FORM 10-Q

MB FINANCIAL INC /MD - MBFI

Filed: November 07, 2008 (period: September 30, 2008)

Quarterly report which provides a continuing view of a company's financial position

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

FORM 10-Q

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

For the quarterly period ended September 30, 2008

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 0-24566-01

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

Maryland
(State or other jurisdiction of incorporation or organization)

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

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

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

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

Yes ☒ No☐

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

Large accelerated filer☒ Accelerated filer☐

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

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

Yes☐ No☒

There were outstanding 34,868,737 shares of the registrant's common stock as of November 7, 2008.

MB FINANCIAL, INC. AND SUBSIDIARIES

FORM 10-Q

September 30, 2008

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PART I. – FINANCIAL INFORMATION

Item 1. – Financial Statements

MB FINANCIAL, INC. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2008 and December 31, 2007
(Amounts in thousands, except common share data)
(Unaudited)

	September 30, 2008	December 31, 2007
ASSETS		
Cash and due from banks	$ 118,191	$ 141,248
Interest bearing deposits with banks	6,043	9,093
Total cash and cash equivalents	124,234	150,341
Investment securities		
Securities available for sale, at fair value	1,220,229	1,177,714
Non-marketable securities - FHLB and FRB stock	63,913	63,671
Total investment securities	1,284,142	1,241,385
Loans (net allowance for loan losses of $88,863 at September 30, 2008 and $65,103 at December 31, 2007)	6,007,184	5,550,524
Lease investments, net	117,474	97,321
Premises and equipment, net	185,556	183,722
Cash surrender value of life insurance	120,481	116,690
Goodwill, net	387,069	379,047
Other intangibles, net	26,689	25,352
Other assets	105,780	90,321
Total assets	$ 8,358,609	$ 7,834,703
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest bearing	$ 935,153	$ 875,491
Interest bearing	5,434,256	4,638,292
Total deposits	6,369,409	5,513,783
Short-term borrowings	385,087	977,721
Long-term borrowings	479,548	208,865
Junior subordinated notes issued to capital trusts	158,872	159,016
Accrued expenses and other liabilities	76,172	112,949
Total liabilities	7,469,088	6,972,334
Minority Interest	2,595	-
Stockholders' equity		
Common stock, ($0.01 par value; authorized 43,000,000 shares at September 30, 2008 and December 31, 2007; issued 37,539,615 shares at September 30, 2008 and 37,401,023 at December 31, 2007)	375	374
Additional paid-in capital	443,380	441,201
Retained earnings	527,453	505,260
Accumulated other comprehensive income	3,584	7,597
Less: 2,674,240 and 2,785,573 shares of Treasury stock, at cost, at September 30, 2008 and December 31, 2007, respectively	(87,866)	(92,063)
Total stockholders' equity	$ 886,926	$ 862,369
Total liabilities, minority interest and stockholders' equity	$ 8,358,609	$ 7,834,703

See Accompanying Notes to Consolidated Financial Statements.

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

	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Interest income:				
Loans	$ 88,266	$ 101,488	$ 269,601	$ 292,214
Investment securities available for sale:				
Taxable	10,569	11,983	30,541	39,494
Nontaxable	3,977	3,586	11,558	10,213
Federal funds sold	165	52	274	354
Other interest bearing accounts	84	63	279	162
Total interest income	103,061	117,172	312,253	342,437
Interest expense:				
Deposits	37,216	47,942	112,374	139,732
Short-term borrowings	2,966	9,617	16,184	27,625
Long-term borrowings & junior subordinated notes	6,273	5,530	17,553	16,746
Total interest expense	46,455	63,089	146,111	184,103
Net interest income	56,606	54,083	166,142	158,334
Provision for loan losses	18,400	4,500	53,140	11,313
Net interest income after provision for loan losses	38,206	49,583	113,002	147,021
Other income:				
Loan service fees	2,385	1,253	7,330	4,178
Deposit service fees	7,330	6,501	20,749	17,283
Lease financing, net	4,533	3,952	12,369	11,692
Brokerage fees	1,177	2,067	3,349	7,735
Trust & asset management fees	3,276	2,490	9,085	8,346
Net (loss) gain on sale of investment securities	-	(114)	1,106	(2,215)
Increase in cash surrender value of life insurance	1,995	1,288	4,729	3,778
Net gain (loss) on sale of other assets	26	293	(230)	9,374
Merchant card processing	4,541	4,131	13,715	12,054
Other operating income	1,162	1,398	4,327	4,698
	26,425	23,259	76,529	76,923
Other expense:				
Salaries & employee benefits	29,305	27,164	85,196	78,620
Occupancy & equipment expense	7,120	6,928	21,612	21,182
Computer services expense	1,840	1,615	5,419	4,961
Advertising & marketing expense	1,487	1,214	4,307	4,068
Professional & legal expense	884	593	1,993	1,772
Brokerage fee expense	564	1,152	1,453	4,182
Telecommunication expense	621	681	2,157	2,051
Other intangible amortization expense	913	874	2,641	2,633
Merchant card processing	4,175	3,718	12,537	10,790
Charitable contributions	-	31	30	3,219
Other operating expenses	5,257	4,857	15,171	14,228
	52,166	48,827	152,516	147,706
Income before income taxes	12,465	24,015	37,015	76,238
Income tax expense (benefit)	(689)	6,709	(3,970)	22,146
Income from continuing operations	13,154	17,306	40,985	54,092
Discontinued operations				
Income from discontinued operations before income taxes	-	1,499	-	4,731
Income taxes		500		1,356
Income from discontinued operations	-	999	-	3,375
Net Income	$ 13,154	$ 18,305	$ 40,985	$ 57,467

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	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Common share data:				
Basic earnings per common share from continuing operations	$ 0.38	$ 0.48	$ 1.18	$ 1.49
Basic earnings per common share from discontinued operations	-	0.03	-	0.09
Basic earnings per common share	$ 0.38	$ 0.51	$ 1.18	$ 1.59
Diluted earnings per common share from continuing operations	$ 0.38	$ 0.48	$ 1.17	$ 1.47
Diluted earnings per common share from discontinued operations	-	0.03	-	0.09
Diluted earnings per common share	$ 0.38	$ 0.51	$ 1.17	$ 1.56
Weighted average common shares outstanding	34,732,633	35,733,165	34,682,065	36,197,787
Diluted weighted average common shares outstanding	35,074,297	36,213,532	35,060,745	36,731,126

See Accompanying Notes to Consolidated Financial Statements.

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

	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Cash Flows From Continuing Operating Activities:		
Net income	$ 40,985	$ 57,467
Net income from discontinued operations	-	(3,375)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation on premises and equipment	8,715	8,358
Depreciation on leased equipment	23,238	19,377
Amortization of restricted stock awards	1,895	1,426
Compensation expense for stock option grants	1,992	2,401
Gain on sales of premises and equipment, leased equipment and other assets	(396)	(10,731)
Amortization of other intangibles	2,641	2,633
Provision for loan losses	53,140	11,313
Deferred income tax benefit	5,746	(5,580)
Amortization of premiums and discounts on investment securities, net	2,420	1,657
Accretion of premiums and discounts on loans, net	(2,264)	(2,578)
Net (gain) loss on sale of investment securities available for sale	(1,106)	2,215
Proceeds from sale of loans held for sale	37,203	50,721
Origination of loans held for sale	(36,769)	(50,050)
Net gains on sale of loans held for sale	(434)	(671)
Increase in cash surrender value of life insurance	(3,791)	(3,778)
Decrease (increase) in other assets	(15,378)	4,478
Increase (decrease) in other liabilities, net	(41,774)	2,638
Net cash provided by continuing operating activities	76,063	87,921
Cash Flows From Continuing Investing Activities:		
Proceeds from sales of investment securities available for sale	9,579	224,465
Proceeds from maturities and calls of investment securities available for sale	245,954	344,254
Purchase of investment securities available for sale	(305,897)	(241,046)
Net increase in loans	(507,535)	(417,634)
Purchases of premises and equipment	(10,581)	(14,199)
Purchases of leased equipment	(44,005)	(33,884)
Proceeds from sales of premises and equipment	124	21,829
Proceeds from sales leased equipment	2,029	6,055
Cash paid, net of cash and cash equivalents in acquisitions	(9,333)	-
Principal paid on lease investments	(876)	(602)
Net cash used in continuing investing activities	(620,541)	(110,762)
Cash Flows From Continuing Financing Activities:		
Net increase (decrease) in deposits	855,627	(30,265)
Net (decrease) increase in short-term borrowings	(592,635)	46,431
Proceeds from long-term borrowings	284,892	25,698
Principal paid on long-term borrowings	(14,208)	(9,001)
Proceeds from junior subordinated notes issued to capital trusts	-	30,000
Treasury stock transactions, net	(330)	(45,130)
Stock options exercised	2,820	3,677
Excess tax benefits from share-based payment arrangements	998	1,293
Dividends paid on common stock	(18,793)	(19,612)
Net cash provided by continuing financing activities	518,371	3,091
Net decrease in cash and cash equivalents from continuing operations	$ (26,107)	$ (19,750)
Cash Flows From Discontinued Operations		
Net cash provided by operating activities of discontinued operations	-	3,925
Net cash provided by investing activities of discontinued operations	-	44,726
Net cash used in financing activities of discontinued operations	-	(43,164)
Net cash provided by discontinued operations	-	5,487
Net decrease in cash and cash equivalents	$ (26,107)	$ (14,263)
Cash and cash equivalents:		
Beginning of period (1)	150,341	160,050
End of period (2)	$ 124,234	$ 145,787
(1) Includes balances from discontinued operations	$ -	$ 12,757
(2) Includes balances from discontinued operations	$ -	$ 18,244

	Nine months ended	
	September 30, 2008	September 30, 2007
Supplemental Disclosures of Cash Flow Information:		
Cash payments from continuing operations for:		
Interest paid to depositors and other borrowed funds	$ 144,991	$ 186,546
Income tax paid, net	10,953	27,392
Supplemental schedule of noncash investing activities from continuing operations:		
Loans transferred to other real estate owned	$ 3,422	$ 584
Loans transferred to repossessed vehicles	985	681
Loans securitized transferred to investment securities available for sale	50,914	-
Long-term borrowings reclassified to short-tem borrowing	-	75,001

See Accompanying Notes to Consolidated Financial Statements.

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NOTE 1. BASIS OF PRESENTATION

These unaudited consolidated financial statements include the accounts of MB Financial, Inc., a Maryland corporation (the "Company"), and its subsidiaries, including its wholly owned national bank subsidiary, MB Financial Bank, N.A. ("MB Financial Bank"), based in Chicago, Illinois. On November 28, 2007, the Company sold Union Bank, N.A. ("Union Bank"), a wholly owned subsidiary of the Company based in Oklahoma City, Oklahoma, to Olney Bancshares of Texas, Inc. This divestiture is accounted for in the accompanying financial statements as discontinued operations. Please see Note 2 to the notes to the unaudited consolidated financial statements for more detail. In the opinion of management, all normal recurring adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods have been made. The results of operations for the three and nine months ended September 30, 2008 are not necessarily indicative of the results to be expected for the entire fiscal year.

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

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

We adopted SFAS No. 157, *Fair Value Measurements* (SFAS 157) effective January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The adoption of SFAS 157 did not have a material impact on the consolidated financial statements or results of operations of the Company. In accordance with Financial Accounting Standards Board Staff Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157," the Company will delay application of SFAS 157 for non-financial assets and non-financial liabilities such as goodwill, other intangibles, real estate owned, and repossessed assets until January 1, 2009. SFAS 157 applies to all financial instruments that are measured and reported on a fair value basis. See Note 15 for additional information.

In conjunction with the adoption of SFAS 157, we also adopted SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of SFAS No. 115* (SFAS 159) as of January 1, 2008. SFAS 159 provides companies the option to report selected financial assets and liabilities at fair value. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. After the initial adoption, the election is made at the acquisition of a financial asset or financial liability and it may not be revoked. The Company has not elected the fair value option for any financial assets or liabilities. See Note 15 for additional information.

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. DISCONTINUED OPERATIONS

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

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

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

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

	Three months ended September 30, 2007	Nine months ended September 30, 2007
Interest income	$ 5,775	$ 18,559
Interest expense	2,660	8,626
Net interest income	3,115	9,933
Provision for loan losses	-	250
Net interest income after provision for loan losses	3,115	9,683
Other income	391	1,153
Other expenses	2,007	6,105
Income before income taxes	1,499	4,731
Applicable income taxes	500	1,356
Income from discontinued operations	$ 999	$ 3,375

NOTE 3. ACQUISITION.

