights and the sensitivity of the fair value to immediate adverse changes in those assumptions at June 30, 2015 are presented in the following table. This table does not take into account the derivatives used to economically hedge the mortgage servicing rights.

(dollars in thousands, except for weighted average cost to service)	June 30, 2015	
Weighted average CPR	10.80	%
Impact on fair value of 10% adverse change	\$(6,154)	)
Impact on fair value of 20% adverse change	(11,890)	)
Weighted average discount rate	9.56	%
Impact on fair value of 10% adverse change	\$(5,750)	)
Impact on fair value of 20% adverse change	(11,099)	)
Weighted average delinquency rate	1.83	%
Impact on fair value of 10% adverse change	\$(945)	)
Impact on fair value of 20% adverse change	(1,890)	)
Weighted average costs to service	\$79	
Impact on fair value of 10% adverse change	(2,899)	)

Impact on fair value of 20% adverse change (5,797 )

The Company did not have any transfers between Level 1 and Level 2 of the fair value hierarchy during the six months ended June 30, 2015. The Company's policy for determining transfers between levels occurs at the end of the reporting period when circumstances in the underlying valuation criteria change and result in transfer between levels.

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The following table presents additional information about financial assets measured at fair value on a recurring basis for which the Company used significant unobservable inputs (Level 3):

(in thousands)	Six Months Ended					
	June 30,		2014		2015	
	2015	2014	2015	2014	2015	2014
	Investment Securities		Mortgage Servicing Rights		Derivatives	
Balance, beginning of period	\$973	\$5,856	\$235,402	\$—	\$5,074	\$—
Purchases	—	—	352	—	—	—
Originations	—	—	36,404	—	—	—
Other comprehensive income	—	108	—	—	—	—
Included in earnings	—	—	(11,124 )	—	(1,268 )	—
Principal payments	(76 )	(256 )	—	—	—	—
Balance, ending of period	\$897	\$5,616	\$261,034	\$—	\$3,806	\$—

#### 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. GAAP. These include assets that are measured at the lower of cost or fair value that were recognized at fair value below cost at the end of the period.

**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 ASC Topic 310. 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. In accordance with ASC Topic 820, 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. For a majority of impaired real estate loans where an allowance is established based on the fair value of collateral (90% at June 30, 2015), the Company obtains a current external appraisal. Other valuation techniques are used as well, including internal valuations, comparable property analysis and contractual sales information.

#### Non-Financial Assets and Non-Financial Liabilities Recorded at Fair Value

The Company has no non-financial assets or non-financial liabilities measured at fair value on a recurring basis. Certain non-financial assets and non-financial liabilities measured at fair value on a non-recurring basis include foreclosed assets and non-financial long-lived assets.

**Other Real Estate and Repossessed Vehicles Owned (Foreclosed Assets).** Foreclosed assets, upon initial recognition, are measured and reported at fair value through a charge-off to the allowance for loan and lease losses based upon the fair value of the foreclosed asset. The fair value of foreclosed assets, upon initial recognition, are estimated using Level 3 inputs based on customized discounting criteria.

**Non-Financial Long-Lived Assets.** Non-financial long-lived assets, when determined to be impaired, are measured and reported at fair value using Level 3 inputs based on customized discounting criteria.



Assets measured at fair value on a nonrecurring basis as of June 30, 2015 and December 31, 2014 are included in the table below (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)
June 30, 2015				
Financial assets:				
Impaired loans	\$79,084	\$ —	\$ —	\$ 79,084
Non-financial assets:				
Foreclosed assets	42,462	—	—	42,462
December 31, 2014				
Financial assets:				
Impaired loans	\$61,717	\$ —	\$ —	\$ 61,717
Non-financial assets:				
Foreclosed assets	38,619	—	—	38,619

The following table presents additional information about the unobservable inputs used in the fair value measurement of financial assets measured on a nonrecurring basis that were categorized within the Level 3 of the fair value hierarchy:

	Fair Value at June 30, 2015 (in thousands)	Valuation Technique	Unobservable Input	Range
Impaired loans	\$79,084	Appraisal of collateral	Appraisal adjustments - sales costs	5% - 10%
Foreclosed assets	42,462	Appraisal of collateral	Appraisal adjustments - sales costs	5% - 10%

ASC Topic 825 requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. The estimated fair value approximates carrying value for cash and cash equivalents, accrued interest and the cash surrender value of life insurance policies.

The following methods and assumptions were used by the Company in estimating the fair values of its other financial instruments:

Cash and due from banks, interest earning deposits with banks and federal funds sold: The carrying amounts reported in the balance sheet approximate fair value.

Securities held to maturity: The fair values of securities held to maturity are determined by quoted prices in active markets, when available, and classified as Level 1. 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 and classified as Level 2. In cases where significant credit valuation

adjustments are incorporated into the estimation of fair value, reported amounts are classified as Level 3.

Non-marketable securities - FHLB and FRB Stock: The carrying amounts reported in the balance sheet approximate fair value.

Loans: The fair values for loans are estimated using discounted cash flow analyses, using the corporate bond curve adjusted for liquidity for commercial loans and the swap curve adjusted for liquidity for retail loans. The Company has elected to record certain mortgage loans at fair value. The fair value of these loans is determined using quoted secondary market prices and classified as Level 2.

Non-interest bearing deposits: The fair values disclosed are equal to their balance sheet carrying amounts, which represent the amount payable on demand.

Interest bearing deposits: The fair values disclosed for deposits with no defined maturities are equal to their carrying amounts, which represent the amounts payable on demand. Fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies the Company's current incremental borrowing rates for similar terms.

Short-term borrowings: The carrying amounts of federal funds purchased, borrowings under repurchase agreements and other short-term borrowings with maturities of 90 days or less approximate their fair values. The fair value of short-term borrowings greater than 90 days is based on the discounted value of contractual cash flows.

Long-term borrowings: The fair values of the Company's long-term borrowings (other than deposits) are estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Junior subordinated notes issued to capital trusts: The fair values of the Company's junior subordinated notes issued to capital trusts are estimated based on the quoted market prices, when available, of the related trust preferred security instruments, or are estimated based on the quoted market prices of comparable trust preferred securities.

Accrued interest: The carrying amount of accrued interest receivable and payable approximate their fair values.

Off-balance-sheet instruments: Fair values for the Company's off-balance-sheet lending commitments (guarantees, letters of credit and commitments to extend credit) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements.

The estimated fair values of financial instruments are as follows (in thousands):

	June 30, 2015		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Carrying Amount	Estimated Fair Value			
<b>Financial Assets:</b>					
Cash and due from banks	\$290,266	\$290,266	\$ 290,266	\$ —	\$ —
Interest earning deposits with banks	144,154	144,154	144,154	—	—
Federal funds sold	5	5	5	—	—
Investment securities available for sale	1,620,551	1,620,551	10,669	1,608,985	897
Investment securities held to maturity	1,203,627	1,231,840	—	1,231,840	—
Non-marketable securities - FHLB and FRB stock	111,400	111,400	—	—	111,400
Loans held for sale	801,343	801,343	—	801,343	—
Loans, net	8,973,886	8,989,754	—	19,822	8,969,932
Accrued interest receivable	49,328	49,328	49,328	—	—
Derivative financial instruments	43,345	43,345	7,683	31,856	3,806
<b>Financial Liabilities:</b>					
Noninterest bearing deposits	\$4,378,005	\$4,378,005	\$ 4,378,005	\$ —	\$ —
Interest bearing deposits	6,483,809	6,487,155	—	—	6,487,155



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Short-term borrowings	1,382,635	1,382,627	—	—	1,382,627
Long-term borrowings	89,639	91,901	—	—	91,901
Junior subordinated notes issued to capital trusts	185,971	124,672	—	—	124,672
Accrued interest payable	2,711	2,711	2,711	—	—
Derivative financial instruments	47,054	47,054	13,711	33,343	—

	December 31, 2014		Quoted Prices in Active	Significant Other	Significant
	Carrying	Estimated	Markets for Identical	Observable Inputs	Observable Inputs
	Amount	Fair Value	Assets (Level 1)	(Level 2)	(Level 3)
<b>Financial Assets:</b>					
Cash and due from banks	\$256,804	\$256,804	\$ 256,804	\$ —	\$ —
Interest earning deposits with banks	55,277	55,277	55,277	—	—
Investment securities available for sale	1,654,752	1,654,752	10,597	1,643,182	973
Investment securities held to maturity	993,380	1,035,061	—	1,035,061	—
Non-marketable securities - FHLB and FRB stock	75,569	75,569	—	—	75,569
Loans held for sale	737,209	737,209	—	737,209	—
Loans, net	8,973,191	8,956,494	—	—	8,956,494
Accrued interest receivable	49,065	49,065	49,065	—	—
Derivative financial instruments	46,388	46,388	1,607	39,707	5,074
<b>Financial Liabilities:</b>					
Non-interest bearing deposits	\$4,118,256	\$4,118,256	\$ 4,118,256	\$ —	\$ —
Interest bearing deposits	6,872,686	6,877,349	—	—	6,877,349
Short-term borrowings	931,415	931,415	—	—	931,415
Long-term borrowings	82,916	86,025	—	—	86,025
Junior subordinated notes issued to capital trusts	185,778	122,408	—	—	122,408
Accrued interest payable	3,709	3,709	3,709	—	—
Derivative financial instruments	40,499	40,499	7,209	33,290	—

## Note 14. Stock Incentive Plans

ASC Topic 718 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		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Total cost of share-based payment plans during the period	\$3,870	\$2,243	\$7,475	\$4,255
Amount of related income tax benefit recognized in income	1,509	880	2,921	\$1,670

The Company adopted the Omnibus Incentive Plan (the "Omnibus Plan") in 1997. On May 28, 2014, the Company's stockholders approved the third amendment and restatement of the Omnibus Plan to add 3,100,000 authorized shares for a total of 11,400,000 shares of common stock authorized to be utilized in connection with awards under the Omnibus Plan to directors, officers, and employees of the Company or any of its subsidiaries. The number of shares authorized increased by 2,400,000 to 13,800,000 upon completion of the Taylor Capital merger. Equity grants under the Omnibus Plan can be in the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, and other stock-based awards. Shares awarded in the form of restricted stock, restricted stock units, performance shares, performance units, or other stock-based awards generally will reduce the shares available under the Omnibus Plan on a 2-for-1 basis. No more than 10% of the total number of authorized shares may be issued with respect to awards granted after May 28, 2014, other than stock appreciation rights, stock options and performance-based awards, which at the date of grant are scheduled to fully vest prior to three years from the date of grant (although such awards may provide scheduled vesting earlier with respect to some of such shares and for acceleration of vesting as provided in the Omnibus Plan). As of June 30, 2015, there were 4,996,212 shares available for future grants.

Prior to 2014, annual equity-based incentive awards were typically granted to selected officers and employees mid-year. In 2014, these awards began being granted in the first quarter of the year. 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 over four years of service and have 10-year contractual terms. Restricted shares and units typically vest over a two to four year period. Equity awards may also be granted at other times throughout the year in connection with the recruitment and retention of officers and employees. 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 shares, which vest one year after the grant date.

The following table summarizes stock options outstanding for the six months ended June 30, 2015:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (in thousands)
Options outstanding as of December 31, 2014	2,250,714	\$27.94	4.39	
Granted	309,615	31.40		

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Exercised	(41,063	)	19.46		
Expired or cancelled	(25,379	)	33.37		
Forfeited	(6,086	)	25.90		
Options outstanding as of June 30, 2015	2,487,801		\$28.46	4.54	\$16,880
Options exercisable as of June 30, 2015	1,687,552		\$29.24	2.84	\$10,771

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 volatility and the expectations of future volatility of Company shares. The risk free interest rate for periods within the contractual term of the option is based on the U.S. Treasury yield curve in effect at the

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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 six months ended June 30, 2015:

	June 30, 2015	
Risk-free interest rate	1.69	%
Expected volatility of Company's stock	29.97	%
Expected dividend yield	1.80	%
Expected life of options	5.9	years
Weighted average fair value per option of options granted during the year	\$7.94	

The total intrinsic value of options exercised during the six months ended June 30, 2015 and 2014 was \$481 thousand and \$874 thousand, respectively.