On April 18, 2008, we purchased an 80% interest in Cedar Hill Associates, LLC, an asset management firm located in Chicago, Illinois, with approximately $960 million in assets under management. The purchase of Cedar Hill complements and expands our wealth management product offerings and revenues. The transaction generated approximately $8.0 million in goodwill, $4.0 million in client relationship intangibles, and $2.5 million in minority interest. In addition, the purchase agreement contains potential deferred payments related to earn out provisions over a three year period. Cedar Hill operates as a subsidiary of MB Financial Bank.

NOTE 4. COMPREHENSIVE INCOME

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

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

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Net income from continuing operations	$ 13,154	$ 17,306	$ 40,985	$ 54,092
Net income from discontinued operations	-	999	-	3,375
Net income	$ 13,154	$ 18,305	$ 40,985	$ 57,467
Unrealized holding gains (losses) on investment securities, net of tax	69	12,074	(3,294)	6,268
Reclassification adjustments for (gains) losses included in net income, net of tax	-	74	(719)	1,454
Other comprehensive income (loss), net of tax	69	12,148	(4,013)	7,722
Comprehensive income	$ 13,223	$ 30,453	$ 36,972	$ 65,189

NOTE 5. LOANS.

Information about nonhomogenous impaired loans as of September 30, 2008 and December 31, 2007 are as follows (in thousands):

	September 30, 2008	December 31, 2007
Impaired loans for which there were specific related allowance for loan losses	$ 109,787	$ 18,398
Other impaired loans	-	564
Total impaired loans	$ 109,787	$ 18,962
Related allowance for loan losses	$ 30,357	$ 5,960

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

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Balance at beginning of period	$ 82,544	$ 59,058	$ 65,103	$ 58,983
Provision for loan losses	18,400	4,500	53,140	11,313
Charge-offs	(12,724)	(3,395)	(31,801)	(11,794)
Recoveries	643	959	2,421	2,620
Balance at September 30,	$ 88,863	$ 61,122	$ 88,863	$ 61,122

NOTE 6. GOODWILL AND INTANGIBLES.

Goodwill is subject to at least annual assessments for impairment by applying a fair-value based test. An acquired intangible asset must be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so. No impairment losses on goodwill or other intangibles were incurred in the nine months ended September 30, 2008 or the year ended December 31, 2007.

The following table presents the changes in the carrying amount of goodwill during the nine months ended September 30, 2008 and the year ended December 31, 2007 (in thousands):

	September 30, 2008	December 31, 2007
Balance at beginning of period	$ 379,047	$ 379,047
Goodwill from business combinations	8,022	-
Balance at end of period	$ 387,069	$ 379,047

The Company has other intangible assets consisting of core deposit and client relationship intangibles that had, as of September 30, 2008, a remaining weighted average amortization period of approximately 5 years.

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

	Amount
Year ending December 31,	
2008	$ 1,011
2009	3,493
2010	3,283
2011	2,953
2012	2,744
Thereafter	13,205
	$ 26,689

NOTE 7. RECENT ACCOUNTING PRONOUNCEMENTS.

The FASB issued FASB Staff Position (FSP) FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* (FSP 157-3). FSP 157-3 clarifies the application of FASB Statement No. 157, Fair Value Measurements, in a market that is not active.

FSP 157-3 is effective October 10, 2008, and for prior periods for which financial statements have not been issued. Revisions resulting from a change in the valuation technique or its application should be accounted for as a change in accounting estimate following the guidance in FASB Statement No. 154, *Accounting Changes and Error Corrections* (SFAS 154). However, the disclosure provisions in SFAS 154 for a change in accounting estimate are not required for revisions resulting from a change in valuation technique or its application. Management does not believe that the adoption of FSP 157-3 will have a material impact on the Company's financial statements.

The FASB has issued FASB Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). SFAS 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles for nongovernmental entities. SFAS 162 is effective 60 days following the SEC's approval of the PCAOB amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles.* Management does not believe that the adoption of SFAS 162 will have a material impact on the Company's financial statements.

On March 19, 2008, the FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement 133* (SFAS 161). SFAS 161 enhances required disclosures regarding derivatives and hedging activities, including enhanced disclosures regarding how: (*a*) an entity uses derivative instruments; (*b*) derivative instruments and related hedged items are accounted for under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities;* and (*c*) derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Specifically, SFAS 161 requires:

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

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

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

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

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

On December 4, 2007, the FASB issued FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51* (SFAS 160). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. Management is currently evaluating the provisions of SFAS 160 and its potential effect on the Company's financial statements.

NOTE 8. STOCK-BASED COMPENSATION.

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

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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 September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Total cost of share-based payment plans during the year	$ 1,616	$ 1,582	$ 3,887	$ 3,827
Amount of related income tax benefit recognized in income	$ 460	$ 529	$ 1,227	$ 1,293

The Company adopted the Omnibus Incentive Plan (the "Omnibus Plan") in 1997. In April 2007, the Omnibus Plan was modified to add 2,250,000 authorized shares. The Omnibus Plan now authorizes 6,000,000 shares of common stock for issuance to directors, officers, and employees of the Company or any of its subsidiaries. As of September 30, 2008, there were approximately 1.2 million shares available for grants. Grants under the Omnibus Plan can be in the form of stock options, either incentive or non-qualified, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, and other stock-based awards.

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

The following table provides information about options outstanding for the nine months ended September 30, 2008:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Options outstanding as of December 31, 2007	2,625,051	$29.59		
Granted	925,953	$25.62		
Exercised	(133,267)	$17.22		
Expired or cancelled	(23,312)	$31.45		
Forfeited	(40,333)	$35.59		
Options outstanding as of September 30, 2008	3,354,092	$28.90	6.73	$19.3
Options exercisable as of September 30, 2008	1,419,266	$25.35	3.83	$12.5

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

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The following assumptions were used for options granted during the nine month period ended September 30, 2008:

	September 30, 2008
Expected volatility	18.86%
Risk free interest rate	3.64%
Dividend yield	2.95%
Expected life	6 years
Weighted average fair value per option of options granted during the period	$ 3.84

The total intrinsic value of options exercised during the nine months ended September 30, 2008 and 2007 was $1.8 million and $2.1 million, respectively.

The following is a summary of changes in nonvested shares of restricted stock and nonvested restricted stock units for the nine months ended September 30, 2008:

	Number of Shares	**Weighted Average Grant Date Fair Value**
Shares Outstanding at December 31, 2007	134,722	$ 35.74
Granted	136,212	25.96
Vested	(36,672)	39.10
Cancelled	(9,028)	33.73
Shares Outstanding at September 30, 2008	225,234	$ 29.36

As of September 30, 2008, there was $11.1 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements (including share option and nonvested share awards) granted under the Omnibus Plan.

NOTE 9. SHORT-TERM BORROWINGS.

Short-term borrowings are summarized as follows as of September 30, 2008 and December 31, 2007 (dollars in thousands):

	September 30, 2008		**December 31, 2007**	
	Weighted Average Interest Rate	**Amount**	**Weighted Average Interest Rate**	**Amount**
Federal funds purchased	-	$ -	3.86%	$ 170,000
Assets under agreements to repurchase:				
Customer repurchase agreements	1.31	260,087	3.02	367,702
Federal Home Loan Bank advances	2.76	125,000	5.05	440,019
	1.78%	$ 385,087	4.08%	$ 977,721

Assets sold under agreements to repurchase are agreements in which the Company acquires funds by selling securities or investment grade lease loans to another party under a simultaneous agreement to repurchase the same securities or lease loans at a specified price and date. The Company enters into repurchase agreements and also offers a demand deposit account product to customers that sweeps their balances in excess of an agreed upon target amount into overnight repurchase agreements. All repurchase agreements outstanding at September 30, 2008 and December 31, 2007 were repurchase agreements with customers.

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At September 30, 2008, Federal Home Loan Bank advances had fixed terms with effective interest rates, net of premiums, ranging from 2.44% to 4.03% and are subject to a prepayment fee. At September 30, 2008, the advances had maturities ranging from December 2008 to March 2009.

A collateral pledge agreement exists whereby at all times, the Company must keep on hand, free of all other pledges, liens, and encumbrances, first mortgage loans and home equity loans with unpaid principal balances aggregating no less than 133% for first mortgage loans and 200% for home equity loans for all of the outstanding secured advances from the Federal Home Loan Bank. As of September 30, 2008 and December 31, 2007, the Company had $410.4 million and $426.7 million, respectively, of loans pledged as collateral for all Federal Home Loan Bank advances. Additionally, as of September 30, 2008 and December 31, 2007, the Company had $244.1 million and $137.5 million, respectively, of investment securities pledged as collateral for all secured advances (both long-term and short-term) from the Federal Home Loan Bank.

The Company has a $30 million correspondent bank line of credit which has certain covenants that require the Company to maintain "Well Capitalized" capital ratios, to have no other debt except in the usual course of business, and requires the Company to maintain minimum financial ratios on return on assets as well as maintain certain financial ratios related to the loan loss allowance and non-performing assets. The Company was in compliance with such covenants as of September 30, 2008. The correspondent bank line of credit, which is used for short-term liquidity purposes, is secured by the stock of MB Financial Bank, and its terms are renewed annually. The correspondent line of credit was last renewed on October 1, 2008. As of September 30, 2008 and December 31, 2007, no balances were outstanding on the correspondent line of credit.

NOTE 10. LONG TERM BORROWINGS.

The Company had Federal Home Loan Bank advances with maturities greater than one year of $361.2 million and $105.1 million at September 30, 2008 and December 31, 2007, respectively. As of September 30, 2008, the advances had fixed terms with effective interest rates, net of premiums, ranging from 3.26% to 5.87%.

The Company had notes payable to banks totaling $27.1 million and $12.5 million at September 30, 2008 and December 31, 2007, respectively, which as of September 30, 2008, were accruing interest at rates ranging from 4.27% to 12.00%. Lease investments includes equipment with an amortized cost of $32.4 million and $16.1 million at September 30, 2008 and December 31, 2007, respectively, that is pledged as collateral on these notes.

The Company had a $40 million ten year structured repurchase agreement which is non-putable until 2011 as of September 30, 2008. The borrowing agreement floats at 3-month LIBOR less 37 basis points and reprices quarterly. The counterparty to the repurchase agreement has a one-time put option in 2011. If the option is not exercised, the repurchase agreement converts to a fixed rate borrowing at 4.75% for the remaining five year term.

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

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

	Amount
Year ending December 31,	
2008	$ 11,159
2009	44,590
2010	144,028
2011	42,271
2012	34,217
Thereafter	203,283
	$ 479,548

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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 trust preferred securities are issues that qualify, and are treated by the Company, as Tier 1 regulatory capital. The Company owns all of the common securities of each trust. The trust preferred securities issued by each trust rank equally with the common securities in right of payment, except that if an event of default under the indenture governing the notes has occurred and is continuing, the preferred securities will rank senior to the common securities in right of payment. FOBB Capital Trusts I and III were established by FOBB prior to the Company's acquisition of FOBB, and the junior subordinated notes issued by FOBB to FOBB Capital Trusts I and III were assumed by the Company upon completion of the acquisition.

The table below summarizes the outstanding junior subordinated notes and the related trust preferred securities issued by each trust as of September 30, 2008 (in thousands):

	Coal City Capital Trust I	MB Financial Capital Trust II	MB Financial Capital Trust III	MB Financial Capital Trust IV
Junior Subordinated Notes:				
Principal balance	$ 25,774	$ 36,083	$ 10,310	$ 20,619
Annual interest rate	3-mo LIBOR + 1.80%	3-mo LIBOR +1.40%	3-mo LIBOR +1.50%	3-mo LIBOR +1.52%
Stated maturity date	September 1, 2028	September 15, 2035	September 23, 2036	September 15, 2036
Call date	September 1, 2008	September 15, 2010	September 23, 2011	September 15, 2011
Trust Preferred Securities:				
Face value	$ 25,000	$ 35,000	$ 10,000	$ 20,000
Annual distribution rate	3-mo LIBOR + 1.80%	3-mo LIBOR +1.40%	3-mo LIBOR +1.50%	3-mo LIBOR +1.52%
Issuance date	July 1998	August 2005	July 2006	August 2006
Distribution dates (1)	Quarterly	Quarterly	Quarterly	Quarterly

	MB Financial Capital Trust V	MB Financial Capital Trust VI	FOBB (2) Capital Trust I	FOBB (2) Capital Trust III
Junior Subordinated Notes:				
Principal balance	$ 30,928	$ 23,196	$ 6,186	$ 5,155
Annual interest rate	3-mo LIBOR +1.30%	3-mo LIBOR +1.30%	10.60%	3-mo LIBOR +2.80%
Stated maturity date	December 15, 2037	October 30, 2037	September 7, 2030	January 23, 2034
Call date	December 15, 2012	October 30, 2012	September 7, 2010	January 23, 2009
Trust Preferred Securities:				
Face value	$ 30,000	$ 22,500	$ 6,000	$ 5,000
Annual distribution rate	3-mo LIBOR +1.30%	3-mo LIBOR +1.30%	10.60%	3-mo LIBOR +2.80%
Issuance date	September 2007	October 2007	September 2000	December 2003
Distribution dates (1)	Quarterly	Quarterly	Quarterly	Quarterly

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

(2) Amount does not include purchase accounting adjustments totaling a premium of $621 thousand associated with FOBB Capital Trust I and III.