The following is a summary of changes in restricted shares and units for the six months ended June 30, 2015:

	Number of Shares and Units	Weighted Average Grant Date Fair Value
Shares Outstanding at December 31, 2014	801,085	\$26.99
Granted	491,465	31.66
Vested	(149,406)	) 27.58
Forfeited	(7,049)	) 27.61
Shares Outstanding at June 30, 2015	1,136,095	\$28.93

The total intrinsic value of restricted shares that vested during the six months ended June 30, 2015 and 2014 was \$4.8 million and \$1.1 million, respectively.

The Company issued 71,560, 48,569, 56,752 and 65,333 market-based restricted stock units in 2015, 2014, 2013 and 2012, respectively, which entitle recipients to shares of common stock at the end of a three year vesting period. Recipients will earn shares, totaling between 0% and 175% of the number of units issued, based on the Company's total stockholder return relative to a specified peer group of financial institutions over the three year period. The market-based restricted stock units are included in the preceding table as if the recipients earned shares equal to 100% of the units issued. A Monte Carlo simulation model was used to value the market-based restricted stock units at the time of issuance.

As of June 30, 2015, there was \$27.8 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. At June 30, 2015, the weighted-average period over which the unrecognized compensation expense is expected to be recognized was approximately 2.5 years.

## Note 15. Derivative Financial Instruments

The Company offers various derivatives, including interest rate swaps and foreign currency forward contracts, to our customers which can mitigate our exposure to market risk through the execution of off-setting positions with inter-bank dealer counterparties. This also permits the Company to offer customized risk management solutions to our customers. These customer accommodations and any offsetting financial contracts are treated as non-designated derivative instruments and carried at fair value through an adjustment to the statement of operations.

Interest rate swap and foreign currency forward 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 payable as of June 30, 2015 was approximately \$1 thousand, and the net amount payable as of December 31, 2014 was approximately \$1.1 million. 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 generally required from the counterparties involved if the net value of the swaps exceeds a nominal amount. At June 30, 2015, the Company's credit exposure relating to interest rate swaps was approximately \$26.1 million, which is secured by the underlying collateral on customer loans.

The Company also enters into mortgage banking derivatives which are classified as non-designated derivatives. These derivatives include interest rate lock commitments provided to customers to fund certain mortgage loans to be sold into the secondary market and forward commitments for the future delivery of such loans. It is the Company's practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of future changes in interest rates on its commitments to fund the loans as well as on its portfolio of mortgage loans held-for-sale.

The Company had fair value commercial loan interest rate swaps, to hedge its interest rate risk, with an aggregate notional amount of \$176 thousand at June 30, 2015. 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.

Interest rate swaps are used in order to lessen the price volatility of the mortgage servicing rights asset. The Company also uses forward commitments to buy to-be-announced mortgage securities for which the Company does not intend to take delivery of the security and will enter into an offsetting position before physical delivery to lessen the price volatility of the mortgage servicing rights asset. These derivatives are recorded at their fair value on the consolidated balance sheets in other assets with changes in fair value recorded on the consolidated statements of operations in mortgage banking revenue in non-interest income.

The Company's derivative financial instruments are summarized below as of June 30, 2015 and December 31, 2014 (in thousands):

	Asset Derivatives		Liability Derivatives				
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014			
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value	
Derivative instruments designated as hedges of fair value:							
Interest rate swap contracts <sup>(1)</sup>	\$—	\$—	\$—	\$—	\$176	\$(12 ) \$197	\$(15 )

Stand-alone derivative instruments: <sup>(2)</sup>									
Interest rate swap contracts	1,570,558	30,503	1,509,930	37,039	1,722,557	(44,306 )	2,001,787	(30,761 )	
Interest rate options contracts	291,572	420	55,830	283	66,572	(239 )	55,830	(283 )	
Foreign exchange contracts	108,341	3,078	27,402	2,276	46,751	(2,758 )	27,002	(2,109 )	
Spot foreign exchange contracts	1,562	22	512	5	1,384	(9 )	304	(18 )	
Mortgage related derivatives	1,840,488	9,322	871,446	6,785	482,000	270	879,841	(7,313 )	
Total non-hedging derivative instruments	3,812,521	43,345	2,465,120	46,388	2,319,264	(47,042 )	2,964,764	(40,484 )	
Total	\$3,812,521	\$43,345	\$2,465,120	\$46,388	\$2,319,440	\$(47,054)	\$2,964,961	\$(40,499)	

<sup>(1)</sup> Hedged fixed-rate commercial real estate loans

<sup>(2)</sup> These portfolio swaps are not designated as hedging instruments under ASC Topic 815.

Amounts included in other operating income in the consolidated statements of operations related to derivative financial instruments were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Derivative instruments designated as hedges of fair value:				
Interest rate swap contracts	\$1	\$(2)	) \$2	\$(2)
Stand-alone derivative instruments:				
Interest rate swap contracts	(25,364	) 9	(14,239	) 18
Interest rate options contracts	(1,264	) —	(541	) —
Foreign exchange contracts	64	(4	) 186	57
Spot foreign exchange contracts	54	—	26	8
Mortgage related derivatives	2,867	37	3,775	40
Total non-hedging derivative instruments	(23,643	) 42	(10,793	) 123
Total	\$(23,642	) \$40	\$(10,791	) \$121

Methods and assumptions used by the Company in estimating the fair value of its interest rate swaps are discussed in Note 13 to consolidated financial statements.

Certain instruments and transactions subject to an agreement similar to a master netting arrangement are eligible for offset in the consolidated balance sheet. The instruments and transactions would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The Company's derivative transactions with financial institution counterparties are generally executed under International Swaps and Derivative Association ("ISDA") master agreements which include "right of set-off" provisions. Under these agreements, there is generally a legally enforceable right to offset recognized amounts, and there may be an intention to settle such amounts on a net basis. The Company, however, does not generally offset such financial instruments for financial reporting purposes.

Information about the Company's financial instruments that are eligible for offset in the consolidated balance sheet as of June 30, 2015 is summarized below (in thousands):

	Financial Assets			Financial Liabilities		
	Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized	Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized
Derivatives:						
Interest rate swaps, caps and floors	\$4,870	\$—	\$4,870	\$43,678	\$—	\$43,678
Foreign currency forward contracts	1,875	—	1,875	1,041	—	1,041
Mortgage related derivatives	7,914	—	7,914	2,128	—	2,128
Total derivatives	14,659	—	14,659	46,847	—	46,847
Repurchase agreements	—	—	—	276,724	—	276,724
Total	\$14,659	\$—	\$14,659	\$323,571	\$—	\$323,571



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	Financial Assets				Financial Liabilities			
	Net Amount Recognized	Financial Instruments	Collateral	Net Amount	Net Amount Recognized	Financial Instruments	Collateral	Net Amount
Derivatives:								
Counterparty A	\$ 1,000	\$(1,000 )	\$—	\$—	\$12,813	\$(1,000 )	\$(11,813 )	\$—
Counterparty B	3,866	(3,866 )	—	—	13,811	(3,866 )	(9,945 )	—
Counterparty C	16	(16 )	—	—	8,412	(16 )	(8,396 )	—
Other counterparties	9,777	(4,054 )	(5,558 )	165	11,811	(4,054 )	(7,496 )	261
Total derivatives	14,659	(8,936 )	(5,558 )	165	46,847	(8,936 )	(37,650 )	261
Repurchase agreements	—	—	—	—	276,724	—	(276,724 )	—
Total	\$ 14,659	\$(8,936 )	\$(5,558 )	\$ 165	\$ 323,571	\$(8,936 )	\$(314,374 )	\$ 261

Information about the Company's financial instruments that are eligible for offset in the consolidated balance sheet as of December 31, 2014 is summarized below (in thousands):

	Financial Assets			Net Amount Recognized	Financial Liabilities		Net Amount Recognized
	Gross Amount Recognized	Gross Amount Offset	Gross Amount Recognized		Gross Amount Offset		
Derivatives:							
Interest rate swaps, caps and floors	\$ 10,727	\$—	\$ 10,727	\$ 29,916	\$—	\$ 29,916	
Foreign currency forward contracts	1,525	—	1,525	709	—	709	
Mortgage related derivatives	1,700	—	1,700	7,302	—	7,302	
Total derivatives	13,952	—	13,952	37,927	—	37,927	
Repurchase agreements	—	—	—	219,824	—	219,824	
Total	\$ 13,952	\$—	\$ 13,952	\$ 257,751	\$—	\$ 257,751	

	Financial Assets				Financial Liabilities			
	Net Amount Recognized	Financial Instruments	Collateral	Net Amount	Net Amount Recognized	Financial Instruments	Collateral	Net Amount
Derivatives:								
Counterparty A	\$ 13	\$(13 )	\$—	\$—	\$9,556	\$(13 )	\$(9,543 )	\$—
Counterparty B	145	(145 )	—	—	3,736	(145 )	(3,591 )	—
Counterparty C	6,123	(6,123 )	—	—	10,335	(6,122 )	(4,213 )	—
Other counterparties	7,671	(3,920 )	—	3,751	14,300	(3,920 )	(8,663 )	1,717
Total derivatives	13,952	(10,201 )	—	3,751	37,927	(10,200 )	(26,010 )	1,717
Repurchase agreements	—	—	—	—	219,824	—	(219,824 )	—
Total	\$ 13,952	\$(10,201 )	\$—	\$ 3,751	\$ 257,751	\$(10,200 )	\$(245,834 )	\$ 1,717



## Note 16. Operating Segments

The Company's operations consist of three reportable operating segments: banking, leasing and mortgage banking. The Company offers different products and services through its three segments. The accounting policies of the segments are generally the same as those of the consolidated company.

The banking segment generates its revenues primarily from its lending and deposit gathering activities. The profitability of this segment's operations depends primarily on its net interest income after provision for credit losses, which is the difference between interest earned on interest earning assets and interest paid on interest bearing liabilities less provision for credit losses. The provision for credit losses is dependent on changes in its loan portfolio and management's assessment of the collectability of the loan portfolio as well as prevailing economic and market conditions. The banking segment is also subject to an extensive system of laws and regulations that are intended primarily for the protection of customers and depositors. These laws and regulations govern such areas as capital, permissible activities, allowance for loan and lease losses, loans and investments, and rates of interest that can be charged on loans.

The leasing segment generates its revenues through lease originations and related services offered through the Company's leasing subsidiaries, LaSalle Systems Leasing, Inc., Celtic Leasing Corp. and MB Equipment Finance, LLC (formerly known as Cole Taylor Equipment Finance, LLC). The leasing subsidiaries invest directly in equipment that we lease (referred to as direct finance, leveraged or operating leases) to "Fortune 1000," large middle-market companies and healthcare providers located throughout the United States. The lease portfolio is made up of various kinds of equipment, generally technology related, such as computer systems, satellite equipment, medical equipment and general manufacturing, industrial, construction and transportation equipment. The leasing subsidiaries also specialize in selling third party equipment maintenance contracts to large companies.

The mortgage banking segment originates mortgage loans for sale to investors and for the Company's portfolio through its retail and broker channels. This segment also services residential mortgage loans for various investors and for loans owned by the Company. The mortgage banking segment is also subject to an extensive system of laws and regulations that are intended primarily for the protection of customers.

Net interest income for the leasing and mortgage banking segments include adjustments based on the Company's internal funds transfer pricing model. Non-interest income for the leasing segment includes income on loans originated for the sole purpose of funding equipment purchases related to leases at the Company's lease subsidiaries.

The following tables present summary financial information for the reportable segments (in thousands):

	Banking	Leasing	Mortgage Banking	Consolidated
Three months ended June 30, 2015				
Net interest income	\$104,352	\$2,915	\$7,206	\$114,473
Provision for credit losses	2,844	1,356	96	4,296
Non-interest income	31,108	16,193	35,648	82,949
Non-interest expense <sup>(1)</sup>	87,638	9,828	35,271	132,737
Income tax expense	13,369	3,073	2,995	19,437
Net income	\$31,609	\$4,851	\$4,492	\$40,952
Total assets	\$12,714,482	\$976,054	\$1,327,658	\$15,018,194
Three months ended June 30, 2014				
Net interest income	\$65,266	\$2,806	\$—	\$68,072
Provision for credit losses	(1,764	) (186	) —	(1,950
Non-interest income	25,678	14,063	187	39,928

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Non-interest expense	67,930	10,100	—	78,030
Income tax expense	6,149	2,665	—	8,814
Net income	\$18,629	\$4,290	\$187	\$23,106
Total assets	\$9,153,407	\$665,284	\$—	\$9,818,691

(1) Includes merger related expenses of \$1.2 million and \$488 thousand in the banking segment for the three months ended June 30, 2015 and 2014, respectively.