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

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In March 2005, the Board of Governors of the Federal Reserve System issued a final rule allowing bank holding companies to continue to include qualifying trust preferred securities in their Tier 1 Capital for regulatory capital purposes, subject to a 25% limitation to all core (Tier I) capital elements, net of goodwill less any associated deferred tax liability. The final rule provides a five-year transition period, ending March 31, 2009, for application of the aforementioned quantitative limitation. As of September 30, 2008, 100% of the trust preferred securities qualified as Tier I capital. If the five-year transition period of the final rule had instead expired on September 30, 2008, 100% of our trust preferred securities outstanding as of that date would have qualified as Tier I capital.

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS.

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

The Company uses interest rate swaps to hedge its interest rate risk. The Company had fair value commercial loan interest rate swaps and fair value brokered deposit interest rate swaps with aggregate notional amounts of $13.3 million and $102.7 million, respectively, at September 30, 2008. For fair value hedges, the changes in fair values of both the hedging derivative and the hedged item were recorded in current earnings as other income or other expense. When a fair value hedge no longer qualifies for hedge accounting, previous adjustments to the carrying value of the hedged item are reversed immediately to current earnings and the hedge is reclassified to a trading position.

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

Interest rate swap contracts involve the risk of dealing with counterparties and their ability to meet contractual terms. The net amount payable or receivable under interest rate swaps is accrued as an adjustment to interest income. The net amount receivable as of September 30, 2008 and December 31, 2007 was approximately $695 thousand and $727 thousand, respectively. The Company's credit exposure on interest rate swaps is limited to the Company's net favorable value and interest payments of all swaps to each counterparty. In such cases collateral is required from the counterparties involved if the net value of the swaps exceeds a nominal amount. At September 30, 2008, the Company's credit exposure relating to interest rate swaps was not significant.

The Company's derivative financial instruments are summarized below as of September 30, 2008 and December 31, 2007 (dollars in thousands):

	September 30, 2008					December 31, 2007	
			Weighted-Average				
	Notional Amount	Estimated Fair Value	Years to Maturity	Receive Rate	Pay Rate	Notional Amount	Estimated Fair Value
Derivative instruments designated as hedges of fair value:							
Pay fixed/receive variable swaps (1)	$ 13,308	$ (105)	4.6	4.61%	6.22%	$ 14,320	$ (23)
Pay variable/receive fixed swaps (2)	102,661	(311)	6.6	4.89%	3.14%	151,706	(1,245)
Non-hedging derivative instruments (3):							
Pay fixed/receive variable swaps	181,654	(6,827)	6.4	4.26%	6.37%	119,223	(4,431)
Pay variable/receive fixed swaps	185,493	6,817	6.4	6.34%	4.24%	127,517	4,340
Total portfolio swaps	$ 483,116	$ (426)	6.4	5.20%	4.86%	$ 412,766	$ (1,359)

(1) Hedges fixed-rate commercial real estate loans
(2) Hedges fixed-rate callable brokered deposits

(3) These portfolio swaps are not designated as hedging instruments under SFAS No. 133.

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NOTE 13. INCOME TAXES.

The Company increased the reserve for uncertain tax positions from $3.8 million at December 31, 2007 to $8.2 million at September 30, 2008, primarily due to a decrease in the valuation allowance on state net operating loss carryforwards and an adjustment of state tax contingency reserves during the nine months ended September 30, 2008. The Company reassessed the likelihood of the state net operating losses being more likely than not utilized as a result of prospective tax law changes. The potential future usage of these net operating losses also had a direct impact on the amount of state tax contingency reserves. Not including these adjustments, totaling $9.1 million, our effective tax rate was 13.9% for the nine months ended September 30, 2008.

As a result, income tax expense from continuing operations for the nine months ended September 30, 2008, decreased $26.1 million to a $4.0 million tax benefit compared to $22.1 million tax expense for the nine months ended September 30, 2007.

NOTE 14. 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 September 30, 2008 and December 31, 2007, the following financial instruments were outstanding, the contractual amounts of which represent off-balance sheet credit risk (in thousands):

	Contract Amount	
	September 30, 2008	December 31, 2007
Commitments to extend credit:		
Home equity lines	$ 397,018	$ 402,355
Other commitments	1,337,942	1,615,356
Letters of credit:		
Standby	116,832	132,843
Commercial	57,714	56,136

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

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

Both standby and commercial letters of credit may be issued for any length of time, but normally do not exceed a period of five years. These letters of credit may also be extended or amended from time to time depending on the bank customer's needs. As of September 30, 2008, the maximum remaining term for any standby letter of credit was August 1, 2014. A fee of up to two percent of face value may be charged to the bank customer and is recognized as income over the life of the letter of credit, unless considered non-rebatable under the terms of a letter of credit application.

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At September 30, 2008, the aggregate contractual amount of these letters of credit, which represents the maximum potential amount of future payments that the Company would be obligated to pay, decreased $14.4 million to $174.5 million from $189.0 million at December 31, 2007. Of the $175.9 million in commitments outstanding at September 30, 2008, approximately $59.3 million of the letters of credit have been issued or renewed since December 31, 2007. The Company had $668 thousand of deferred fees recorded as of September 30, 2008 relating to these commitments.

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

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

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

As of September 30, 2008, we had approximately $1.2 million in capital expenditure commitments outstanding which relate to various projects to build new branches or renovate existing branches. We expect to pay the outstanding commitments as of September 30, 2008 through the normal cash flows of our business operations.

NOTE 15. FAIR VALUE OF FINANCIAL INSTRUMENTS.

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

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

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

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

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

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

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

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

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

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

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

Impaired Loans. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with SFAS 114, "Accounting by Creditors for Impairment of a Loan," (SFAS 114). The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At September 30, 2008, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. In accordance with SFAS 157, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

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Financial Instruments Recorded at Fair Value on a Recurring Basis

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of September 30, 2008, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	Fair Value Measurements at September 30, 2008 Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Securities available for sale	$ 1,220,229	$ 3,524	$ 1,216,705	$ -
Assets held in trust for deferred compensation	6,728	6,728	-	-
Derivative financial instruments	6,817	-	6,817	-
Financial liabilities				
Other liabilities (1)	6,728	6,728	-	-
Derivative financial instruments	7,243	-	7,253	-

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

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

Assets measured at fair value on a nonrecurring basis are included in the table below (in thousands):

	Fair Value Measurements at September 30, 2008 Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Impaired loans	$ 79,430	$ -	$ -	$ 79,430

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

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

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

Overview

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

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

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

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

Our net income from continuing operations was $13.2 million for the third quarter of 2008, compared to $17.3 million for the third quarter of 2007. Our 2008 third quarter results generated an annualized return on average assets from continuing operations of 0.63% and an annualized return on average equity from continuing operations of 5.91%, compared to 0.86% and 8.10%, respectively, for the same period in 2007. Fully diluted earnings per share from continuing operations for the third quarter of 2008 decreased to $0.38 compared to $0.48 per share in the 2007 third quarter.

Critical Accounting Policies

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

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

Residual Value of Our Direct Finance, Leveraged, and Operating Leases. Lease residual value represents the present value of the estimated fair value of the leased equipment at the termination date of the lease. Realization of these residual values depends on many factors, including management's use of estimates, assumptions, and judgment to determine such values. Several other factors outside of management's control may reduce the residual values realized, including general market conditions at the time of expiration of the lease, whether there has been technological or economic obsolescence or unusual wear and tear on, or use of, the equipment and the cost of comparable equipment. If, upon the expiration of a lease, we sell the equipment and the amount realized is less than the recorded value of the residual interest in the equipment, we will recognize a loss reflecting the difference. On a quarterly basis, management reviews the lease residuals for potential impairment. If we fail to realize our aggregate recorded residual values, our financial condition and profitability could be adversely affected. At September 30, 2008, the aggregate residual value of the equipment leased under our direct finance, leveraged, and operating leases totaled $44.2 million. See Note 1 and Note 7 of the notes to our December 31, 2007 audited consolidated financial statements for additional information.

Income Tax Accounting. In June 2006, the FASB issued FASB interpretation No. 48, *"Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48).* FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold that a tax position must meet to be recognized in the financial statements. FIN 48 also provides guidance on measurement, recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted FIN 48 as of January 1, 2007. As a result of the implementation of FIN 48, the Company recognized no material adjustment in the liability for uncertain income tax positions. During the nine months ended September 30, 2008, the Company increased the reserve for uncertain tax positions, which was more than offset by a reduction in the valuation allowances on state net operating loss carryforwards, resulting in a reduction of tax expense of $9.1 million. The Company reassessed the likelihood of the state net operating losses being more likely than not utilized as a result of prospective tax law changes. The potential future usage of these net operating losses also had a direct impact on the amount of state tax contingency reserves. The Company elects to treat interest and penalties recognized for the underpayment of income taxes as income tax expense. However, interest and penalties imposed by taxing authorities on issues specifically addressed in FIN 48 will be taken out of the tax reserves up to the amount allocated to interest and penalties. The amount of interest and penalties exceeding the amount allocated in the tax reserves will be treated as income tax expense. As of September 30, 2008, the Company had $877 thousand of accrued interest related to tax reserves. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in our subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of income.

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

The degree of management judgment involved in determining the fair value of assets and liabilities is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not fully available, management judgment is necessary to estimate fair value.

In addition, changes in market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. Therefore, when market data is not available, the Company would use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement.

At September 30, 2008, $1.2 billion of investment securities, or 14.6 percent of total assets, were recorded at fair value on a recurring basis. All of these financial instruments used valuation methodologies involving market-based or market-derived information, collectively Level 1 and 2 measurements, to measure fair value. At September 30, 2008, $14.0 million, or less than one percent of total liabilities, consisted of financial instruments recorded at fair value on a recurring basis.

At September 30, 2008, $79.4 million of impaired loans, or one percent of total assets, were recorded at fair value on a nonrecurring basis. These assets were measured using Level 3 measurements. At September 30, 2008, no liabilities were measured at fair value on a nonrecurring basis.

See Note 15 to the consolidated financial statements for a complete discussion on the Company's use of fair valuation of assets and liabilities and the related measurement techniques.

Results of Continuing Operations

Third Quarter Results

Net income from continuing operations was $13.2 million for the third quarter of 2008, compared to $17.3 million for the third quarter of 2007. The results for the third quarter of 2008 generated an annualized return on average assets from continuing operations of 0.63% and an annualized return on average equity from continuing operations of 5.91%, compared to 0.86% and 8.10%, respectively, for the same period in 2007.

Net interest income was $56.6 million for the three months ended September 30, 2008, an increase of $2.5 million, or 4.7%, from $54.1 million for the comparable period in 2007. The growth in net interest income reflects a $757.0 million, or 11.4%, increase in average interest earning assets, and a $661.1 million, or 11.3%, increase in average interest bearing liabilities. This was partially offset by approximately 16 basis points of margin compression on a fully tax equivalent basis. The increase in average interest earning assets and the increase in average interest bearing liabilities was due to organic growth. The net interest margin, expressed on a fully tax equivalent basis, was 3.18% for the third quarter of 2008 compared to 3.34% for the third quarter of 2007. The decline in the net interest margin was primarily due to steps we took to improve our liquidity position (including an increase in customer and brokered deposits, a lengthening of the terms of our brokered deposits and a reduction in short-term borrowings), an increase in non-performing credits and fierce competition for deposits.

The provision for loan losses was $18.4 million in the third quarter of 2008 compared to $4.5 million in the third quarter of 2007. Net charge-offs were $12.1 million in the three months ended September 30, 2008, compared to $2.4 million in the three months ended September 30, 2007. See "Asset Quality" section below for further analysis of the allowance for loan losses.

Other income for the third quarter in 2008 increased $3.2 million, or 13.6%, to $26.4 million compared to $23.3 million in the third quarter in 2007. Loan service fees increased by $1.1 million, primarily due to an increase in letter of credit fees, prepayment fees and swap fees recognized during the third quarter of 2008 compared to the third quarter of 2007. Deposit service fees increased by $829 thousand from the third quarter of 2007 to the third quarter of 2008, primarily due to an increase in commercial deposit and treasury management fees as a result of a lower earnings credit rate. Trust and asset management fees increased by $786 thousand, primarily due to our Cedar Hill acquisition during the second quarter of 2008. Cash surrender value of life insurance increased by $707 thousand, primarily due to a $938 thousand death benefit on a bank owned life insurance policy that we recognized during the third quarter of 2008. These increases were partially offset by an $890 thousand decrease in brokerage fees. The decrease in brokerage fee income from the third quarter of 2007 to the third quarter of 2008 was due to the sale of our third party brokerage business during the second quarter of 2007, and conversion of customer accounts to the purchaser's platform in third quarter. This decrease was offset by a corresponding reduction in brokerage expense.

Other expense for the third quarter in 2008 increased $3.3 million, or 6.8%, to $52.2 million compared to $48.8 million in the third quarter in 2007. Salaries and employee benefits expense increased $2.1 million, primarily due to the Cedar Hill acquisition and the impact of hiring 32 bankers from the end of the third quarter of 2007 through the second quarter of 2008. Salaries and employee benefits related to the new bankers totaled approximately $1.3 million during the third quarter of 2008. The acquisition of Cedar Hill increased total other expense by $1.1 million in the third quarter of 2008. As noted earlier, the decrease in our brokerage fee expense from the third quarter of 2007 to the third quarter of 2008 was primarily due to the sale of our third party brokerage business during the second quarter of 2007.

Income tax expense from continuing operations for the three months ended September 30, 2008, decreased $7.4 million to a $689 thousand tax benefit compared to $6.7 million tax expense for the three months ended September 30, 2007. The decrease in income tax expense was primarily due to a $1.5 million adjustment due to a reduction of state tax contingency reserves. . Not including this adjustments, our effective tax rate was 6.5% for the three months ended September 30, 2008.

Year-To-Date Results

Net income from continuing operations was $41.0 million for the first nine months of 2008, compared to $54.1 million for the first nine months of 2007. The results for the first nine months of 2008 generated an annualized return on average assets from continuing operations of 0.67% and an annualized return on average equity from continuing operations of 6.22%, compared to 0.91% and 8.51%, respectively, for the first nine months of 2007.

Net interest income was $166.1 million for the nine months ended September 30, 2008, an increase of $7.8 million, or 4.9% from $158.3 million for the comparable period in 2007. The growth in net interest income reflects a $608.7 million, or 9.2%, increase in average interest earning assets, and a $509.8 million, or 8.8%, increase in average interest bearing liabilities. This was partially offset by approximately 11 basis points of margin compression on a fully tax equivalent basis. The increase in average interest earning assets and the increase in average interest bearing liabilities was due to organic growth. The net interest margin, expressed on a fully tax equivalent basis, was 3.22% for the first nine months of 2008 and 3.33% for the first nine months of 2007. The decline in the net interest margin was primarily due tight credit spreads on loans, and fierce competition for deposits.

The provision for loan losses was $53.1 million in the first nine months of 2008 compared to $11.3 million in the first nine months of 2007. Net charge-offs were $29.4 million in the nine months ended September 30, 2008 compared to $9.2 million in the nine months ended September 30, 2007. See "Asset Quality" section below for further analysis of the allowance for loan losses.

Other income did not change significantly from the nine months ended September 30, 2007 to the nine months ended September 30, 2008. Net gain on sale of other assets decreased by $9.6 million. During the nine months ended September 30, 2007, we realized a gain of $1.6 million on the sale of artwork and a gain of $7.4 million on the sale of two real estate properties. Brokerage fees decreased by $4.4 million, primarily due to the sale of our third party brokerage business during the second quarter of 2007. These decreases were partially offset by a $1.1 million gain on the sale investment securities during the nine months ended September 30, 2008, compared to a $2.2 million loss on the sale of investment securities for the comparable period in 2007. Additionally, deposit and loan service fees increased by $3.5 million and $3.2 million, respectively, due to the same reasons noted earlier in Third Quarter Results.

Other expense for the nine months ended September 30, 2008, increased $4.8 million, or 3.3%, to $152.5 million, compared to $147.7 million for the nine months ended September 30, 2007. Salaries and employee benefits expense increased $6.6 million, primarily due to the additional bankers hired and the acquisition of Cedar Hill. Charitable contributions decreased by $3.2 million, primarily due to a $3.0 million contribution that we made during the nine months ended September 30, 2007 to the MB Financial Charitable Foundation. As noted earlier, the decrease in our brokerage fee expense from the nine months ended September 30, 2007 to the comparable period in 2008 was primarily due to the sale of our third party brokerage business during the second quarter of 2007.

Income tax expense from continuing operations for the nine months ended September 30, 2008, decreased $26.1 million to a $4.0 million tax benefit compared to $22.1 million tax expense for the nine months ended September 30, 2007. The decrease in income tax expense was primarily due to a $8.8 million adjustment due to the removal of valuation allowances on state net operating loss carryforwards and a reduction of state tax contingency reserves. Not including these adjustments and a $300 thousand adjustment to our tax contingency reserves recorded during the nine months ended September 30, 2008, our effective tax rate was 13.9% for the nine months ended September 30, 2008.

Net Interest Margin

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

	Three Months Ended September 30, 2008			2007		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Interest Earning Assets:						
Loans (1) (2)	$ 5,955,311	$ 87,422	5.84%	$ 5,268,014	$ 101,396	7.64%
Loans exempt from federal income taxes (3)	70,868	1,299	7.17	7,362	140	7.44
Taxable investment securities	911,034	10,569	4.64	983,795	11,983	4.87
Investment securities exempt from federal income taxes (3)	425,120	6,118	5.63	385,582	5,517	5.60
Federal funds sold	32,420	165	1.99	4,214	52	4.83
Other interest bearing deposits	16,065	84	2.08	4,848	63	5.16
Total interest earning assets	7,410,818	$ 105,657	5.67	6,653,815	$ 119,151	7.10
Assets available for sale	-			360,785		
Non-interest earning assets	947,167			940,049		
Total assets	$ 8,357,985			$ 7,954,649		
Interest Bearing Liabilities:						
Deposits:						
NOW and money market deposit accounts	$ 1,285,293	$ 5,492	1.70%	$ 1,297,887	$ 10,930	3.34%
Savings deposits	384,059	270	0.28	417,341	763	0.73
Time deposits	3,640,049	31,454	3.44	2,941,884	36,249	4.89
Short-term borrowings	541,513	2,966	2.18	816,658	9,617	4.67
Long-term borrowings and junior subordinated notes	640,096	6,273	3.83	356,130	5,530	6.08
Total interest bearing liabilities	$ 6,491,010	$ 46,455	2.85	$ 5,829,900	$ 63,089	4.29
Non-interest bearing deposits	904,571			864,165		
Liabilities held for sale	-			329,540		
Other non-interest bearing liabilities	76,763			83,718		
Stockholders' equity	885,641			847,326		
Total liabilities and stockholders' equity	$ 8,357,985			$ 7,954,649		
Net interest income/interest rate spread (4)		$ 59,202	2.82%		$ 56,062	2.81%
Taxable equivalent adjustment		2,596			1,979	
Net interest income, as reported		$ 56,606			$ 54,083	
Net interest margin (5)			3.04%			3.22%
Tax equivalent effect			0.14%			0.12%
Net interest margin on a fully tax equivalent basis (5)			3.18%			3.34%

(1) Non-accrual loans are included in average loans
(2) Interest income includes amortization of deferred loan origination fees of $1.8 million and $1.5 million for the three months ended September 30, 2008 and 2007, respectively.
(3) Non-taxable loan and investment income is presented on a fully tax equivalent basis assuming a 35% tax rate.
(4) Interest rate spread represents the difference between the average yield on interest earning assets and the average cost of interest bearing liabilities and is presented on a fully tax equivalent basis.
(5) Net interest margin represents net interest income as a percentage of average interest earning assets.

Net interest income on a tax equivalent basis increased $3.1 million, or 5.6%, to $59.2 million for the three months ended September 30, 2008, from $56.1 million for the three months ended September 30, 2007. Tax-equivalent interest income decreased by $13.5 million, primarily due to the yield on average interest earning assets decreasing 143 basis points to 5.67%. This decrease was partially offset by a $757.0 million increase in average interest earning assets. Interest expense decreased by $16.6 million, primarily due to the rate on average interest bearing liabilities decreasing 144 basis points to 2.85%. This decrease was partially offset by a $661.1 million increase in average interest bearing liabilities. The yields on average interest earning assets and rates on average interest bearing liabilities decreased primarily due to a decrease in overall short-term interest rates. The increases in average interest earning assets and interest bearing liabilities were due to organic growth.

The net interest margin expressed on a fully tax equivalent basis for the third quarter of 2008 decreased by 16 basis points from 3.34% in the third quarter of 2007, primarily due to our improved liquidity position, an increase in non-performing credits and fierce competition for deposits.

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

	Nine Months Ended September 30, 2008			2007		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Interest Earning Assets:						
Loans (1) (2)	$ 5,826,139	$ 267,631	6.14%	$ 5,112,671	$291,813	7.63%
Loans exempt from federal income taxes (3)	54,746	3,031	7.27%	10,046	618	8.11%
Taxable investment securities	872,679	30,541	4.67%	1,084,482	39,493	4.86%
Investment securities exempt from federal income taxes (3)	411,954	17,781	5.67%	368,213	15,712	5.63%
Federal funds sold	16,907	274	2.13%	9,055	354	5.16%
Other interest bearing deposits	16,597	279	2.25%	5,885	162	3.68%
Total interest earning assets	7,199,022	$ 319,537	5.93%	6,590,352	$ 348,152	7.06%
Assets available for sale	-			382,663		
Non-interest earning assets	935,373			935,046		
Total assets	$ 8,134,395			$ 7,908,061		
Interest Bearing Liabilities:						
Deposits:						
NOW and money market deposit accounts	$ 1,249,186	$ 16,857	1.80%	$ 1,184,019	$ 27,953	3.16%
Savings deposits	388,217	982	0.34%	438,028	2,440	0.74%
Time deposits	3,314,362	94,535	3.81%	2,997,828	109,339	4.88%
Short-term borrowings	767,814	16,184	2.82%	785,368	27,625	4.70%
Long-term borrowings and junior subordinated notes	563,311	17,553	4.09%	367,855	16,746	6.00%
Total interest bearing liabilities	$ 6,282,890	$ 146,111	3.11%	$ 5,773,098	$ 184,103	4.26%
Non-interest bearing deposits	883,131			857,274		
Liabilities held for sale	-			351,479		
Other non-interest bearing liabilities	88,243			76,584		
Stockholders' equity	880,131			849,626		
Total liabilities and stockholders' equity	$ 8,134,395			$ 7,908,061		
Net interest income/interest rate spread (4)		$ 173,426	2.82%		$ 164,049	2.80%
Taxable equivalent adjustment		7,284			5,715	
Net interest income, as reported		$ 166,142			$ 158,334	
Net interest margin (5)			3.08%			3.21%
Tax equivalent effect			0.14%			0.12%
Net interest margin on a fully tax equivalent basis (5)			3.22%			3.33%

(1) Non-accrual loans are included in average loans
(2) Interest income includes amortization of deferred loan origination fees of $5.3 million and $5.2 million for the nine months ended September 30, 2008 and 2007, respectively.
(3) Non-taxable loan and investment income is presented on a fully tax equivalent basis assuming a 35% tax rate.
(4) Interest rate spread represents the difference between the average yield on interest earning assets and the average cost of interest bearing liabilities and is presented on a fully tax equivalent basis.
(5) Net interest margin represents net interest income as a percentage of average interest earning assets.

Net interest income on a tax equivalent basis increased $9.4 million, or 5.7%, to $173.4 million for the nine months ended September 30, 2008 from $164.0 million for the nine months ended September 30, 2007. Tax-equivalent interest income decreased by $28.6 million, primarily due to the yield on average interest earning assets decreasing 113 basis points to 5.93%. This decrease was partially offset by a $608.7 million increase in average interest earning assets. Interest expense decreased by $38.0 million, primarily due to the rate on average interest bearing liabilities decreasing 115 basis points to 3.11%. This decrease was partially offset by a $509.8 million increase in average interest bearing liabilities. The yields on average interest earning assets and rates on average interest bearing liabilities decreased primarily due to a decrease in overall short-term interest rates. The increases in average interest earning assets and interest bearing liabilities were primarily due to organic growth.