	Banking	Leasing	Mortgage Banking	Consolidated
Six months ended June 30, 2015				
Net interest income	\$208,478	\$5,930	\$13,460	\$227,868
Provision for credit losses	7,818	1,356	96	9,270
Non-interest income	62,625	41,396	60,196	164,217
Non-interest expense <sup>(1)</sup>	182,972	23,484	66,201	272,657
Income tax expense	23,331	8,820	2,944	35,095
Net income	\$56,982	\$13,666	\$4,415	\$75,063
Total assets	\$12,714,482	\$976,054	\$1,327,658	\$15,018,194
Six months ended June 30, 2014				
Net interest income	\$130,385	\$5,015	\$—	\$135,400
Provision for credit losses	(684	) (116	) —	(800
Non-interest income	49,877	26,417	246	76,540
Non-interest expense	135,627	18,450	—	154,077
Income tax expense	10,632	4,956	—	15,588
Net income	\$34,687	\$8,142	\$246	\$43,075
Total assets	\$9,153,407	\$665,284	\$—	\$9,818,691

(1) Includes merger related expenses of \$9.3 million and \$1.2 million in the banking segment for the six months ended June 30, 2015 and 2014, respectively.

#### Note 17. Preferred Stock

On August 18, 2014, in connection with the Taylor Capital merger, the Company issued one share of its Perpetual Non-Cumulative Preferred Stock, Series A (“Company Series A Preferred Stock”), in exchange for each of the 4,000,000 outstanding shares of Taylor Capital’s Perpetual Non-Cumulative Preferred Stock, Series A. Holders of the Company Series A Preferred Stock are entitled to receive, when as and if declared by the Company’s board of directors, non-cumulative cash dividends on the liquidation preference amount, which is \$25 per share, at a rate of 8.00% per annum, payable quarterly. The Company Series A Preferred Stock is included in Tier 1 capital for regulatory capital purposes.

#### Note 18. Subsequent Event

In July 2015, we sold approximately \$106 million of mortgage servicing rights at a price (net of transaction costs) that approximated fair value.

## 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 "the Company," "we," "our" and "us" refer to MB Financial, Inc. and its consolidated subsidiaries, unless we indicate otherwise.

### Overview

The profitability of our operations depends primarily on our net interest income after provision for credit losses, which is the difference between interest earned on interest earning assets and interest paid on interest bearing liabilities less provision for credit losses. The provision for credit 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.

Our net income is also affected by non-interest income and non-interest expenses. During the periods under report, non-interest income included revenue from our key fee initiatives: net lease financing income, mortgage banking revenue, commercial deposit and treasury management fees, trust and asset management fees, card fees and capital markets and international banking fees. Non-interest income also included consumer and other deposit service fees, brokerage fees, loan service fees, increase in cash surrender value of life insurance, net gain (loss) on investment securities, net loss on sale of assets and other operating income. During the periods under report, non-interest expenses included salaries and employee benefits, occupancy and equipment expense, computer services and telecommunication expense, advertising and marketing expense, professional and legal expense, other intangibles amortization expense, branch exit and facilities impairment charges, net loss on other real estate owned and other related expenses, prepayment fees on interest bearing liabilities and other operating expenses. Additionally, dividends on preferred shares reduced net income available to common stockholders.

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. Non-interest income and non-interest expenses are impacted by growth of banking, leasing and mortgage banking operations and growth in the number of loan and deposit accounts through both acquisitions and core banking and leasing business growth. Growth in operations affects other expenses primarily as a result of additional employee, branch facility 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. Non-performing asset levels impact salaries and benefits, legal expenses and other real estate owned expenses.

On August 18, 2014, the Company completed the Taylor Capital Group, Inc. ("Taylor Capital") merger (the "Merger"). Total consideration paid by the Company was \$648.8 million, including \$519.3 million in common stock and \$129.5 million in cash. The Company issued 19.6 million shares of common stock as a result of the Merger. In addition, each share of Taylor Capital's Perpetual Non-Cumulative Preferred Stock, Series A was converted into one share of the Company's Perpetual Non-Cumulative Preferred Stock, Series A with substantially identical terms. The Company issued 4,000,000 shares of its Series A preferred stock in connection with the Merger. Holders of the Company's Series A preferred stock are entitled to receive, when as and if declared by the Company's board of directors, non-cumulative cash dividends on the liquidation preference amount, which is \$25 per share, at a rate of 8.00% per annum, payable quarterly.

The Company had net income of \$41.0 million for the three months ended June 30, 2015 compared to net income of \$23.1 million for the three months ended June 30, 2014. Net income available to common stockholders was \$39.0 million for the three months ended June 30, 2015. Fully diluted earnings per common share were \$0.52 for the three months ended June 30, 2015 compared to \$0.42 per common share for the three months ended June 30, 2014.

The Company had net income of \$75.1 million for the six months ended June 30, 2015 compared to net income of \$43.1 million for the six months ended June 30, 2014. Net income available to common stockholders was \$71.1 million for the six months ended June 30, 2015. Fully diluted earnings per common share were \$0.94 for the six months ended June 30, 2015 compared to \$0.78 per common share for the six months ended June 30, 2014.

The results of operations for the six months ended June 30, 2015 and 2014 were impacted by \$9.3 million and \$1.2 million in merger related expenses, respectively. See "Non-interest Expenses" section for a detailed schedule of merger related expenses.

## 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 and Lease Losses.** The allowance for loan and lease losses is subject to the use of estimates, assumptions, and judgments in management's evaluation process used to determine the adequacy of the allowance for loan and lease 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 non-performing 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 and lease 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 and lease losses, based on their judgments about information available to them at the time of their examination. We believe the allowance for loan and lease losses is appropriate and properly recorded in the financial statements. See "Allowance for Loan and Lease 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 June 30, 2015, the aggregate residual value of the equipment leased under our direct finance, leveraged, and operating leases totaled \$128.2 million. See Note 1 and Note 6 to the audited consolidated financial statements contained in our Annual Report Form 10-K for the year ended December 31, 2014 for additional information.

**Income Tax Accounting.** ASC Topic 740 provides guidance on accounting for income taxes by prescribing the minimum recognition threshold that a tax position must meet to be recognized in the financial statements. ASC Topic 740 also provides guidance on measurement, recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2015, the Company had \$1.0 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 ASC Topic



740 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 June 30, 2015, the Company had approximately \$9 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.** ASC Topic 820 defines fair value as the price that would be received to sell a financial asset or paid to transfer a 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.

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.

**Goodwill.** The excess of the cost of an acquisition over the fair value of the net assets acquired consists of goodwill, and core deposit and client relationship intangibles. See Note 8 to the audited consolidated financial statements contained in our Annual Report Form 10-K for the year ended December 31, 2014 for further information regarding core deposit and client relationship intangibles. The Company reviews goodwill to determine potential impairment annually, or more frequently if events and circumstances indicate that goodwill might be impaired, by comparing the carrying value of the reporting units with the fair value of the reporting units.

The Company's annual assessment date for goodwill impairment testing is as of December 31. Goodwill is tested for impairment at the reporting unit level. The Company has three reporting units: banking, leasing and mortgage banking. No impairment losses were recognized during the six months ended June 30, 2015 or 2014. We are not aware of any events or circumstances subsequent to our annual goodwill impairment testing date of December 31, 2014 that would indicate impairment of goodwill at June 30, 2015. The carrying amount of goodwill was \$711.5 million at June 30, 2015 and December 31, 2014.

**Valuation of Mortgage Servicing Rights.** The Company originates and sells residential mortgage loans in the secondary market and may retain the right to service the loans sold. Servicing involves the collection of payments from individual borrowers and the distribution of those payments to the investors. Upon a sale of mortgage loans for which servicing rights are retained, the retained mortgage servicing rights asset is capitalized at the fair value of future net cash flows expected to be realized for performing servicing activities. Purchased mortgage servicing rights are recorded at the purchase price at the date of purchase and at fair value thereafter.

Mortgage servicing rights do not trade in an active market with readily observable prices. The Company determines the fair value of mortgage servicing rights by estimating the fair value of the future cash flows associated with the mortgage loans being serviced. Key economic assumptions used in measuring the fair value of mortgage servicing rights include, but are not limited to, prepayment speeds, discount rates, delinquencies and cost to service. The assumptions used in the valuation model are validated on a periodic basis. The fair value is validated on a quarterly basis with an independent third party. Material discrepancies between the internal valuation and the third party valuation are analyzed and resolved by an internal committee.

The Company has elected to account for mortgage servicing rights using the fair value option. Changes in the fair value are recognized in mortgage banking revenue on the Company's Consolidated Statements of Operations.

**Recent Accounting Pronouncements.** Refer to Note 2 of our consolidated financial statements for a description of recent accounting pronouncements including the respective dates of adoption and anticipated effects on results of operations and financial condition.

#### Net Interest Income

The following table presents, for the periods indicated, the total dollar amount of interest income from average interest earning assets and the related yields, as well as the interest expense on average interest bearing liabilities, and the related costs, expressed both in dollars and rates (dollars in thousands). The table below and the discussion that follows contain presentations of net interest income and net interest margin on a tax-equivalent basis, which is adjusted for the tax-favored status of income from certain loans and investments. We believe this measure to be the

preferred industry measurement of net interest income, as it provides a relevant comparison between taxable and non-taxable amounts. The table below and the discussion that follows also contains presentations of net interest margin on a tax equivalent basis excluding the effect of acquisition accounting discount accretion on loans acquired through the Merger.

Reconciliations of net interest income and net interest margin on a tax-equivalent basis and net interest margin on a tax-equivalent basis excluding the effect of acquisition accounting discount accretion on loans acquired through the Merger to net interest income and net interest margin in accordance with accounting principles generally accepted in the United States of America are provided in the table. For additional information, see "Non-GAAP Financial Information."

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(dollars in thousands)	Three Months Ended June 30,					
	2015			2014		
	Average		Yield/	Average		Yield/
	Balance	Interest	Rate	Balance	Interest	Rate
<b>Interest Earning Assets:</b>						
Loans held for sale	\$781,020	\$6,839	3.50 %	\$497	\$—	— %
Loans <sup>(1) (2)</sup>	8,638,910	91,929	4.27	5,199,484	53,649	4.18
Loans exempt from federal income taxes <sup>(3)</sup>	330,903	3,475	4.15	317,251	3,470	4.33
Taxable investment securities	1,545,284	10,002	2.59	1,434,300	8,794	2.45
Investment securities exempt from federal income taxes <sup>(3)</sup>	1,261,567	15,600	4.95	966,518	12,748	5.28
Federal funds sold	126	—	—	4,359	4	0.36
Other interest earning deposits	85,935	57	0.27	448,173	277	0.25
Total interest earning assets	12,643,745	\$127,902	4.06	8,370,582	\$78,942	3.78
Non-interest earning assets	1,988,254			1,205,314		
Total assets	\$14,631,999			\$9,575,896		
<b>Interest Bearing Liabilities:</b>						
<b>Deposits:</b>						
NOW and money market deposit	\$3,940,201	\$1,634	0.17 %	\$2,880,910	\$899	0.13 %
Savings deposit	972,327	135	0.06	868,694	97	0.04
Time deposits	1,714,548	2,785	0.65	1,378,201	2,758	0.80
Short-term borrowings	1,041,766	355	0.14	184,204	95	0.21
Long-term borrowings and junior subordinated notes	278,473	1,844	2.62	236,266	1,344	2.25
Total interest bearing liabilities	7,947,315	\$6,753	0.34	5,548,275	\$5,193	0.38
Non-interest bearing deposits	4,273,931			2,476,396		
Other non-interest bearing liabilities	348,242			199,621		
Stockholders' equity	2,062,511			1,351,604		
Total liabilities and stockholders' equity	\$14,631,999			\$9,575,896		
Net interest income/interest rate spread <sup>(4)</sup>		\$121,149	3.72 %		\$73,749	3.40 %
Less: taxable equivalent adjustment		6,676			5,677	
Net interest income, as reported		\$114,473			\$68,072	
Net interest margin <sup>(5)</sup>			3.63 %			3.26 %
Tax equivalent effect			0.21 %			0.27 %
Net interest margin on a fully tax equivalent basis <sup>(5)</sup>			3.84 %			3.53 %
Effect of acquisition accounting discount accretion on loans acquired through the Merger			(0.27) %			
Net interest margin on a fully tax equivalent basis, excluding the effect of acquisition accounting discount accretion on loans acquired through the Merger			3.57 %			

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

(2) Interest income includes amortization of net deferred loan origination fees and costs.

(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 fully tax equivalent basis increased \$47.4 million during the three months ended June 30, 2015 compared to the three months ended June 30, 2014 primarily due to the interest earning assets acquired through the Merger. The net interest margin, expressed on a fully tax equivalent basis, was 3.84% for the second quarter of 2015 and 3.53% for the second quarter of 2014. Net interest income in the second quarter of 2015 included interest income of \$8.0 million resulting from accretion of the acquisition accounting discount recorded on loans acquired in the Merger (\$7.0 million for non-purchased credit-impaired loans and \$960 thousand for purchased credit-impaired loans). Excluding the purchase accounting loan discount accretion on loans acquired through the Merger, our net interest margin on a fully tax equivalent basis would have been 3.57% for the three months ended June 30, 2015.

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(dollars in thousands)	Six Months Ended June 30,							
	2015			2014				
	Average Balance	Interest	Yield/ Rate		Average Balance	Interest	Yield/ Rate	
<b>Interest Earning Assets:</b>								
Loans held for sale	\$719,934	\$12,624	3.51	%	\$396	\$—	—	%
Loans <sup>(1) (2)</sup>	8,603,925	184,989	4.34		5,241,186	107,595	4.14	
Loans exempt from federal income taxes <sup>(3)</sup>	325,550	6,820	4.19		320,371	7,006	4.35	
Taxable investment securities	1,550,876	19,936	2.57		1,409,473	16,940	2.40	
Investment securities exempt from federal income taxes <sup>(3)</sup>	1,194,224	29,621	4.96		951,275	25,158	5.29	
Federal funds sold	71	—	—		5,120	9	0.35	
Other interest earning deposits	94,094	119	0.26		318,332	390	0.25	
Total interest earning assets	12,488,674	\$254,109	4.10		8,246,153	\$157,098	3.84	
Non-interest earning assets	2,009,690				1,226,340			
Total assets	\$14,498,364				\$9,472,493			
<b>Interest Bearing Liabilities:</b>								
<b>Deposits:</b>								
NOW and money market deposit	\$3,938,961	\$3,229	0.17	%	\$2,804,688	\$1,747	0.13	%
Savings deposit	962,391	255	0.05		865,463	206	0.05	
Time deposits	1,805,054	5,715	0.64		1,406,003	5,570	0.80	
Short-term borrowings	871,953	632	0.15		192,346	195	0.20	
Long-term borrowings and junior subordinated notes	277,895	3,656	2.62		229,021	2,722	2.36	
Total interest bearing liabilities	7,856,254	\$13,487	0.35		5,497,521	\$10,440	0.38	
Non-interest bearing deposits	4,237,144				2,424,917			
Other non-interest bearing liabilities	354,926				206,597			
Stockholders' equity	2,050,040				1,343,458			
Total liabilities and stockholders' equity	\$14,498,364				\$9,472,493			
Net interest income/interest rate spread <sup>(4)</sup>		\$240,622	3.75	%		\$146,658	3.46	%
Less: taxable equivalent adjustment		12,754				11,258		
Net interest income, as reported		\$227,868				\$135,400		
Net interest margin <sup>(5)</sup>			3.68	%			3.31	%
Tax equivalent effect			0.21	%			0.28	%
Net interest margin on a fully tax equivalent basis <sup>(5)</sup>			3.89	%			3.59	%
Effect of acquisition accounting discount accretion on loans acquired through the Merger			(0.30)	%				
Net interest margin on a fully tax equivalent basis, excluding the effect of acquisition accounting discount accretion on loans acquired through the Merger			3.59	%				

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

(2) Interest income includes amortization of net deferred loan origination fees and costs.

(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 fully tax equivalent basis increased \$94.0 million during the six months ended June 30, 2015 compared to the six months ended June 30, 2014 primarily due to the interest earning assets acquired through the Merger. The net interest margin, expressed on a fully tax equivalent basis, was 3.89% for the six months ended June 30, 2015 and 3.59% for the six months ended June 30, 2014. Net interest income in the first half of 2015 included interest income of \$16.5 million resulting from accretion of the acquisition accounting discount recorded on loans acquired in the Merger (\$14.9 million for non-purchased credit-impaired loans and \$1.6 million for purchased credit-impaired loans). Excluding the purchase accounting loan discount accretion on loans acquired through the Merger, our net interest margin on a fully tax equivalent basis would have been 3.59% for the six months ended June 30, 2015.

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## Non-interest Income

	Three Months Ended June 30,		Increase/ (Decrease)	Percentage Change	
	2015	2014			
Non-interest income (in thousands):					
Lease financing, net	\$15,564	\$14,853	\$711	4.8	%
Mortgage banking revenue	35,648	187	35,461	NM	
Commercial deposit and treasury management fees	11,062	7,106	3,956	55.7	
Trust and asset management fees	5,752	5,405	347	6.4	
Card fees	4,409	3,304	1,105	33.4	
Capital markets and international banking fees	1,508	1,360	148	10.9	
Consumer and other deposit service fees	3,260	3,156	104	3.3	
Brokerage fees	1,543	1,356	187	13.8	
Loan service fees	1,353	916	437	47.7	
Increase in cash surrender value of life insurance	836	834	2	0.2	
Net loss on investment securities	(84	) (87	) 3	(3.4	)
Net loss on sale of assets	(7	) (24	) 17	(70.8	)
Other operating income	2,105	1,562	543	34.8	
Total non-interest income	\$82,949	\$39,928	\$43,021	107.7	%
NM - not meaningful					

Non-interest income increased by \$43.0 million, or 107.7%, for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 primarily due to the Merger.

• Mortgage banking revenue increased due to the mortgage operations acquired through the Merger.

• Commercial deposit and treasury management fees increased due to new customer activity as well as the increased customer base as a result of the Merger.

• Card fees increased due to a new payroll prepaid card program that started in the second quarter of 2014 as well as higher debit and credit card fees.

• Leasing revenues increased due to higher fees and promotional revenue from the sale of third-party equipment maintenance contracts.

• Other operating income increased due to higher earnings from investments in Small Business Investment Companies.

• Loan service fees increased due to higher unused line fees.

• Trust and asset management fees increased due to the addition of new customers and the impact of higher equity values.



	Six Months Ended		Increase/ (Decrease)	Percentage Change	
	2015	2014			
Non-interest income (in thousands):					
Lease financing, net	\$40,644	\$28,049	\$12,595	44.9	%
Mortgage banking revenue	60,192	246	59,946	NM	
Commercial deposit and treasury management fees	22,100	14,250	7,850	55.1	
Trust and asset management fees	11,466	10,612	854	8.0	
Card fees	8,336	6,005	2,331	38.8	
Capital markets and international banking fees	3,436	2,338	1,098	47.0	
Consumer and other deposit service fees	6,343	6,091	252	4.1	
Brokerage fees	3,221	2,681	540	20.1	
Loan service fees	2,838	1,881	957	50.9	
Increase in cash surrender value of life insurance	1,675	1,661	14	0.8	
Net (loss) gain on investment securities	(544	) 230	(774	) (336.5	)
Net loss on sale of assets	(3	) (17	) 14	(82.4	)
Other operating income	4,513	2,513	2,000	79.6	
Total non-interest income	\$164,217	\$76,540	\$87,677	114.6	%

Non-interest income increased by \$87.7 million, or 114.6%, for the six months ended June 30, 2015 compared to the six months ended June 30, 2014.

• Mortgage banking revenue increased due to the mortgage operations acquired through the Merger.

• Leasing revenues increased due to higher fees and promotional revenue from the sale of third-party equipment maintenance contracts and higher lease residual realization.

• Commercial deposit and treasury management fees increased due to new customer activity as well as the increased customer base as a result of the Merger.

• Other operating income increased due to higher earnings from investments in Small Business Investment Companies.

• Card fees increased due to a new payroll prepaid card program that started in the second quarter of 2014 as well as higher debit and credit card fees.

• Capital markets and international banking services fees increased due to higher swap and commercial real estate advisory fees partly offset by a decrease in M&A advisory fees.

• Trust and asset management fees increased due to the addition of new customers and the impact of higher equity values.

## Non-interest Expenses

	Three Months Ended June 30,		Increase/ (Decrease)	Percentage Change	
	2015	2014			
Non-interest expenses (in thousands):					
Salaries and employee benefits	\$86,145	\$46,622	\$39,523	84.8	%
Occupancy and equipment	12,177	9,518	2,659	27.9	
Computer services and telecommunication	8,537	5,079	3,458	68.1	
Advertising and marketing	2,497	2,221	276	12.4	
Professional and legal	2,413	1,567	846	54.0	
Other intangibles amortization	1,509	1,174	335	28.5	
Branch exit and facilities impairment charges	438	—	438	100.0	
Net loss recognized on other real estate owned and other related	724	528	196	37.1	
Other operating expenses	18,297	11,321	6,976	61.6	
Total non-interest expenses	\$132,737	\$78,030	\$54,707	70.1	%

Non-interest expenses increased by \$54.7 million, or 70.1%, for the three months ended June 30, 2015 from the three months ended June 30, 2014 primarily due to the Merger. Other explanations for changes are as follows:

• Other operating expense increased as a result of an increase in filing and other loan expense and higher FDIC assessments due to our larger balance sheet.

• Computer services and telecommunication expenses increased due to an increase in spending on IT security and our data warehouse.

• Professional and legal expense increased due to higher consulting expense.

Non-interest expenses include \$1.2 million and \$488 thousand in expenses related to the Merger for the three months ended June 30, 2015 and 2014, respectively. The following table presents the detail of the merger related expenses (dollars in thousands):

	Three Months Ended June 30,	
	2015	2014
Merger related expenses:		
Occupancy and equipment expense	\$96	\$14
Computer services and telecommunication expense	130	170
Advertising and marketing expense	—	108
Professional and legal expense	511	79
Branch exit and facilities impairment charges	438	—
Other operating expenses	59	117
Total merger related expenses	\$1,234	\$488



	Six Months Ended June 30,		Increase/ (Decrease)	Percentage Change	
	2015	2014			
Non-interest expenses (in thousands):					
Salaries and employee benefits	\$170,931	\$90,999	\$79,932	87.8	%
Occupancy and equipment expense	25,117	19,110	6,007	31.4	
Computer services and telecommunication expense	17,441	10,163	7,278	71.6	
Advertising and marketing expense	4,943	4,302	641	14.9	
Professional and legal expense	5,083	3,346	1,737	51.9	
Other intangibles amortization expense	3,027	2,414	613	25.4	
Branch exit and facilities impairment charges	7,829	—	7,829	—	
Net loss (gain) recognized on other real estate owned and other related expense	1,620	1,111	509	45.8	
Prepayment fees on interest bearing liabilities	85	—	85	100.0	
Other operating expenses	36,581	22,632	13,949	61.6	
Total non-interest expenses	\$272,657	\$154,077	\$118,580	77.0	%

Non-interest expenses increased by \$118.6 million, or 77.0%, for the six months ended June 30, 2015 from the six months ended June 30, 2014 primarily due to the Merger. Other explanations for changes are as follows:

• Other operating expense increased as a result of an increase in filing and other loan expense and higher FDIC assessments due to our larger balance sheet.

• Computer services and telecommunication expenses increased due to an increase in spending on IT security and our data warehouse.

• Professional and legal expense increased due to higher consulting expense.