The net interest margin expressed on a fully tax equivalent basis for the nine months ended September 30, 2008, decreased by 11 basis points from 3.33% for the nine months ended September 30, 2007, primarily due to continued tight credit spreads on loans and fierce competition for deposits.

Volume and Rate Analysis of Net Interest Income

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

	Three Months Ended September 30, 2008 Compared to September 30, 2007			Nine Months Ended September 30, 2008 Compared to September 30, 2007		
	Change Due to Volume	Change Due to Rate	Total Change	Due to Volume	Due to Rate	Total Change
Interest Earning Assets:						
Loans	$ 11,917	$ (25,891)	$ (13,974)	$ 37,287	$ (61,469)	$ (24,182)
Loans exempt from federal income taxes (1)	1,164	(5)	1,159	2,481	(68)	2,413
Taxable investment securities	(880)	(534)	(1,414)	(7,434)	(1,518)	(8,952)
Investment securities exempt from federal Income taxes (1)	555	46	601	1,899	170	2,069
Federal funds sold	159	(46)	113	201	(281)	(80)
Other interest bearing deposits	76	(55)	21	200	(83)	117
Total increase (decrease) in interest income	12,991	(26,485)	(13,494)	34,634	(63,249)	(28,615)
Interest Bearing Liabilities:						
NOW and money market deposit accounts	(106)	(5,332)	(5,438)	1,468	(12,564)	(11,096)
Savings deposits	(56)	(437)	(493)	(251)	(1,207)	(1,458)
Time deposits	7,404	(12,199)	(4,795)	10,765	(25,569)	(14,804)
Short-term borrowings	(2,574)	(4,077)	(6,651)	(604)	(10,837)	(11,441)
Long-term borrowings and junior subordinated notes	3,282	(2,539)	743	7,151	(6,344)	807
Total increase (decrease) in interest expense	7,950	(24,584)	(16,634)	18,529	(56,521)	(37,992)
Increase (decrease) in net interest income	$ 5,041	$ (1,901)	$ 3,140	$ 16,105	$ (6,728)	$ 9,377

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

Balance Sheet

Total assets increased $523.9 million or 6.7% to $8.4 billion at September 30, 2008 from December 31, 2007. Net loans increased by $456.7 million or 11.0%, on an annualized basis, to $6.0 billion at September 30, 2008 from December 31, 2007. In aggregate, commercial related credits grew by $455.5 million, or 13.0% on a combined annualized basis. See "Loan Portfolio" section below for further analysis. Investment securities increased $42.8 million or 3.4% to $1.3 billion at September 30, 2008 from December 31, 2007. In 2008, we securitized $50.9 million of residential real estate loans and held those securities in our investment portfolio.

Total liabilities increased by $496.8 million or 7.1% to $7.5 billion at September 30, 2008 from December 31, 2007. Total deposits increased by $855.6 million or 15.5% to $6.4 billion at September 30, 2008 from December 31, 2007, primarily due to increases in certificates of deposit and brokerage deposit accounts of $329.4 million and $519.3 million, respectively. Short-term borrowings decreased $592.6 million. This decrease was primarily due to decreases in short-term Federal Home Loan Bank advances and federal funds purchased of $315.0 million and $170.0 million, respectively. Long-term borrowings increased $270.7 million, primarily due to a $256.1 million increase in long-term Federal Home Loan Bank advances.

Total stockholders' equity increased $24.6 million, or 2.8%, to $886.9 million at September 30, 2008 compared to $862.4 million at December 31, 2007, primarily due to a $22.2 million increase in retained earnings. The increase in retained earnings was due to $41.0 million in net income, partially offset by $18.8 million in dividends paid.

10Q Index

At September 30, 2008, our total risk-based capital ratio was 11.65%; Tier 1 capital to risk-weighted assets ratio was 9.64% and Tier 1 capital to average asset ratio was 8.00%. MB Financial Bank, N.A. was categorized as "Well-Capitalized" under the regulations of the Office of the Comptroller of the Currency at September 30, 2008.

Loan Portfolio

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

	September 30, 2008		December 31, 2007		September 30, 2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial related credits:						
Commercial loans	$ 1,510,620	25%	$ 1,323,455	24%	$ 1,261,995	23%
Commercial loans collateralized by assignment of lease payments (lease loans)	609,101	10%	553,138	10%	453,340	8%
Commercial real estate	2,316,657	38%	1,994,312	36%	1,915,845	36%
Construction real estate	715,220	12%	825,216	14%	849,914	16%
Total commercial related credits	5,151,598	85%	4,696,121	84%	4,481,094	83%
Other loans:						
Residential real estate	317,534	5%	372,787	6%	362,963	7%
Indirect motorcycle	155,045	2%	101,883	2%	97,677	2%
Indirect automobile	38,844	1%	44,428	1%	45,150	1%
Home equity	366,088	6%	347,676	6%	344,116	6%
Consumer loans	66,938	1%	52,732	1%	51,532	1%
Total other loans	944,449	15%	919,506	16%	901,438	17%
Gross loans (1)	6,096,047	100%	5,615,627	100%	5,382,532	100%
Allowance for loan losses	(88,863)		(65,103)		(61,122)	
Net loans	$ 6,007,184		$ 5,550,524		$ 5,321,410	

(1) Gross loan balances at September 30, 2008, December 31, 2007, and September 30, 2007 are net of unearned income, including net deferred loan fees of $4.7 million, $3.7 million, and $2.9 million, respectively.

Commercial related credits increased by 13.0% on an annualized basis from December 31, 2007 to September 30, 2008 and by 15.0% from September 30, 2007. In the second quarter of 2008, we securitized $50.9 million of residential real estate loans and held those securities in our investment portfolio. Including the securitized loans, total loans grew by 12.6% on an annualized basis from December 31, 2007 to September 30, 2008, and 14.2% from September 30, 2007. The strong growth in commercial related credits was due to new and existing customer demand.

Asset Quality

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

	September 30, 2008	December 31, 2007	September 30, 2007
Non-performing loans:			
Non-accrual loans	$ 115,716	$ 24,459	$ 23,901
Loans 90 days or more past due, still accruing interest	1,490	-	-
Total non-performing loans	117,206	24,459	23,901
Other real estate owned	3,821	1,120	566
Repossessed vehicles	108	179	288
Total non-performing assets	$ 121,135	$ 25,758	$ 24,755
Total non-performing loans to total loans	1.92%	0.44%	0.44%
Allowance for loan losses to non-performing loans	75.82%	266.17%	255.73%
Total non-performing assets to total assets	1.45%	0.33%	0.31%

The increase in non-performing loans from December 31, 2007 to September 30, 2008, was primarily due to the migration of potential problem loans to non-performing status during the nine months ended September 30, 2008.

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Allowance for Loan Losses

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

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

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

General Loss Reserve. We maintain a general loan loss reserve for the four categories of commercial-related loans in our portfolio - commercial loans, commercial loans collateralized by the assignment of lease payments (lease loans), commercial real estate loans and construction real estate loans. We use a loan loss reserve model that incorporates the migration of loan risk rating and historical default data over a multi-year period (minimum of five years). Under our loan risk rating system, each loan, with the exception of those included in large groups of smaller-balance homogeneous loans, is risk rated between one and nine by the originating loan officer, Senior Credit Management, Loan Review or any loan committee. A loan rated one represents those loans least likely to default and nine represents those most likely to default. The probability of loans defaulting for each risk rating, sometimes referred to as default factors, are estimated based on the frequency with which loans migrate from one risk rating to another and to default status over time. Estimated loan default factors are multiplied by individual loan balances in each risk-rating category and again multiplied by an historical loss given default estimate for each loan type (which incorporates estimated recoveries) to determine an appropriate level of allowance by loan type. This approach is applied to the commercial, commercial real estate and construction real estate components of the portfolio. Moody's Corporation migration factors, rather than the Company's actual loss and migration experience, are used to develop estimated default factors for lease loans, since we do not have sufficient loss experience to develop statistically reliable factors of our own.

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

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

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

The general loss reserve was $54.9 million as of September 30, 2008, and $56.2 million as of December 31, 2007. The general loss reserve decreased, as a percentage of total loans, primarily due to potential problem construction real estate loans migrating to non-performing status during the nine months ended September 30, 2008, and the overall decrease in our construction real estate portfolio. These decreases were partially offset by our loan growth during the nine months ended September 30, 2008.

Specific Reserves. Our allowance for loan losses also includes specific reserves on impaired loans. A loan is considered to be impaired when management believes, after considering collection efforts and other factors, the borrower's financial condition is such that the collection of all contractual principal and interest payments due is doubtful. The total specific reserve component of the allowance was $30.4 million as of September 30, 2008 and $6.0 million as of December 31, 2007. The increase in specific reserve relates to the increase in impaired loans in the portfolio from December 31, 2007.

Smaller Balance Homogenous Loans. Pools of homogeneous loans with similar risk and loss characteristics are also assessed for probable losses. These loan pools include consumer, residential real estate, home equity and indirect vehicle loans. Migration probabilities obtained from past due roll rate analyses are applied to current balances to forecast charge-offs over a one year time horizon. For improved accuracy, indirect vehicle loan losses are estimated using a combination of our historical loss statistics as well as industry loss statistics. The reserves for smaller balance homogenous loans totaled $3.6 million at September 30, 2008, and $2.9 million at December 31, 2007.

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2008	**September 30, 2007**	**September 30, 2008**	**September 30, 2007**
Balance at beginning of periods	$ 82,544	$ 59,058	$ 65,103	$ 58,983
Provisions for loan losses	18,400	4,500	53,140	11,313
Charge-offs	(12,724)	(3,395)	(31,801)	(11,794)
Recoveries	643	959	2,421	2,620
Balance	$ 88,863	$ 61,122	$ 88,863	$ 61,122
Total loans	$ 6,096,047	$ 5,382,532	$ 6,096,047	$ 5,382,532
Average loans	$ 6,026,179	$ 5,275,376	$ 5,880,885	$ 5,112,717
Ratio of allowance for loan losses to total loans	1.46%	1.14%	1.46%	1.14%
Net loan charge-offs to average loans (annualized)	0.80%	0.18%	0.67%	0.24%

Net charge-offs increased by $20.2 million to $29.4 million in the nine months ended September 30, 2008 from $9.2 million in the nine months ended September 30, 2007. The increase in charge-offs was primarily due to the charge-off of four commercial loans, and the charge-off of two construction real estate loans during the nine months ended September 30, 2008.

Provision for loan losses increased by $41.8 million to $53.1 million in the nine months ended September 30, 2008 from $11.3 million in the same period of 2007. The increase in our provision for loan losses was primarily due to the increases in non-performing loans and net charge-offs. Also factoring into our provision was our loan growth during the nine months ended September 30, 2008.

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

Potential Problem Loans

We utilize an internal asset classification system as a means of reporting problem and potential problem assets. At our scheduled meetings of the board of directors of MB Financial Bank, a watch list is presented, showing significant loan relationships listed as "Special Mention," "Substandard," and "Doubtful." Under our risk rating system noted above, Special Mention, Substandard, and Doubtful loan classifications correspond to risk ratings six, seven, and eight, respectively. An asset is classified Substandard, or risk rated seven if it is inadequately protected by the current net worth and paying capacity of the obligor or the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Assets classified as Doubtful, or risk rated eight have all the weaknesses inherent in those classified

Substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Assets classified as Loss, or risk rated nine are those considered uncollectible and viewed as valueless assets and have been charged-off. Assets that do not currently expose us to sufficient risk to warrant classification in one of the aforementioned categories, but possess weaknesses that deserve management's close attention are deemed to be Special Mention, or risk rated six.

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

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

We define potential problem loans as performing loans rated substandard or doubtful, that do not meet the definition of a non-performing loan (See "Asset Quality" section above for non-performing loans). We do not necessarily expect to realize losses on potential problem loans, but we recognize potential problem loans carry a higher probability of default and require additional attention by management. The aggregate principal amounts of potential problem loans as of September 30, 2008, and December 31, 2007 were approximately $73.8 million, and $87.6 million, respectively.