Non-interest expenses include \$9.3 million and \$1.2 million in expenses related to the Merger for the six months ended June 30, 2015 and 2014, respectively. The following table presents the detail of the merger related expenses (dollars in thousands):

	Six Months Ended June 30,	
	2015	2014
Merger related expenses:		
Salaries and employee benefits	\$33	\$104
Occupancy and equipment expense	273	14
Computer services and telecommunication expense	400	183
Advertising and marketing expense	—	198
Professional and legal expense	701	489
Branch exit and facilities impairment charges	7,829	—
Other operating expenses	67	180
Total merger related expenses	\$9,303	\$1,168

#### Income Taxes

Income tax expense for the six months ended June 30, 2015 was \$35.1 million compared to \$15.6 million for the six months ended June 30, 2014. The increase was primarily due to an increase in our pre-tax income during the six months ended June 30, 2015.

## Operating Segments

The Company's operations consist of three reportable operating segments: banking, leasing and mortgage banking. Our banking segment generates its revenues primarily from its lending and deposit gathering activities. Our leasing segment generates its revenues through lease originations and related services offered through the Company's leasing subsidiaries: LaSalle Systems Leasing, Inc., Celtic Leasing Corp. and MB Equipment Finance, LLC (formerly known as Cole Taylor Equipment Finance, LLC).

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Our mortgage banking segment originates residential mortgage loans for sale to investors through its retail and third party origination channels as well as residential mortgage loans held in our loan portfolio. The mortgage banking segment also services residential mortgage loans owned by investors and the Company.

Net income from our banking segment for the three months ended June 30, 2015 increased \$13.0 million to \$31.6 million compared to the three months ended June 30, 2014. This increase in net income was primarily due to higher net interest income as a result of the interest earning assets acquired through the Merger. The higher net interest income was partially offset by an increase in salary and employee benefits due primarily to the increase in headcount resulting from the Merger, as well as other increases in non-interest expense resulting from the Merger. Net income from our leasing segment for the three months ended June 30, 2015 increased \$561 thousand to \$4.9 million compared to the three months ended June 30, 2014. Lease financing revenues increased due to an increase in fees and promotional revenue from the sale of third-party equipment maintenance contracts. This increase in revenues was partially offset by an increase in salaries and employee benefits due to higher commissions on higher leasing revenue as well as a higher provision for credit losses. Net income from our mortgage banking segment for the three months ended June 30, 2015 increased \$4.3 million to \$4.5 million compared to the three months ended June 30, 2014 as a result of the mortgage banking operations acquired through the Merger.

Net income from our banking segment for the six months ended June 30, 2015 increased \$22.3 million to \$57.0 million compared to the six months ended June 30, 2014. This increase in net income was primarily due to higher net interest income as a result of the interest earning assets acquired through the Merger. The higher net interest income was partially offset by an increase in salary and employee benefits due primarily to the increase in headcount resulting from the Merger, as well as other increases in non-interest expense resulting from the Merger. Net income from our leasing segment for the six months ended June 30, 2015 increased \$5.5 million to \$13.7 million compared to the six months ended June 30, 2014. Lease financing revenues increased due to an increase in fees and promotional revenue from the sale of third-party equipment maintenance contracts. This increase in revenues was partially offset by an increase in salaries and employee benefits due to higher commissions on higher leasing revenue as well as a higher provision for credit losses. Net income from our mortgage segment for the six months ended June 30, 2015 increased \$4.2 million to \$4.4 million compared to the six months ended June 30, 2014 as a result of the mortgage banking operations acquired through the Merger.

#### Balance Sheet

Total assets increased \$416.1 million, or 2.8%, from \$14.6 billion at December 31, 2014 to \$15.0 billion at June 30, 2015.

Cash and cash equivalents increased \$122.3 million, or 39.2% from \$312.1 million at December 31, 2014 to \$434.4 million at June 30, 2015.

Investment securities increased \$211.9 million, or 7.8%, from December 31, 2014 to June 30, 2015 mostly as a result of municipal bond purchases.

Total loans, excluding purchased credit-impaired and covered loans, increased by \$97.6 million to \$8.9 billion at June 30, 2015 from December 31, 2014 primarily due to an increase in commercial related loans.

Total liabilities increased by \$366.6 million, or 2.9%, from \$12.6 billion at December 31, 2014 to \$12.9 billion at June 30, 2015 primarily due to higher short term borrowings.

Total deposits decreased by \$129.1 million, or 1.2%, to \$10.9 billion at June 30, 2015 from December 31, 2014.

Noninterest bearing deposits increased by \$259.7 million, or 6.3%, compared to December 31, 2014.

Total borrowings increased by \$458.1 million, or 38.2%, to \$1.7 billion at June 30, 2015 primarily due to the increase in short-term FHLB advances.

Total stockholders' equity increased \$49.5 million to \$2.1 billion at June 30, 2015 compared to December 31, 2014 primarily as a result of earnings for the quarter net of dividends declared.

## Investment Securities

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

	June 30, 2015		December 31, 2014		June 30, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available for sale						
U.S. Government sponsored agencies and enterprises	\$64,211	\$65,485	\$64,612	\$65,873	\$50,096	\$51,727
States and political subdivisions	380,221	395,912	390,076	410,854	19,228	19,498
Residential mortgage-backed securities	731,399	741,178	713,413	720,563	738,519	747,925
Commercial mortgage-backed securities	158,935	160,839	186,110	187,662	47,977	49,858
Corporate bonds	245,506	246,468	259,526	259,203	271,351	275,529
Equity securities	10,644	10,669	10,531	10,597	10,414	10,421
Total Available for Sale	1,590,916	1,620,551	1,624,268	1,654,752	1,137,585	1,154,958
Held to maturity						
States and political subdivisions	974,032	990,673	752,558	782,265	993,937	1,030,478
Residential mortgage-backed securities	229,595	241,167	240,822	252,796	247,455	261,767
Total Held to Maturity	1,203,627	1,231,840	993,380	1,035,061	1,241,392	1,292,245
Total	\$2,794,543	\$2,852,391	\$2,617,648	\$2,689,813	\$2,378,977	\$2,447,203

## Loan Portfolio

The following table sets forth the composition of our loan portfolio (excluding loans held for sale) as of the dates indicated (dollars in thousands):

	June 30, 2015				December 31, 2014			
	Legacy <sup>(1)</sup>	Taylor Capital Acquired <sup>(2)</sup>	Total	% of Total	Legacy <sup>(1)</sup>	Taylor Capital Acquired <sup>(2)</sup>	Total	% of Total
Commercial related credits:								
Commercial loans	\$2,317,367	\$1,037,522	\$3,354,889	37 %	\$1,841,851	\$1,403,355	\$3,245,206	36 %
Commercial loans collateralized by assignment of lease payments	1,585,539	105,327	1,690,866	18	1,574,046	118,212	1,692,258	18
Commercial real estate	1,786,310	753,681	2,539,991	28	1,652,398	892,469	2,544,867	28
Construction real estate	128,849	60,750	189,599	2	112,024	135,044	247,068	3
Total commercial related credits	5,818,065	1,957,280	7,775,345	85	5,180,319	2,549,080	7,729,399	85
Other loans:								
Residential real estate	340,126	192,992	533,118	6	326,330	176,957	503,287	5
Indirect vehicle	301,482	2,295	303,777	3	266,334	2,506	268,840	3



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Home equity	211,359	19,119	230,478	3	227,324	24,585	251,909	3
Other consumer loans	85,856	607	86,463	1	77,408	729	78,137	1
Total other loans	938,823	215,013	1,153,836	13	897,396	204,777	1,102,173	12
Total loans excluding purchased credit-impaired loans	6,756,888	2,172,293	8,929,181	98	6,077,715	2,753,857	8,831,572	97
Purchased credit-impaired loans	58,946	105,829	164,775	2	77,352	174,293	251,645	3
Total loans	\$6,815,834	\$2,278,122	\$9,093,956	100 %	\$6,155,067	\$2,928,150	\$9,083,217	100 %

- Legacy loans include all loans other than those acquired through the Merger, including loans acquired in
- (1) connection with our FDIC-assisted transactions and our other acquisition transactions, as well as new loans originated subsequent to the Merger.
- (2) Represents loans acquired through the Merger that have not yet been renewed. These balances will decrease to zero over time.

Gross loans, excluding purchased credit-impaired and covered loans, increased by \$97.6 million to \$8.9 billion at June 30, 2015 from December 31, 2014. Gross loans increased by \$10.7 million to \$9.1 billion at June 30, 2015 from \$9.1 billion at December 31, 2014. This increase was primarily due to increases in commercial related loans.

## Asset Quality

Non-performing loans include loans accounted for on a non-accrual basis and accruing loans contractually past due 90 days or more as to interest or principal. Management reviews the loan portfolio for problem loans on an ongoing basis. During the ordinary course of business, management becomes aware of borrowers that may not be able to meet the contractual requirements of loan agreements. These loans are placed under close supervision with consideration given to placing the loan on non-accrual status, increasing the allowance for loan and lease losses and (if appropriate) partial or full charge-off. After a loan is placed on non-accrual status, any interest previously accrued but not yet collected is reversed against current income. Generally, if interest payments are received on non-accrual loans, these payments will be applied to principal and not taken into income. Loans will not be placed back on accrual status unless back interest and principal payments are made. Our general policy is to place loans 90 days past due on non-accrual status, as well as those loans that continue to pay, but display a well-defined material weakness.

Non-performing loans exclude loans held for sale and purchased credit-impaired loans. Fair value of these loans as of acquisition includes estimates of credit losses. See Note 6 of the notes to our consolidated financial statements for further information regarding purchased credit-impaired loans.

The following table sets forth the amounts of non-performing loans and non-performing assets at the dates indicated (dollars in thousands):

	June 30, 2015	December 31, 2014	June 30, 2014	
Non-performing loans:				
Non-accruing loans	\$91,943	\$82,733	\$108,414	
Loans 90 days or more past due, still accruing interest	6,112	4,354	2,363	
Total non-performing loans	98,055	87,087	110,777	
Other real estate owned	28,517	19,198	20,306	
Repossessed assets	78	93	73	
Total non-performing assets	\$126,650	\$106,378	\$131,156	
Total allowance for loan and lease losses	\$120,070	\$110,026	\$100,910	
Accruing restructured loans <sup>(1)</sup>	16,875	15,603	26,793	
Total non-performing loans to total loans	1.08	% 0.96	% 1.99	%
Total non-performing assets to total assets	0.84	0.73	1.34	
Allowance for loan and lease losses to non-performing loans	122.45	126.34	91.09	

(1) Accruing restructured loans consists primarily of residential real estate and home equity loans that have been modified and are performing in accordance with those modified terms.

A loan is classified as a troubled debt restructuring when a borrower is experiencing financial difficulties that leads to a restructuring of the loan, and the Company grants concessions to the borrower in the restructuring that it would not otherwise consider. These concessions may include rate reductions, principal forgiveness, extension of maturity date and other actions intended to minimize potential losses. A loan that is modified at a market rate of interest may no longer be classified as troubled debt restructuring in the calendar year subsequent to the restructuring if it is in compliance with the modified terms. Payment performance prior and subsequent to the restructuring is taken into account in assessing whether it is likely that the borrower can meet the new terms. This may result in the loan being returned to accrual at the time of restructuring. A period of sustained repayment for at least six months generally is

required for return to accrual status.

Occasionally, the Company will restructure a note into two separate notes (A/B structure), charging off the entire B portion of the note. The A note is structured with appropriate loan-to-value and cash flow coverage ratios that provide for a high likelihood of repayment. The A note is classified as a non-performing note until the borrower has displayed a historical payment performance for a reasonable time prior to and subsequent to the restructuring. A period of sustained repayment for at least six months generally is required to return the note to accrual status provided that management has determined that the performance is reasonably expected to continue. The A note will be classified as a restructured note (either performing or non-performing) through the calendar year of the restructuring that the historical payment performance has been established.

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Non-performing assets consist of non-performing loans as well as other repossessed assets and other real estate owned. Other real estate owned represents properties acquired through foreclosure or other proceedings and is recorded at fair value less the estimated cost of disposal at the date of acquisition. Other real estate owned is evaluated regularly to ensure that the recorded amount is supported by its current fair value. Valuation allowances to reduce the carrying amount to fair value less estimated costs of disposal are recorded as necessary. Gains and losses and changes in valuations on other real estate owned are included in net gain (loss) recognized on other real estate within non-interest expense. Expenses, net of rental income, from the operations of other real estate owned are reflected as a separate line item on the income statement. Other repossessed assets primarily consist of repossessed vehicles. Losses on repossessed vehicles are charged-off to the allowance when title is taken and the vehicle is valued. Once MB Financial Bank obtains title, repossessed vehicles are not included in loans, but are classified as “other assets” on the consolidated balance sheets. The typical holding period for resale of repossessed automobiles is less than 90 days unless significant repairs to the vehicle are needed which occasionally results in a longer holding period. The typical holding period for motorcycles can be more than 90 days, as the average motorcycle re-sale period is longer than the average automobile re-sale period. The longer average period for motorcycles is a result of cyclical trends in the motorcycle market.

Other real estate owned that is related to our FDIC-assisted transactions is excluded from non-performing assets. Other real estate owned related to the Heritage, Benchmark, Broadway, and New Century FDIC-assisted transactions totaled \$15.0 million and \$18.2 million at June 30, 2015 and December 31, 2014, respectively, much of which is subject to the loss-share agreements with the FDIC. See Note 6 of the notes to our consolidated financial statements for further information.

The following table presents a summary of other real estate owned, excluding assets related to FDIC-assisted transactions, for the six months ended June 30, 2015 and 2014 (in thousands):

	June 30, 2015	2014
Beginning balance	\$ 19,198	\$ 23,289
Transfers in at fair value less estimated costs to sell	13,210	651
Fair value adjustments	(1,842	) (426
Net gains on sales of other real estate owned	292	100
Cash received upon disposition	(2,341	) (3,308
Ending balance	\$ 28,517	\$ 20,306

#### Potential Problem Loans

We define potential problem loans as performing loans rated substandard and 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 following table sets forth the aggregate principal amount of potential problem loans, excluding purchased credit-impaired loans, at the dates indicated (in thousands):

	June 30, 2015	December 31, 2014
Commercial loans	\$ 81,650	\$ 16,065
Commercial loans collateralized by assignment of lease payments	1,508	2,264
Commercial real estate	33,285	37,322

Total	\$116,443	\$55,651
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Potential problem loans increased primarily due to normal rotation in the portfolio.

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## Allowance for Loan and Lease Losses

Management believes the allowance for loan and lease 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 and lease 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 and lease losses is comprised of three elements: a commercial related general loss reserve; a commercial related specific reserve for impaired loans; and a consumer related reserve for smaller-balance homogenous loans. Each element is discussed below.

**Commercial Related 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.

Under our loan risk rating system, each loan, with the exception of those included in large groups of smaller-balance homogeneous consumer related loans, is risk rated between one and nine by the originating loan officer, Senior Credit Management, Loan Review or any loan committee. Loans rated "one" represent those loans least likely to default and a loan rated "nine" represents a loss. 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. We use a loan loss reserve model that incorporates the migration of loan risk ratings and historical default data over a multi-year period to develop our estimated default factors (EDFs). The model tracks annual loan rating migrations by loan type and currently uses loan risk rating migrations for 14 years. The migration data is adjusted by using average losses for an economic cycle (approximately 13 years) to develop EDFs by loan type, risk rating and maturity. EDFs are updated annually in December.

EDFs 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 the appropriate allowance by loan type. This approach is applied to the commercial, lease, commercial real estate, and construction real estate components of the portfolio.

To account for current economic conditions, the general allowance for loan and lease losses (ALLL) also includes adjustments for macroeconomic factors. Macroeconomic factors adjust the ALLL upward or downward based on the current point in the economic cycle using predictive economic data 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 shown to be a statistically reliable predictor of our credit losses relative to our long term average credit losses. We tested over 20 economic variables (U.S. manufacturing index, unemployment rate, U.S. GDP growth, etc.). We annually review this data to determine that such a relationship continues to exist. We currently use the following macroeconomic indicators in our macroeconomic factor computation:

Commercial loans and lease loans: initial unemployment insurance claims in Illinois, our prior period charge-off rates and crude oil prices.

Commercial real estate loans and construction loans: M2 Money stock, our prior period charge-off rates and the U.S. commercial real estate index.

Using the indicators noted above, a predicted charge-off percentage is calculated. The predicted charge-off percentage is then compared to the cycle average charge-off percentage, and a macroeconomic adjustment factor is calculated. The macroeconomic adjustment factor is applied to each commercial loan type. Each year, we review the predictive nature of the macroeconomic factors by comparing actual charge-offs to the predicted model charge-offs, re-run our regression analysis and re-calibrate the macroeconomic factors as appropriate.

The commercial related general loss reserve was \$89.6 million as of June 30, 2015 and \$85.1 million as of December 31, 2014. The increase in the commercial related general loss reserve was due to the provision related to the acquired Taylor Capital loans. Reserves on impaired commercial related loans are included in the “Commercial Related Specific Reserves” section below.

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**Commercial Related Specific Reserves.** Our allowance for loan and lease losses also includes specific reserves on impaired commercial 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.

At each quarter-end, impaired commercial 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 each loan. Generally, the Company obtains a current external appraisal (within 12 months) on real estate secured impaired loans. Our appraisal policy is designed to comply with the Interagency Appraisal and Evaluation Guidelines, most recently updated in December 2010. As part of our compliance with these guidelines, we maintain an internal Appraisal Review Department that engages and reviews all third party appraisals.

In addition, each impaired commercial loan with real estate collateral is reviewed quarterly by our appraisal department to determine that the most recent valuation remains appropriate during subsequent quarters until the next appraisal is received. If considered necessary by our appraisal department, the appraised value may be further discounted to reflect current values.

Other valuation techniques are also used to value non-real estate assets. Discounts may be applied in the impairment analysis used for general business assets (GBA). Examples of GBA include accounts receivable, inventory, and any marketable securities pledged. The discount is used to reflect collection risk in the event of default that may not have been included in the valuation of the asset.

The total commercial related specific reserves component of the allowance was \$11.3 million as of June 30, 2015 compared to \$5.2 million as of December 31, 2014.

**Consumer Related Reserves.** Pools of homogenous loans with similar risk and loss characteristics are also assessed for probable losses. These loan pools include consumer, residential real estate, home equity, credit cards and indirect vehicle loans. Migration probabilities obtained from past due roll rate analyses and historical loss rates are applied to current balances to forecast charge-offs over a one-year time horizon. The reserves for consumer related loans totaled \$19.1 million at June 30, 2015 and \$19.8 million at December 31, 2014.

We consistently apply our methodology for determining the appropriateness of the allowance for loan and lease losses but may adjust our methodologies and assumptions based on historical information related to charge-offs and management's evaluation of the loan portfolio. In this regard, we periodically review the following to validate our allowance for loan and lease losses: historical net charge-offs as they relate to prior periods' allowance for loan and lease loss, comparison of historical loan migration in past years compared to the current year, overall credit trends and ratios and any significant changes in loan concentrations. In reviewing this data, we adjust qualitative factors within our allowance methodology to appropriately reflect any changes warranted by the validation process. Management believes it has established an allowance for probable loan losses as appropriate under GAAP.

We recorded \$10.4 million in provision for credit losses for acquired loans related to the non-purchase credit impaired (non-PCI) Taylor loans as accounted for in accordance with ASC 310-20 for the six months ended June 30, 2015. No additional provisions were recorded on the purchase credit impaired (PCI) Taylor loans accounted for in accordance with ASC 310-30.

The provision for credit losses for non-PCI Taylor loans is calculated using a process similar to the one used for the MBFI legacy portfolio. A general loan loss reserve is calculated for the Taylor renewed and non-renewed loans



separately using the same loan loss reserve model used for MBFI legacy loans. The general loan loss reserve is calculated 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. The probability of loans defaulting for each risk rating (referred to as default factors) is estimated based on the frequency with which loans migrate from one risk rating to another and to default status over time. The 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 to determine the appropriate allowance. The acquired Taylor loans are risk rated using the MBFI rating methodology. The general loan loss reserve amount is adjusted upward to reflect uncertainty regarding the performance of the acquired portfolios due to our limited history with the borrowers.

For Taylor non-PCI loans that renewed during the period (quarter or year to date), the default factors are multiplied by the loan balance and loss given default estimate to calculate the required reserves. The amount of required reserves is recognized as a provision for credit losses in the statement of operations. For Taylor non-PCI loans that are not renewed subsequent to the merger consummation, the default factors are multiplied by the loan balance and the historical loss given default estimate. The

resulting general loan loss reserve is compared to the remaining acquisition accounting discounts related to credit on the non-PCI loans, with the excess to be recognized as a provision for credit losses in the statement of operations.

The following table presents an analysis of the allowance for loan and lease losses for the periods presented (dollars in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Balance at beginning of period	\$117,189	\$108,395	\$114,057	\$113,462
Provision for credit losses - legacy	(600 )	(1,950 )	(1,150 )	(800 )
Provision for credit losses - acquired Taylor Capital loan portfolio	4,896	—	10,420	—
Charge-offs:				
Commercial loans	57	446	626	536
Commercial loans collateralized by assignment of lease payments	100	40	100	40
Commercial real estate	108	1,727	2,142	8,883
Construction real estate	3	14	6	70
Residential real estate	318	433	897	698
Home equity	276	817	720	1,436
Indirect vehicles	627	583	1,501	1,503
Other consumer loans	500	590	924	1,085
Total charge-offs	1,989	4,650	6,916	14,251
Recoveries:				
Commercial loans	816	696	1,058	2,324
Commercial loans collateralized by assignment of lease payments	340	130	1,089	130
Commercial real estate	2,561	567	3,936	1,052
Construction real estate	35	77	37	176
Residential real estate	8	6	80	525
Home equity	160	127	261	260
Indirect vehicles	545	439	1,020	881
Other consumer loans	169	68	238	146
Total recoveries	4,634	2,110	7,719	5,494
Net (recoveries) charge-offs	(2,645 )	2,540	(803 )	8,757
Allowance for credit losses	124,130	103,905	124,130	103,905
Allowance for unfunded credit commitments	(4,060 )	(2,995 )	(4,060 )	(2,995 )
Allowance for loan and lease losses	\$120,070	\$100,910	\$120,070	\$100,910
Total loans	\$9,093,956	\$5,556,724	\$9,093,956	\$5,556,724
Ratio of allowance to total loans	1.32 %	1.82 %	1.32 %	1.82 %
Ratio of (recoveries) net charge-offs to average loans	(0.12 )	0.18	(0.02 )	0.32

Net recoveries of \$803 thousand were recorded in the six months ended June 30, 2015 compared to net charge-offs of \$8.8 million in the six months ended June 30, 2014. A provision for credit losses of \$9.3 million was recorded for the six months ended June 30, 2015 compared to a negative provision of \$800 thousand for the six months ended June 30, 2014.

The provision for credit losses for the six months ended June 30, 2015 included a negative provision for credit losses of \$1.2 million for the legacy MB Financial portfolio and a positive provision of \$10.4 million related to the acquired Taylor Capital portfolio for loan renewals subsequent to the acquisition date and the establishment of a corresponding general reserve for Taylor Capital loans in excess of the loan discount. We anticipate recording a provision related to the acquired portfolio in future quarters related to renewing Taylor Capital loans which will largely offset the accretion from non-purchase credit-impaired loans. In addition, included in the table above are net recoveries for the acquired Taylor Capital loans of \$146 thousand and \$670 thousand for the three and six months ended June 30, 2015, respectively.

Additions to the allowance for loan and lease losses, which are charged to earnings through the provision for credit 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 and lease 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 and lease 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.

We utilize an internal asset classification system as a means of reporting problem and potential problem assets. At 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." An asset is classified Substandard 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 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 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.

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 and lease 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 and lease 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. 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 and lease losses at the time of their examination.

Although management believes that appropriate 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.