Lease Investments

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

Lease investments by categories follow (in thousands):

	September 30, 2008	December 31, 2007	September 30, 2007
Direct finance leases:			
Minimum lease payments	$ 54,200	$ 52,150	$ 43,953
Estimated unguaranteed residual values	6,742	6,029	5,560
Less: unearned income	(6,439)	(6,675)	(5,330)
Direct finance leases (1)	$ 54,503	$ 51,504	$ 44,183
Leveraged leases:			
Minimum lease payments	$ 33,140	$ 34,172	$ 31,804
Estimated unguaranteed residual values	4,977	4,830	4,394
Less: unearned income	(3,164)	(3,547)	(2,936)
Less: related non-recourse debt	(31,166)	(31,755)	(29,579)
Leveraged leases (1)	$ 3,787	$ 3,700	$ 3,683
Operating leases:			
Equipment, at cost	$ 183,418	$ 151,663	$ 148,441
Less: accumulated depreciation	(65,944)	(54,342)	(57,771)
Lease investing, net	$ 117,474	$ 97,321	$ 90,670

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

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

Operating leases are investments in equipment leased to other companies, where the residual component makes up more than 10% of the investment. The Company funds most of the lease equipment purchases internally, but has some loans at other banks which totaled $27.1 million at September 30, 2008, $12.5 million at December 31, 2007 and $16.3 million at September 30, 2007.

The lease residual value represents the present value of the estimated fair value of the leased equipment at the termination of the lease. Lease residual values are reviewed quarterly and any write-downs, or charge-offs deemed necessary are recorded in the period in which they become known. Gains on leased equipment periodically result when a lessee renews a lease or purchases the equipment at the end of a lease, or the equipment is sold to a third party at a profit. Individual lease transactions can, however, result in a loss. This generally happens when, at the end of a lease, the lessee does not renew the lease or purchase the equipment. To mitigate this risk of loss, we usually limit individual leased equipment residuals (expected lease book values at the end of initial lease terms) to approximately $500 thousand per transaction and seek to diversify both the type of equipment leased and the industries in which the lessees to whom such equipment is leased participate. Often times, there are several individual lease schedules under one master lease. There were 2,184 leases at September 30, 2008 compared to 1,969 leases at December 31, 2007 and 1,892 leases at September 30, 2007.

The average residual value per lease schedule was approximately $20 thousand at September 30, 2008, compared to $18 thousand at December 31, 2007, and at September 30, 2007. The average residual value per master lease schedule was approximately $171 thousand at September 30, 2008, compared to $152 thousand at December 31, 2007, and $147 thousand as September 30, 2007.

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At September 30, 2008, the following reflects the residual values for leases by category in the year the initial lease term ends (in thousands):

	Residual Values			
	Direct Finance Leases	Leveraged Leases	Operating Leases	Total
End of initial lease term December 31,				
2008	$ 688	$ 24	$ 2,097	$ 2,809
2009	1,378	862	5,447	7,687
2010	1,761	2,506	6,703	10,970
2011	1,974	1,415	9,893	13,282
2012	299	102	4,671	5,072
2013 and thereafter	642	68	3,663	4,373
	$ 6,742	$ 4,977	$ 32,474	$ 44,193

Investment Securities Available for Sale

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

	At September 30, 2008		At December 31, 2007		At September 30, 2007	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury securities	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Government agencies	206,429	209,350	305,768	310,538	326,504	328,040
States and political subdivisions	428,610	430,120	407,973	412,302	396,896	397,807
Mortgage-backed securities	568,054	569,947	435,743	438,056	489,219	487,747
Corporate bonds	7,764	6,990	12,797	13,057	22,120	22,006
Equity securities	3,557	3,524	3,446	3,460	9,950	9,892
Debt securities issued by foreign governments	301	298	299	301	298	298
Total	$ 1,214,715	$ 1,220,229	$ 1,166,026	$ 1,177,714	$ 1,244,987	$ 1,245,790

We do not have any meaningful direct or indirect holdings of subprime residential mortgage loans, home equity lines of credit, or any Fannie Mae or Freddie Mac preferred or common equity securities in our investment portfolio. Additionally, more than 99% of our mortgage-backed securities are agency guaranteed.

Liquidity and Sources of Capital

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

Cash flows from continuing operating activities primarily include net income for the quarter, adjusted for items in net income that did not impact cash. Net cash provided by continuing operating activities decreased by $11.9 million to $76.1 million for the nine months ended September 30, 2008, from $87.9 million for the nine months ended September 30, 2007. The decrease was primarily due to changes in other assets and other liabilities, resulting primarily from changes in deferred tax assets and liabilities.

Cash used in continuing investing activities reflects the impact of loan and investment activity related to the Company's interest-earning asset portfolios, as well as cash flows from asset sales and the impact of acquisitions. For the nine months ended September 30, 2008, the Company had net cash flows used in continuing investing activities of $620.5 million, compared to net cash flows used in continuing investing activities of $110.8 million for the nine months ended September 30, 2007. The change in cash flows from continuing investing activities was primarily due to a decrease in the proceeds from our investment portfolio during the nine months ended September 30, 2008, compared to the nine months ended September 30, 2007. Additionally, the funding of our loan growth during the nine months ended September 30, 2008 contributed to the change in cash flows from continuing investing activities.

Cash flows from continuing financing activities include transactions and events whereby cash is obtained from depositors, creditors or investors. For the nine months ended September 30, 2008, the Company had net cash flows provided by continuing financing activities of $518.4 million, compared to net cash used in continuing financing activities of $3.1

million for the nine months ended September 30, 2007.

The change in cash flows from continuing financing activities was primarily due to increases in deposits and long-term borrowings. The Company used the funds generated from the increase in deposits and long-term borrowings to fund its loan growth and paydown its short-term debt during the nine months ended September 30, 2008. During the third quarter of 2008 we improved our liquidity position as a result of an increase in customer deposits of $233.5 million, and a reduction in short-term borrowings of $379.1 million. In addition, we lengthened the maturities on both customer and brokered certificates of deposits.

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

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

In the event that additional short-term liquidity is needed, our banks have established relationships with several large regional banks to provide short-term borrowings in the form of federal funds purchases. While, at September 30, 2008, there were no firm lending commitments in place, management believes that MB Financial Bank could borrow approximately $500 million for a short time from these banks on a collective basis. Additionally, MB Financial Bank is a member of the Federal Home Loan Bank of Chicago, Illinois and as of September 30, 2008, has the ability to borrow an additional $168.9 million from the Federal Home Loan Bank. We also have a $30 million correspondent bank line of credit at the holding company level. See Note 9 to the Consolidated Financial Statements. The Company can also use the Federal Reserve Discount Window and the Federal Reserve Term Auction Funds for short-term funding. Each auction is for a fixed amount and the rate is determined by the auction process. These borrowings are primarily collateralized by commercial and indirect vehicle loans with unpaid principal balances aggregating no less than 200% of the outstanding advances from the Federal Reserve Term Auction and 100% of the outstanding advances from the Federal Reserve Discount Window. As of September 30, 2008, the Company has the ability to borrow a total of $483.5 million from the Federal Reserve Discount Window and the Federal Reserve Term Auction. As a contingency plan for significant funding needs, the Asset/Liability Management Committee may also consider the sale of investment securities, selling securities under agreement to repurchase, the temporary curtailment of lending activities, or selling loans.

The following table summarizes our significant contractual obligations and other potential funding needs at September 30, 2008 (in thousands):

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**More than 5 Years**
Time deposits	$ 3,732,215	$ 2,830,908	$ 793,386	$ 96,235	$ 11,686
Long-term borrowings	479,548	44,549	188,974	52,416	193,609
Junior subordinated notes issued to capital trusts	158,872	-	-	-	158,872
Operating leases	26,365	3,108	4,363	3,111	15,783
Capital expenditures	1,211	1,211	-	-	-
Total	$ 4,398,211	$ 2,879,776	$ 986,723	$ 151,762	$ 379,950
Commitments to extended credit and letters of credit	$ 1,909,506				

At September 30, 2008, the Company's total risk-based capital ratio was 11.65%; Tier 1 capital to risk-weighted assets ratio was 9.64% and Tier 1 capital to average asset ratio was 8.00%. MB Financial Bank, N.A. was categorized as "Well-Capitalized" under the regulations of the Office of the Comptroller of the Currency at September 30, 2008.

Recent Developments

In response to the financial crisis affecting the banking and financial markets, in October 2008, the Emergency Economic Stabilization Act of 2008 (the "EESA") was signed into law. Pursuant to the EESA, the U. S. Department of Treasury (the "Treasury") will have the authority to, among other things, purchase up to $700 billion of mortgages, mortgage-backed securities and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U. S. financial markets. In addition, the Treasury announced that it will be purchasing equity stakes in U.S. financial institutions.

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Under this program, known as the Troubled Asset Relief Program Capital Purchase Program (the "TARP Capital Purchase Program"), from the $700 billion authorized by the EESA, the Treasury will make $250 billion of capital available to U.S. financial institutions in the form of preferred stock issued by these institutions, in an amount equal to not less than 1% of the institution's risk-weighted assets and not more than the lesser of 3% of the institution's risk-weighted assets and $25 billion. In conjunction with the purchase of an institution's preferred stock, the Treasury will receive warrants to purchase the institution's common stock with an aggregate market value equal to 15% of the total amount of the preferred investment. Participating financial institutions will be required to adopt the Treasury's standards for executive compensation for the period during which the Treasury holds equity securities issued under the TARP Capital Purchase Program and be restricted from increasing dividends to common shareholders or repurchasing common stock for three years without the consent of the Treasury. We have applied for participation in the TARP Capital Purchase Program and have received preliminary approval to sell preferred shares to the Treasury. We are currently reviewing the Security Purchase Agreement and other related documents drafted by the Treasury and are carefully considering our participation in the TARP Capital Purchase Program.

In addition, the Federal Deposit Insurance Corporation (the "FDIC") has implemented two temporary programs to provide deposit insurance for the full amount of most non-interest bearing transaction accounts through the end of 2009 and to guarantee certain unsecured debt of financial institutions and their holding companies through June 2012 (together, the "Temporary Liquidity Guarantee Program"). Financial institutions have until December 5, 2008 to opt out of either or both components of the Temporary Liquidity Guarantee Program. Coverage under the Temporary Liquidity Guarantee Program for institutions that do not opt is available at a cost of 75 basis points per annum for senior unsecured debt and 10 basis points per annum for non-interest bearing transaction deposits. We are carefully considering our participation in the Temporary Liquidity Guarantee Program, but have not yet made a definitive decision as to the extent to which we will participate in the program.

Non-GAAP Financial Information

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

Forward-Looking Statements

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

Important factors that could cause actual results to differ materially from the results anticipated or projected include, but are not limited to, the following (1) expected cost savings and synergies from our merger and acquisition activities, including our recently completed acquisition of Cedar Hill Associates, might not be realized within the expected time frames; (2) the credit risks of lending activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses; (3) competitive pressures among depository institutions; (4) interest rate movements and their impact on customer behavior and net interest margin; (5) the impact of repricing and competitors' pricing initiatives on loan and deposit products; (6) fluctuations in real estate values; (7) the ability to adapt successfully to technological changes to meet customers' needs and developments in the market place;

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(8) our ability to realize the residual values of our direct finance, leveraged, and operating leases; (9) our ability to access cost-effective funding; (10) changes in financial markets; (11) changes in economic conditions in general and in the Chicago metropolitan area in particular; (12) the costs, effects and outcomes of litigation; (13) new legislation or regulatory changes, including but not limited to changes in federal and/or state tax laws or interpretations thereof by taxing authorities and other governmental initiatives affecting the financial services industry; (14) changes in accounting principles, policies or guidelines; (15) our future acquisitions of other depository institutions or lines of business.

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

Item 3. - Quantitative and Qualitative Disclosures about Market Risk

Market Risk and Asset Liability Management

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

Asset Liability Management. Management and our Treasury Group continually monitor our sensitivity to interest rate changes. It is our policy to maintain an acceptable level of interest rate risk over a range of possible changes in interest rates while remaining responsive to market demand for loan and deposit products. The strategy we employ to manage our interest rate risk is to measure our risk using an asset/liability simulation model. The model considers several factors to determine our potential exposure to interest rate risk, including measurement of repricing gaps, duration, convexity, value at risk, and the market value of portfolio equity under assumed changes in the level of interest rates, shape of the yield curves, and general market volatility. Management controls our interest rate exposure using several strategies, which include adjusting the maturities of securities in our investment portfolio, and limiting fixed rate loans or fixed rate deposits with terms of more than five years. We also use derivative instruments, principally interest rate swaps, to manage our interest rate risk. See Note 12 to the Consolidated Financial Statements.