## 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.

Lease investments by categories follow (in thousands):

	June 30, 2015	December 31, 2014	June 30, 2014
Direct finance leases:			
Minimum lease payments	\$333,463	\$340,602	\$190,216
Estimated unguaranteed residual values	67,763	70,469	30,309
Less: unearned income	(28,805)	(31,229)	(15,518)
Direct finance leases <sup>(1)</sup>	\$372,421	\$379,842	\$205,007
Leveraged leases:			
Minimum lease payments	\$6,132	\$10,689	\$16,620
Estimated unguaranteed residual values	938	1,586	1,908
Less: unearned income	(271)	(540)	(979)
Less: related non-recourse debt	(5,948)	(10,330)	(15,979)
Leveraged leases <sup>(1)</sup>	\$851	\$1,405	\$1,570
Operating leases:			
Equipment, at cost	\$269,206	\$257,495	\$218,688
Less accumulated depreciation	(101,240)	(94,662)	(91,494)
Lease investments, net	\$167,966	\$162,833	\$127,194

<sup>(1)</sup> 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 are classified as direct finance leases. If these direct finance leases have non-recourse debt associated with them and meet the additional requirements for a leveraged lease, they are further classified as leverage 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 \$45.4 million at June 30, 2015, \$38.5 million at December 31, 2014 and \$27.0 million at June 30, 2014.

At June 30, 2015, 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	Residual Values			Total
	Direct Finance Leases	Leveraged Leases	Operating Leases	
December 31, 2015	\$4,656	\$253	\$7,237	\$12,146
2016	7,396	562	10,088	18,046
2017	20,272	104	9,535	29,911
2018	14,878	19	9,184	24,081
2019	9,675	—	5,776	15,451

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Thereafter	10,886	—	17,700	28,586
	\$67,763	\$938	\$59,520	\$128,221

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 generally reviewed quarterly, and any write-downs or charge-offs deemed necessary are

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recorded in the period in which they become known. To mitigate this risk of loss, we usually limit individual leased equipment residuals to approximately \$1 million per transaction and seek to diversify both the type of equipment leased and the industries in which the lessees participate. Often times, there are several individual lease schedules under one master lease. There were 3,848 leases at June 30, 2015 compared to 3,793 at December 31, 2014. The average residual value per lease schedule was approximately \$33 thousand at June 30, 2015 and December 31, 2014. The average residual value per master lease schedule was approximately \$141 thousand at June 30, 2015 and \$155 thousand at December 31, 2014, respectively.

#### 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 operating activities primarily include net income, adjusted for items in net income that did not impact cash. Net cash flows provided by operating activities were \$46.0 million for the six months ended June 30, 2015 compared to net cash flows provided by operating activities of \$101.7 million for the six months ended June 30, 2014. The change is primarily due to the increase in net originations of loans held for sale as a result of the acquisition of the mortgage operations through the Merger.

Cash flows from investing activities reflects the impact of loans and investment securities acquired for the Company's interest-earning asset portfolios, as well as cash flows from asset sales and the impact of acquisitions. For the six months ended June 30, 2015, the Company had net cash flows used in investing activities of \$220.9 million compared to net cash flows provided by investing activities of \$71.8 million for the six months ended June 30, 2014. The change is primarily due to the increase in investment securities purchases and less of a decrease in loans during the six months ended June 30, 2015.

Cash flows from financing activities include transactions and events whereby cash is obtained from depositors, creditors or investors. For the six months ended June 30, 2015, the Company had net cash flows provided by financing activities of \$297.2 million compared to net cash flows provided by financing activities of \$114.4 million for the six months ended June 30, 2014. The change in cash flows from financing activities was primarily due to a net increase in short-term borrowings partly offset by a decrease in deposits compared to the increase during the six months ended June 30, 2014.

In the event that additional short-term liquidity is needed, we have established relationships with several large and regional banks to provide short-term borrowings in the form of federal funds purchases. While, at June 30, 2015, there were no firm lending commitments in place, management believes that we could borrow approximately \$308 million for a short time from these banks on a collective basis. Additionally, we are a member of Federal Home Loan Bank of Chicago ("FHLB"). As of June 30, 2015, the Company had \$1.1 billion outstanding in FHLB advances, and could borrow an additional amount of approximately \$637.9 million. As a contingency plan for significant funding needs, the Asset/Liability Committee may also consider the sale of investment securities, selling securities under agreement to repurchase, or the temporary curtailment of lending activities. As of June 30, 2015, the Company had approximately \$1.9 billion of unpledged securities, excluding securities available for pledge at the FHLB.

Our main sources of liquidity at the holding company level are dividends from MB Financial Bank and cash on hand. In addition, the Company has a \$35.0 million unsecured line of credit with a correspondent bank. As of June 30, 2015, none was outstanding. The holding company had \$60.8 million in cash as of June 30, 2015.

See Notes 9 and 10 of the Financial Statements presented under Item 1 of this report for details of period end balances and other information for these various funding sources. There were no material changes outside the ordinary course

of business in the Company's contractual obligations at June 30, 2015 as compared to December 31, 2014.

MB Financial Bank is subject to various regulatory capital requirements which affect its ability to pay dividends to us. Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements. The minimum ratios required for a bank to be considered "well capitalized" for regulatory purposes are a total risk-based capital ratio of 10.00%, a Tier 1 capital to risk-weighted assets ratio of 8.00%, a common equity Tier 1 capital to risk-weighted assets ratio of 6.50% and a Tier 1 capital to average assets ratio of 5.00%. In addition, we have an internal policy which provides that dividends paid to us by MB Financial Bank cannot exceed an amount that would cause MB Financial Bank's total risk-based capital ratio, Tier 1 capital to risk-weighted assets ratio and Tier 1 capital to average assets ratio to fall below 12%, 9% and 8%, respectively. See "Item 1. Business — Supervision and Regulation" in our Annual Report on Form 10-K for the year ended December 31, 2014.

At June 30, 2015, the Company's total risk-based capital ratio was 13.07%, Tier 1 capital to risk-weighted assets ratio was 12.06%, common equity Tier 1 capital to risk-weighted assets ratio was 9.66% and Tier 1 capital to average asset ratio was

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10.69%. At June 30, 2015, MB Financial Bank's total risk-based capital ratio was 12.32%, Tier 1 capital to risk-weighted assets ratio was 11.31%, common equity Tier 1 capital to risk-weighted assets ratio was 11.31% and Tier 1 capital to average asset ratio was 10.02%. MB Financial Bank was categorized as "Well-Capitalized" at June 30, 2015 under the regulations of the Office of the Comptroller of the Currency.

#### 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, net interest margin on a fully tax equivalent basis and net interest margin on a fully tax equivalent basis excluding the effect of the acquisition accounting discount accretion on loans acquired through the Merger. Our management uses these non-GAAP measures, together with the related GAAP measures, in its analysis of our performance and in making business decisions. Management also uses these measures for peer comparisons. 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. Management also believes that presenting net interest margin on a tax equivalent basis excluding the effect of the acquisition accounting discount accretion on loans acquired through the Merger is useful in assessing the impact of acquisition accounting on net interest margin, as the effect of loan discount accretion is expected to decrease as the acquired loans mature or roll off our balance sheet. 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 and net interest margin on a fully tax equivalent basis excluding the effect of the acquisition accounting discount accretion on loans acquired through the Merger 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 documents filed or furnished 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 revenues, cost savings, synergies and other benefits from the Merger and our other merger and acquisition activities might not be realized within the anticipated time frames or at all, and costs or difficulties relating to integration matters, including but not limited to customer and employee retention, might be greater than expected; (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 and lease losses, which could necessitate additional provisions for loan losses, resulting both from loans we originate and loans we acquire from other financial institutions; (3) results of examinations by the Office of Comptroller of Currency, the Federal Reserve Board, the Consumer Financial Protection Bureau and other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require us to increase our allowance for loan

and lease losses or write-down assets; (4) competitive pressures among depository institutions; (5) interest rate movements and their impact on customer behavior, net interest margin and the value of our mortgage servicing rights; (6) the possibility that our mortgage banking business may increase volatility in our revenues and earnings and the possibility that the profitability of our mortgage banking business could be significantly reduced if we are unable to originate and sell mortgage loans at profitable margins or if changes in interest rates negatively impact the value of our mortgage servicing rights; (7) the impact of repricing and competitors' pricing initiatives on loan and deposit products; (8) fluctuations in real estate values; (9) the ability to adapt successfully to technological changes to meet customers' needs and developments in the market-place; (10) our ability to realize the residual values of our direct finance, leveraged, and operating leases; (11) our ability to access cost-effective funding; (12) changes in financial markets; (13) changes in economic conditions in general and in the Chicago metropolitan area in particular; (14) the costs, effects and outcomes of litigation; (15) new legislation or regulatory changes, including but not limited to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") and regulations adopted thereunder, changes in capital requirements pursuant to the Dodd-Frank Act, other governmental initiatives affecting the financial services industry and changes in federal and/or state tax laws or interpretations thereof by taxing authorities; (16) changes in accounting

principles, policies or guidelines; (17) our future acquisitions of other depository institutions or lines of business; and (18) future goodwill impairment due to changes in our business, changes in market conditions, or other factors.

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.

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### 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 growth, 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 15 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 our interest earning assets or average rate of our 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 rate assets and liabilities that reprice at similar times, have similar maturities or repricing dates, are based on different indexes still have interest rate risk. Basis risk reflects the possibility that indexes will not move in a coordinated manner.

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 own to those with limited average life changes under certain interest-rate shock scenarios, or securities with embedded prepayment penalties.

**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 June 30, 2015 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 June 30, 2015 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: 4%, 10%, and 6%, respectively, in the first three months, 11%, 26%, and 15%, respectively, in the next nine months, 52%, 58%, and 57%, respectively, from one year to five years, and 33%, 6%, and 22%, 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 earning deposits with banks	\$ 141,804	\$ 470	\$ 1,880	\$—	\$ 144,154	
Investment securities	263,927	364,578	1,467,425	839,648	2,935,578	
Loans held for sale	801,343	—	—	—	801,343	
Loans, including covered loans	4,132,159	1,590,132	3,198,035	173,630	9,093,956	
Total interest earning assets	\$ 5,339,238	\$ 1,955,180	\$ 4,667,340	\$ 1,013,278	\$ 12,975,036	
<b>Interest Bearing Liabilities:</b>						
NOW and money market deposit accounts	\$ 270,467	\$ 736,238	\$ 2,107,348	\$ 728,211	\$ 3,842,264	
Savings deposits	53,183	149,922	551,412	216,358	970,875	
Time deposits	436,348	737,522	491,663	5,137	1,670,670	
Short-term borrowings	1,175,807	59,750	133,289	13,789	1,382,635	
Long-term borrowings	5,419	55,278	27,088	1,854	89,639	
Junior subordinated notes issued to capital trusts	185,971	—	—	—	185,971	
Total interest bearing liabilities	\$ 2,127,195	\$ 1,738,710	\$ 3,310,800	\$ 965,349	\$ 8,142,054	
Rate sensitive assets (RSA)	\$ 5,339,238	\$ 7,294,418	\$ 11,961,758	\$ 12,975,036	\$ 12,975,036	
Rate sensitive liabilities (RSL)	2,127,195	3,865,905	7,176,705	8,142,054	8,142,054	
Cumulative GAP (GAP=RSA-RSL)	3,212,043	3,428,513	4,785,053	4,832,982	4,832,982	
RSA/Total assets	35.55	% 48.57	% 79.65	% 86.40	% 86.40	%
RSL/Total assets	14.16	25.74	47.79	54.21	54.21	
GAP/Total assets	21.39	22.83	31.86	32.18	32.18	
GAP/RSA	60.16	47.00	40.00	37.25	37.25	

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 gradual changes in interest rates over a one-year period, we believe that our net interest income would change due to changes in interest rates as follows (dollars in thousands):

Gradual Changes in Levels of	Changes in Net Interest Income Over One Year Horizon			
	June 30, 2015		December 31, 2014	
	Dollar	Percentage	Dollar	Percentage

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Interest Rates	Change	Change	Change	Change	
+ 2.00%	\$23,740	5.21	% \$19,270	4.60	%
+ 1.00%	11,177	2.45	7,930	1.89	
- 1.00%	(20,453	) (4.49	) (20,299	) (4.85	)

In the interest rate sensitivity table above, changes in net interest income between June 30, 2015 and December 31, 2014 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 changes in net interest income incorporate the impact of loan floors as well as shifts from low cost deposits to higher cost certificates of deposit in a rising rate environment.

The assumptions used in our interest rate sensitivity simulation 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. Our model assumes that a portion of our variable rate loans that have minimum interest rates will remain in our portfolio regardless of changes in the interest rate environment. 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 June 30, 2015 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 June 30, 2015, 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 June 30, 2015, no change occurred in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our 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.



## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

We are involved from time to time as plaintiff or defendant in various legal actions arising in the normal course of our businesses. While the ultimate outcome of pending proceedings cannot be predicted with certainty, it is the opinion of management, after consultation with counsel representing us in such proceedings, that the resolution of these proceedings should not have a material adverse effect on our consolidated financial position or results of operation.

## Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2014.

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

The following table sets forth information for the three months ended June 30, 2015 with respect to our repurchases of our outstanding common shares:

	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in Thousands)
April 1, 2015 — April 30, 2015	2,666	\$ 30.83	—	—
May 1, 2015 — May 31, 2015	—	—	—	—
June 1, 2015 — June 30, 2015	108,402	32.57	93,700	\$ 46,945
Total	111,068	\$ 32.53	93,700	

<sup>(1)</sup> Represents shares withheld to satisfy tax withholding obligations upon the exercise of stock options and vesting of restricted stock awards.

In the second quarter of 2015, the Company's Board of Directors authorized the Company to purchase up to \$50 million of the Company's common stock from time to time over twelve-month period, subject to market conditions and other factors. The Company repurchased \$3.1 million, or approximately 93,700 shares, of its common stock in the second quarter of 2015.

## 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.  
(registrant)

Date: July 31, 2015      By: /s/Mitchell Feiger  
Mitchell Feiger  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: July 31, 2015      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	Agreement and Plan of Merger, dated as of July 14, 2013, by and among the Registrant and Taylor Capital Group, Inc. (incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on July 18, 2013 (File No.0-24566-01))
2.2	Amendment, dated as of June 30, 2014, to Agreement and Plan of Merger, dated as of July 14, 2013, by and between the Registrant and Taylor Capital Group, Inc. (incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on July 1, 2014 (File No.0-24566-01))
2.3	Letter Agreement, dated as of June 30, 2014, by and between the Registrant and Taylor Capital Group, Inc. (incorporated herein by reference to Exhibit 2.2 to the Registrant's Current Report on Form 8-K filed on July 1, 2014 (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))
2.5	Purchase and Assumption Agreement among Federal Deposit Insurance Corporation, Receiver of Corus Bank, National Association, Chicago, Illinois, Federal Deposit Insurance Corporation and MB Financial Bank, N.A., dated as of September 11, 2009 (incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on September 17, 2010 (File No.0-24566-01))
2.6	Purchase and Assumption Agreement among Federal Deposit Insurance Corporation, Receiver of Broadway Bank, Chicago, Illinois, Federal Deposit Insurance Corporation and MB Financial Bank, N.A., dated as of April 23, 2010 (incorporated herein by reference to Exhibit 2.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (File No. 0-24566-01))
2.7	Purchase and Assumption Agreement among Federal Deposit Insurance Corporation, Receiver of New Century Bank, Chicago, Illinois, Federal Deposit Insurance Corporation and MB Financial Bank, N.A., dated as of April 23, 2010 (incorporated herein by reference to Exhibit 2.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (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 for the quarter ended September 30, 2014 (File No. 001-36599))
3.1A	Articles Supplementary to the Charter of the Registrant for the Registrant's Perpetual Non-Cumulative Preferred Stock, Series A (incorporated herein by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form 8-A filed on August 14, 2014 (File No.001-36599))

- 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 March 2, 2015 (File No. 001-36599))
- 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

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EXHIBIT INDEX

Exhibit Number	Description
10.1	Letter Agreement, dated as of December 5, 2008, between the Registrant and the United States Department of the Treasury (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 8, 2008 (File No.0-24566-01))
10.2	Amended and Restated Employment Agreement between the Registrant and Mitchell Feiger (incorporated herein by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 0-24566-01))
10.4	Form of Change and Control Severance Agreement between MB Financial Bank, National Association and Jill E. York (incorporated herein by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 0-24566-01))
10.4B	Form of Change and Control Severance Agreement between MB Financial Bank, National Association and each of Larry J. Kallembach, Brian Wildman, Rosemarie Bouman and Susan Peterson (incorporated herein by reference to Exhibit 10.4B to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 0-24566-01))
10.4C	Form of Change in Control Severance Agreement between MB Financial Bank, National Association and each of Mark A. Heckler and Edward F. Milefchik (incorporated herein by reference to Exhibit 10.4C to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (File No. 0-24566-01))
10.4D	Form of Change in Control Severance Agreement between MB Financial Bank, National Association and each of Randall T. Conte, Michael J. Morton, Lawrence G. Ryan and Michael D. Sharkey (incorporated herein by reference to Exhibit 10.4D to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (File No. 001-36599))
10.4E	Separation Agreement by and between MB Financial Bank, National Association, and Larry J. Kallembach (incorporated herein by reference to Exhibit 10.4E to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36599))
10.5	Form of Letter Agreement dated December 4, 2008 between MB Financial, Inc. and each of Mitchell Feiger, Jill E. York, Larry J. Kallembach, Brian Wildman, Rosemarie Bouman, and Susan Peterson relating to the TARP Capital Purchase Program (incorporated herein by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 0-24566-01))
10.5A	Form of Compensation Amendment and Waiver Agreement under the TARP Capital Purchase Program between MB Financial, Inc. and certain employees (incorporated herein by reference to Exhibit 10.5A to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (File No. 0-24566-01))
10.5B	Form of Compensation Amendment and Waiver Agreement under the TARP Capital Purchase Program between MB Financial, Inc. and each of Mark A. Heckler and Edward F. Milefchik

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(incorporated herein by reference to Exhibit 10.5B to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (File No. 0-24566-01))

10.7

MB Financial, Inc. Third Amended and Restated Omnibus Incentive Plan (the "Omnibus Incentive Plan") (incorporated herein by reference to Appendix A to the Registrant's definitive proxy statement filed on April 11, 2014 (File No. 0-24566-01))

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Exhibit Number	Description
10.8	MB Financial Stock Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 0-24566-01))
10.9	MB Financial Non-Stock Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 0-24566-01))
10.10	Avondale Federal Savings Bank Supplemental Executive Retirement Plan Agreement (incorporated herein by reference to Exhibit 10.2 to the Annual Report on Form 10-K of MB Financial, Inc., a Delaware corporation (then known as Avondale Financial Corp.) for the year ended December 31, 1996 (File No. 0-24566))
10.11	Agreement Regarding Salary Adjustment and Portion of Salary Payable by Stock, dated as of December 21, 2009, between MB Financial, Inc. and Mitchell Feiger (incorporated herein by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 0-24566-01))
10.11A	Form of Agreement Regarding Salary Adjustment and Portion of Salary Payable by Stock between MB Financial, Inc. and Rosemarie Bouman, Mark A. Heckler, Larry J. Kallembach, Edward F. Milefchik, Susan G. Peterson and Brian J. Wildman (incorporated herein by reference to Exhibit 10.11A to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (File No. 0-24566-01))
10.12	Agreement Regarding Salary Adjustment and Portion of Salary Payable by Stock, dated as of December 21, 2009, between MB Financial, Inc. and Jill E. York (incorporated herein by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 0-24566-01))
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))
10.15	Tax Gross Up Agreements between the Registrant and each of Mitchell Feiger, Jill E. York, Larry J. Kallembach, Brian Wildman, and Susan Peterson (incorporated herein by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 0-24566-01))
10.15A	Tax Gross Up Agreement between the Registrant and Rosemarie Bouman (incorporated herein by reference to Exhibit 10.15A to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (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))

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Exhibit Number	Description
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))
10.18A	Amendment to Form of Incentive Stock Option Agreement and Form of Restricted Stock Agreement for Executive Officers under the Omnibus Incentive Plan (incorporated herein by reference to Exhibit 10.18A to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 0-24566-01))
10.18B	Form of Performance-Based Restricted Stock Agreement for Executive Officers under the Omnibus Incentive Plan (incorporated herein by reference to Exhibit 10.18B to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (File No. 0-24566-01))
10.18C	Form of Restricted Stock Agreement for grants on December 2, 2009 to Mitchell Feiger and Jill E. York (incorporated herein by reference to Exhibit 10.18C to the Registrant's Current Report on Form 8-K filed on December 7, 2009 (File No. 0-24566-01))
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))

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10.22A      Amendment to First Oak Brook Bancshares, Inc. Directors Stock Plan (incorporated herein by reference to Exhibit 10.22A to the Registrant's Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2007 filed on May 15, 2007 (File No. 0-24566-01))

10.23      Letter Agreement, dated as of June 30, 2014, by and among the Registrant and certain principal stockholders of Taylor Capital Group, Inc. (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 1, 2014 (File No.0-24566-01))

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Exhibit Number	Description
10.23A	Supplemental Agreement, dated as of August 15, 2014, by and among the Registrant, MB Financial Bank, N.A., and Jennifer W. Steans, as representative of certain principal stockholders of Taylor Capital Group, Inc. (incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on August 20, 2014 (File No.001-36599))
10.23B	Escrow Agreement, dated as of August 15, 2014, by and among MB Financial Bank, N.A., Jennifer W. Steans, as representative of certain principal stockholders of Taylor Capital Group, Inc., and The Northern Trust Company, as escrow agent (incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on August 20, 2014 (File No.001-36599))
10.24	Employment Agreement, dated as of July 14, 2013 by and between the Registrant, MB Financial Bank, N.A. and Mark A. Hoppe (included as Exhibit E to the Agreement and Plan of Merger, dated as of July 14, 2013, by and between the Registrant and Taylor Capital Group, Inc. (incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on July 18, 2013 (File No.0-24566-01)))
10.25	Taylor Capital Group, Inc. Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.1 to the Annual Report on Form 10-K of Taylor Capital Group, Inc. for the year ended December 31, 2008 (File No. 000-50034))
10.25A	Trust Under Taylor Capital Group, Inc. Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.17 of the Registration Statement on Form S-1 of Taylor Capital Group, Inc. filed May 24, 2002 (Registration No. 333-89158))
10.25B	Amendment to the Taylor Capital Group, Inc. Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.25B to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (File No. 001-36599))
10.26	Taylor Capital Group, Inc. Senior Officer Change in Control Severance Plan (incorporated herein by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q of Taylor Capital Group, Inc. for the quarterly period ended June 30, 2009 (File No. 000-50034))
10.26A	Amendment to the Taylor Capital Group, Inc. Senior Officer Change in Control Severance Plan (incorporated herein by reference to Exhibit 10.26A to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (File No. 001-36599))
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)

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))

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Exhibit Number	Description
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))
10.30	Form of Performance Share Unit Award Agreement (incorporated herein by reference to Exhibit 10.30 to the Registrant's Current Report on Form 8-K filed on September 5, 2012 (File No. 0-24566-01))
10.31	Form of Incentive Stock Option Agreement (Management Committee) (incorporated herein by reference to Exhibit 10.31 to the Registrant's Current Report on Form 8-K filed on September 5, 2012 (File No. 0-24566-01))
10.32	Form of Restricted Stock Agreement (Management Committee) (incorporated herein by reference to Exhibit 10.32 to the Registrant's Current Report on Form 8-K filed on September 5, 2012 (File No. 0-24566-01))
10.32A	Form of Restricted Stock Unit Agreement (Management Committee) (incorporated herein by reference to Exhibit 10.32A to the Registrant's Current Report on Form 8-K filed on September 5, 2012 (File No. 0-24566-01))
31.1	Rule 13a — 14(a)/15d — 14(a) Certification (Chief Executive Officer)*
31.2	Rule 13a — 14(a)/15d — 14(a) Certification (Chief Financial Officer)*
32	Section 1350 Certifications*
101	The following financial statements from the MB Financial, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, formatted in Extensive Business Reporting Language (XBRL): (i) consolidated balance sheets, (ii) consolidated statements of operations, (iii) consolidated statements of comprehensive income, (iv) consolidated statements of cash flows and (v) the notes to consolidated financial statements*

\* Filed herewith