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

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

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

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

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

The following table sets forth the amounts of interest earning assets and interest bearing liabilities outstanding at September 30, 2008 that we anticipate, based upon certain assumptions, to reprice or mature in each of the future time periods shown. Except as stated below, the amount of assets and liabilities shown which reprice or mature during a particular period were determined based on the earlier of the term to repricing or the term to repayment of the asset or liability. The table is intended to provide an approximation of the projected repricing of assets and liabilities at September 30, 2008 based on contractual maturities and scheduled rate adjustments within a three-month period and subsequent selected time intervals. The loan amounts in the table reflect principal balances expected to be reinvested and/or repriced because of contractual amortization and rate adjustments on adjustable-rate loans. Loan and investment securities' contractual maturities and amortization reflect expected prepayment assumptions. While NOW, money market and savings deposit accounts have adjustable rates, it is assumed that the interest rates on some of the accounts will not adjust immediately to changes in other interest rates.

Therefore, the information in the table is calculated assuming that NOW, money market and savings deposits will reprice as follows: 7%, 8% and 8%, respectively, in the first three months, 19%, 21%, and 21%, respectively, in the next nine months, 56%, 59% and 57%, respectively, from one year to five years, and 18%, 12%, and 14%, respectively over five years (dollars in thousands):

	Time to Maturity or Repricing				
	0 - 92 Days	93 -365 Days	1 - 5 Years	Over 5 Years	Total
Interest Earning Assets:					
Interest bearing deposits with banks	$ 5,017	$ 275	$ 751	$ -	$ 6,043
Investment securities	209,694	178,904	562,024	333,520	1,284,142
Loans (1)	3,234,604	753,909	2,030,475	77,059	6,096,047
Total interest earnings assets	$ 3,449,315	$ 933,088	$ 2,593,250	$ 410,579	$ 7,386,232
Interest Bearing Liabilities:					
NOW and money market deposit accounts	$ 99,749	$ 271,733	$ 776,934	$ 178,058	$ 1,326,474
Savings deposits	29,080	77,819	216,970	51,698	375,567
Time deposits	961,307	1,869,601	891,028	10,279	3,732,215
Short-term borrowings	49,571	167,866	145,302	22,348	385,087
Long-term borrowings	102,392	33,326	341,618	2,212	479,548
Junior subordinated notes issued to capital trusts	152,082	-	6,790	-	158,872
Total interest bearing liabilities	$ 1,394,181	$ 2,420,345	$ 2,378,642	$ 264,595	$ 6,457,763
Rate sensitive assets (RSA)	$ 3,449,315	$ 4,382,403	$ 6,975,653	$ 7,386,232	$ 7,386,232
Rate sensitive liabilities (RSL)	1,394,181	3,814,526	6,193,168	6,457,763	6,457,763
Cumulative GAP	2,055,134	567,877	782,485	928,469	928,469
(GAP=RSA-RSL)					
RSA/Total assets	41.27%	52.43%	83.45%	88.37%	88.37%
RSL/Total assets	16.68%	45.64%	74.09%	77.26%	77.26%
GAP/Total assets	24.59%	6.79%	9.36%	11.11%	11.11%
GAP/RSA	59.58%	12.96%	11.22%	12.57%	12.57%

(1) Balances in the 0 – 92 Days column include approximately $1.5 billion of loans with interest rates that are at or near interest rate floors.

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.

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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 Interest Rates		Changes in Net Interest Income Over One Year Horizon			
		At September 30, 2008		At December 31, 2007	
		Dollar Change	Percentage Change	Dollar Change	Percentage Change
+	2.00%	$ 9,702	4.20%	$ 502	0.23%
+	1.00	5,254	2.30	736	0.33
	-1.00	595	0.30	384	0.17

Changes in net interest income between September 30, 2008 and December 31, 2007 reflect changes in the composition of interest earning assets and interest bearing liabilities, related interest rates, repricing frequencies, and the fixed or variable characteristics of the interest earning assets and interest bearing liabilities.

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

Item 4. - Controls and Procedures

Evaluation of Disclosure Controls and Procedures: An evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Act")) was carried out as of September 30, 2008 under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and several other members of our senior management. Our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2008, our disclosure controls and procedures were effective in ensuring that the information we are required to disclose in the reports we file or submit under the Act is (i) accumulated and communicated to our management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control Over Financial Reporting: During the quarter ended September 30, 2008, 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 1A. - Risk Factors

Changes in economic conditions, particularly a further economic slowdown in the Chicago area, could hurt our business.

Our business is directly affected by market conditions, trends in industry and finance, legislative and regulatory changes, and changes in governmental monetary and fiscal policies and inflation, all of which are beyond our control. In 2007, the housing and real estate sectors experienced an economic slowdown that has continued into 2008.

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Further deterioration in economic conditions, particularly within the Chicago area, could result in the following consequences, among others, any of which could hurt our business materially:

- loan delinquencies may increase;
- problem assets and foreclosures may increase;
- demand for our products and services may decline; and
- collateral for our loans may decline in value, in turn reducing a customer's borrowing power and reducing the value of assets and collateral securing our loans.

Negative developments in the financial industry and credit markets may continue to adversely impact our financial condition and results of operations.

Negative developments beginning in the latter half of 2007 in the sub-prime mortgage market and the securitization markets for such loans, together with other factors, have resulted in uncertainty in the financial markets in general and a related general economic downturn, which have continued in 2008. Many lending institutions have experienced declines in the performance of their loans, including construction loans and commercial real estate loans. Moreover, competition among depository institutions for deposits and quality loans has increased significantly. In addition, the values of real estate collateral supporting many loans have declined and may continue to decline. Bank and bank holding company stock prices have been negatively affected, as has the ability of banks and bank holding companies to raise capital or borrow in the debt markets compared to recent years. These conditions may have a material adverse effect on our financial condition and results of operations. In addition, as a result of the foregoing factors, there is a potential for new laws and regulations regarding lending and funding practices and liquidity standards, and bank regulatory agencies are expected to be very aggressive in responding to concerns and trends identified in examinations. Negative developments in the financial industry and the impact of new legislation and regulations in response to those developments could restrict our business operations, including our ability to originate loans, and adversely impact our results of operations and financial condition.

Recent legislative and regulatory initiatives to address difficult market and economic conditions may not stabilize the U.S. banking system.

The recently enacted Emergency Economic Stabilization Act of 2008 (the "EESA") authorizes the U.S. Treasury Department (the "Treasury") to purchase from financial institutions and their holding companies up to $700 billion in mortgage loans, mortgage-related securities and certain other financial instruments, including debt and equity securities issued by financial institutions and their holding companies, under a troubled asset relief program ("TARP"). The purpose of TARP is to restore confidence and stability to the U.S. banking system and to encourage financial institutions to increase their lending to customers and to each other. The Treasury has allocated $250 billion towards the TARP Capital Purchase Program ("CPP"). Under the CPP, Treasury will purchase equity securities from participating institutions. The TARP also will include direct purchases or guarantees of troubled assets of financial institutions.

The EESA also increased federal deposit insurance on most deposit accounts from $100,000 to $250,000. This increase is in place until the end of 2009 and is not covered by deposit insurance premiums paid by the banking industry. In addition, the Federal Deposit Insurance Corporation has implemented two temporary programs to provide deposit insurance for the full amount of most non-interest bearing transaction accounts through the end of 2009 and to guarantee certain unsecured debt of financial institutions and their holding companies through June 2012. Financial institutions have until December 5, 2008 to opt out of these two programs. The purpose of these legislative and regulatory actions is to stabilize the U.S. banking system.

The EESA and the other regulatory initiatives described above may not have their desired effects. If the volatility in the markets continues and economic conditions fail to improve or worsen, our business, financial condition and results of operations could be materially and adversely impacted.

Current levels of market volatility are unprecedented.

The capital and credit markets have been experiencing volatility and disruption for more than a year. In recent months, the volatility and disruption has reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength.

If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital, if needed or desired, and on our business, financial condition and results of operations.

Other than as set forth above, there have been no material changes to the factors disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007.

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

(c) The following table sets forth information for the three months ended September 30, 2008 with respect to our repurchases of our outstanding common shares:

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
July 1, 2008 - July 31, 2008	3,886	22.67	-	666,730
August 1, 2008 - August 31, 2008	4,459	26.48	-	666,730
September 1, 2008 - September 30, 2008	2,284	33.39	-	666,730
Total	10,629	26.57	-	

(1) Represents shares of restricted stock withheld upon vesting to satisfy tax withholding obligations.

Item 6. – Exhibits

See Exhibit Index.

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SIGNATURES

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

	MB FINANCIAL, INC
Date: November 7, 2008	**By: /s/ Mitchell Feiger** Mitchell Feiger President and Chief Executive Officer *(Principal Executive Officer)*
Date: November 7, 2008	**By: /s/ Jill E. York** Jill E. York Vice President and Chief Financial Officer *(Principal Financial and Principal Accounting Officer)*

EXHIBIT INDEX

Exhibit Number	Description
2.1	Amended and Restated Agreement and Plan of Merger, dated as of April 19, 2001, by and among the Registrant, MB Financial, Inc., a Delaware corporation ("Old MB Financial") and MidCity Financial (incorporated herein by reference to Appendix A to the joint proxy statement-prospectus filed by the Registrant pursuant to Rule 424(b) under the Securities Act of 1933 with the Securities and Exchange Commission (the "Commission") on October 9, 2001)
2.2	Agreement and Plan of Merger, dated as of November 1, 2002, by and among the Registrant, MB Financial Acquisition Corp II and South Holland Bancorp, Inc. (incorporated herein by reference to Exhibit 2 to the Registrant's Current Report Form 8-K filed on November 5, 2002 (File No. 0-24566-01))
2.3	Agreement and Plan of Merger, dated as of January 9, 2004, by and among the Registrant and First SecurityFed Financial, Inc. (incorporated herein by reference to Exhibit 2 to the Registrant's Current Report on Form 8-K filed on January 14, 2004 (File No.0-24566-01))
2.4	Agreement and Plan of Merger, dated as of May 1, 2006, by and among the Registrant, MBFI Acquisition Corp. and First Oak Brook Bancshares, Inc. ("First Oak Brook")(incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on May 2, 2006 (File No.0-24566-01))
3.1	Charter of the Registrant, as amended (incorporated herein by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2007 (File No. 0-24566-01))
3.2	Bylaws of the Registrant, as amended (incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on December 11, 2007 (File No. 0-24566-01))
4.1	The Registrant hereby agrees to furnish to the Commission, upon request, the instruments defining the rights of the holders of each issue of long-term debt of the Registrant and its consolidated subsidiaries
4.2	Certificate of Registrant's Common Stock (incorporated herein by reference to Exhibit 4.1 to Amendment No. One to the Registrant's Registration Statement on Form S-4 (No. 333-64584))
10.1	Reserved.
10.2	Employment Agreement between the Registrant and Mitchell Feiger (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 18, 2007 (File No. 0-24566-01))
10.3	Employment Agreement between MB Financial Bank, N.A. and Burton Field*
10.3A	Change in Control Severance Agreement between MB Financial Bank, N.A. and Burton Field*
10.4	Form of Change of Control Severance Agreement between MB Financial Bank, National Association and each of Thomas Panos, Jill E. York and Thomas P. Fitzgibbon, Jr. (incorporated herein by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 0-24566-01))

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EXHIBIT INDEX

Exhibit Number	Description
10.4A	First Amendments to Change in Control Severance Agreements between MB Financial Bank, National Association and each of Jill E. York, Thomas D. Panos and Thomas P. FitzGibbon, Jr. (incorporated herein by reference to Exhibits 10.2 – 10.4 to the Registrant's Current Report on Form 8-K filed on December 18, 2007 (File No. 0-24566-01))
10.4B	Change in Control Severance Agreements between MB Financial Bank, National Association and each of Larry J. Kallembach, Brian Wildman, Rosemarie Bouman and Susan Peterson (incorporated herein by reference to Exhibits 10.5 – 10.8 to the Registrant's Current Report on Form 8-K filed on December 18, 2007 (File No. 0-24566-01))
10.5	Reserved.
10.6	Coal City Corporation 1995 Stock Option Plan (incorporated herein by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-4 (No. 333-64584))
10.6A	Amendment to Coal City Corporation 1995 Stock Option Plan ((incorporated herein by reference to Exhibit 10.6A to the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2006, filed on March 2, 2007 (File No. 0-24566-01))
10.7	MB Financial, Inc. Amended and Restated Omnibus Incentive Plan (the "Omnibus Incentive Plan") (incorporated herein by reference to the Registrant's definitive proxy statement filed on March 23, 2007 (File No. 0-24566-01))
10.8	MB Financial Stock Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.8(a) to Amendment No. One to the Registrant's Registration Statement on Form S-4 (No. 333-64584))
10.9	MB Financial Non-Stock Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.8(b) to Amendment No. One to the Registrant's Registration Statement on Form S-4 (No. 333-64584))
10.9A	Amendments to MB Financial Stock Deferred Compensation Plan and Non-Stock Deferred Compensation Plan ((incorporated herein by reference to Exhibit 10.9A to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007, filed on February 29, 2008 (File No. 0-24566-01))
10.10	Avondale Federal Savings Bank Supplemental Executive Retirement Plan Agreement (incorporated herein by reference to Exhibit 10.2 to Old MB Financial's (then known as Avondale Financial Corp.) Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 0-24566))
10.11	Reserved.
10.12	Reserved.
10.13	Amended and Restated Employment Agreement between MB Financial Bank, N.A. and Ronald D. Santo (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 14, 2004 (File No. 0-24566-01))
10.13A	Amendment to Amended and Restated Employment Agreement between MB Financial Bank, N.A. and Ronald D. Santo ((incorporated herein by reference to Exhibit 10.13A to the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2006, filed on March 2, 2007 (File No. 0-24566-01))

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EXHIBIT INDEX

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

EXHIBIT INDEX

Exhibit Number	Description
10.22	First Oak Brook Bancshares, Inc. Directors Stock Plan (incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form S-8 filed by First Oak Brook on October 25, 1999 (File No. 333-89647))
10.23	Separation and Settlement Agreement and Mutual Release between the Registrant and Richard M. Rieser, Jr. (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 29, 2007 (File No. 0-24566-01))
10.24	Tax Gross Up Agreement between the Registrant and Richard M. Rieser, Jr. (incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 0-24566-01))
10.25	Form of Supplemental Pension Benefit Agreement for Richard M. Rieser, Jr. (incorporated herein by reference to Exhibit 10.13 to First Oak Brook's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 0-14468))
10.26	Form of Agreement Regarding Post-Employment Restrictive Covenants between the Registrant (as successor to First Oak Brook) and Richard M. Rieser, Jr. (incorporated herein by reference to Exhibit 10.13 to First Oak Brook's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 0-14468))
10.27	First Oak Brook Bancshares, Inc. Executive Deferred Compensation Plan (incorporated by reference to Exhibit 10.3 to First Oak Brook's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 0-14468))
10.27A	Amendment to First Oak Brook Bancshares, Inc. Executive Deferred Compensation Plan incorporated herein by reference to Exhibit 10.27A to the Registrant's Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2007 filed on May 15, 2007)
10.29	Form of Transitional Employment Agreement between the Registrant (as successor to First Oak Brook) and Rosemarie Bouman (incorporated herein by reference to Exhibit 10.10 to First Oak Brook's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 0-14468))
10.29A	First Amendment to Transitional Employment Agreement between the Registrant (as successor to First Oak Brook) and Rosemarie Bouman ((incorporated herein by reference to Exhibit 10.28A to the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2006, filed march 2, 2007 (File No. 0-24566-01))
10.29B	Second Amendment to Transitional Employment Agreement between the Registrant (as successor to First Oak Brook) and Rosemarie Bouman ((incorporated herein by reference to Exhibit 10.28B to the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2006, filed March 2, 2007 (File No. 0-24566-01))
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*

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FIELD EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement") is made and entered into effective as of the first day of September, 2008, by and between MB Financial Bank. N.A. (the "Bank") and Burton J. Field (the "Employee").

WHEREAS, the Bank is the wholly-owned subsidiary of MB Financial, Inc. (the "Holding Company");

WHEREAS, the Employee serves as the President, Lease Banking of the Bank and Vice President of the Holding Company;

WHEREAS, the Employee and the Bank entered into an employment agreement dated September 22, 1999, as amended January 26, 2005, December 13, 2005 and February 22, 2007 (collectively, the "1999 Employment Agreement");

WHEREAS, the parties believe it is in their respective best interest to enter into this Agreement in replacement of the 1999 Employment Agreement; and

WHEREAS, the Organization and Compensation Committee (the "Compensation Committee") of the Board of Directors of the Holding Company (the "MB Board of Directors") and the board of directors of the Bank (the "Board of Directors") has approved and authorized the execution of this Agreement with the Employee;

NOW THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein, it is AGREED as follows:

1. Definitions.

(a) The term "Date of Termination" means the date upon which the Employee's employment with the Bank ceases, as specified in a notice of termination pursuant to Section 8 hereof; provided, that "termination," "termination of employment" and "Date of Termination" as used herein are intended to mean a termination of employment which constitutes a "separation from service" under Code Section 409A determined without regard to Executive's service as a member of the Board of Directors or of the MB Board of Directors or the board of directors of any subsidiary of the Corporation.

(b) The term "Effective Date" means September 1, 2008, the date of this Agreement.

(c) The term "Involuntary Termination" means the termination of the employment of Employee (i) by the Bank without his express written consent; or (ii) by the Employee by reason of a material diminution of or interference with his duties, responsibilities or benefits which occurs after the Effective Date, including (without limitation) any of the following actions unless consented to in writing by the Employee: (1) a requirement that the Employee be based at any place other than Chicago, Illinois, or within a radius of 35 miles from the location of MB Financial Center at 6111 North River Road, Rosemont, Illinois, except for reasonable travel on Bank business; (2) a material demotion of the Employee; (3) a material reduction in the number or seniority of personnel reporting to the Employee or a material reduction in the frequency with which, or in the nature of the matters with respect to which, such personnel are to report to the Employee, other than as part of a Bank-wide reduction in staff; (4) a reduction in the Employee's salary or a material adverse change in the Employee's perquisites, benefits, contingent benefits or vacation, other than as part of an overall program applied uniformly and with equitable effect to all members of the senior management of the Bank; or (5) a material permanent increase in the required hours of work or the workload of the Employees. The term "Involuntary Termination" does not include Termination for Cause, termination of employment due to death or disability, or termination pursuant to Section 7(h) of this Agreement, retirement or suspension or temporary or permanent prohibition from participation in the conduct of the Bank's affairs under Section 8 of the Federal Deposit Insurance Act. The term "Involuntary Termination" does not include the resignation by the Employee for the reasons set forth in clause (ii) above, unless the notice provisions set forth in Section 8 are satisfied.

(d) The terms "Termination for Cause" and "Terminated For Cause" mean termination of the employment of the Employee with the Bank because of the Employee's willful misconduct, breach of a fiduciary duty involving personal profit, repeated failure to perform stated duties (after written notice and reasonable opportunity to cure), willful violation of any law, rule, or regulation (other than traffic violations or similar offenses) or final cease-and-desist order issued by a federal banking regulator, or (except as provided below) material breach of any provision of this Agreement. No act or failure to act by the Employee shall be considered willful unless the Employee acted or failed to act in bad faith and without a reasonable belief that his action or failure to act was in the best interest of the Bank. The Employee shall not be deemed to have been Terminated for Cause unless and until there shall have been delivered to the Employee a copy of a resolution, duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting of the Board duly called and held for such purpose (after reasonable notice to the Employee and an opportunity for the Employee, together with the Employee's counsel, to be heard before the Board), stating that in the good faith opinion of the Board of Directors the Employee has engaged in conduct described in the preceding sentence and specifying the particulars thereof in detail.

(e) The term "Voluntary Termination" shall mean termination of employment by the Employee voluntarily as set forth in Section 7(d) of this Agreement.

2. Term; The term of this Agreement shall be a period of three years commencing on the Effective Date hereof, subject to earlier termination as provided herein.

3. Employment. The Employee is employed as the President, Lease Division of the Bank. As such, the Employee shall report to and shall render such management services as are specified by, the Chief Executive Officer of the Bank or such other executive officer of the Bank as may be designated by the Chief Executive Officer or the Board of Directors and are customarily performed by persons situated in similar executive capacities consistent with the Employee's duties as of the date of this Agreement. The Employee shall also render services to the Holding Company and any subsidiary or subsidiaries of the Holding Company or Bank as requested by the Bank from time to time. The Employee shall devote his best efforts and reasonable time and attention to the business and affairs of the Bank to the extent necessary to discharge his responsibilities hereunder. The Employee may (i) serve on charitable boards or committees at the Employee's discretion without consent of the Board of Directors and, in addition, on such corporate boards as are approved in a resolution adopted by a majority of the Board of Directors, and (ii) manage personal investments, so long as such activities do not interfere materially with performance of his responsibilities hereunder.

4. Cash Compensation.

(a) Salary. The Bank agrees to pay the Employee during the term of this Agreement a base salary (the "Salary") the annual rate of which shall be not less than $458,720. The Salary shall be paid no less frequently than monthly provided such periodic amounts shall be subject to reduction in accordance with the provisions of Section 6 relating to vacation pay and leaves of absence without pay and shall be subject to customary tax withholding. The amount of the Salary shall be subject to change from time to time in accordance with the amounts approved by the Board of Directors after the Effective Date, provided, however that under no circumstances may the Salary be decreased without the Employee's consent.

(b) Bonuses. The Employee shall be entitled to participate in an equitable manner with all other executive officers of the Bank in such performance-based and discretionary bonuses, if any, as are authorized and declared by the Board of Directors for executive officers of the Bank.

(c) Expenses. The Employee shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Employee in performing services under this Agreement in accordance with the policies and procedures applicable to the executive officers of the Holding Company and the Bank, provided that the Employee accounts for such expenses as required under such policies and procedures.

5. Employee Benefits.

(a) Participation in Benefit Plans. While the Employee is employed by the Bank, the Employee shall be entitled to participate, to the same extent as executive officers of the Holding Company and the Bank generally, in all plans of the Holding Company and the Bank relating to pension, retirement, thrift, profit-sharing, savings, group or other life insurance, hospitalization, medical and dental coverage, travel and accident insurance, education, cash bonuses, retirement or employee benefits or combination thereof. In addition, the Employee shall be entitled to be considered for benefits under all of the stock and stock option related plans in which the Holding Company's or the Bank's executive officers are eligible or become eligible to participate.

(b) Fringe Benefits. The Employee shall be eligible to participate in, and receive benefits under, any other fringe benefit plans or perquisites which are or may become generally available to the Holding Company's or the Bank's executive officers, including but not limited to supplemental retirement, incentive compensation, supplemental medical or life insurance plans, company cars, club dues, physical examinations, financial planning and tax preparation services. Without limiting the generality of the foregoing, the Bank agrees to pay for Employee's membership dues and related expenses in Mission Hills Country Club (Northbrook, Illinois) and expenses for an automobile provided to Employee by the Bank commensurate with similarly situated officers of the Holding Company and the Bank.

6. Vacations; Leave. The Employee shall be entitled (i) to annual vacation equal to six weeks of vacation at full pay, and ten weeks of vacation at half pay, provided in accordance with policies established by the Board of Directors, and (ii) to voluntary leaves of absence, with or without pay, from time to time at such times and at such conditions as the Board of Directors may determine in its discretion.

7. Termination of Employment.

(a) Involuntary Termination. If the Employee experiences an Involuntary Termination, such termination of employment shall be subject to the Bank's obligations under this Section 7(a), in lieu of any other compensation and employee benefits under the Agreement. In the event of the Involuntary Termination, the Bank shall (i) pay to the Employee monthly during the unexpired term of this Agreement determined immediately prior to the Date of Termination, or for 12 months, whichever period is greater, the sum of one-twelfth of the average Salary received by the Employee during the 24 month period immediately prior to the Date of Termination plus one-twelfth of the average amounts of cash bonus earned by the Employee for the two full fiscal years preceding the Date of Termination; (ii) if the Employee is the record or beneficial owner of any options for stock of the Holding Company as of the Date of Termination, provide that notwithstanding the provisions of any other agreements or documents relating to such options, such options shall be deemed to be fully vested on the Date of Termination and shall be exercisable for a period of not less one year from the Date of Termination; and the Bank shall guarantee that the Employee shall receive the benefits of such vesting; and (iii) if the Employee is not fully vested under any other benefit plan or arrangement in which he is a participant as of the Date of Termination (except for any "employee pension plan" as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended, including any "multiemployer plan" as defined in Section 3(37) of such Act), deem the Employee to be fully vested therein and the Bank shall guarantee that he shall receive benefits thereunder accordingly. In addition to the foregoing, in connection with an Involuntary Termination, the Employee shall be entitled to receive (A) any accrued Salary through the Date of Termination within 30 days after the Date of Termination, (B) any unpaid annual bonus earned by the Employee for the preceding calendar year within the normal time period for the payment of such bonuses, (C) prompt reimbursement of any expenses incurred through the Date of Termination in accordance with Section 4(c), and (D) all vested employee benefits described in Section 5 hereof, including the benefits set forth in Section 7(e) (collectively, the "Accrued Compensation"), such benefits to be paid in accordance with this Agreement and the applicable plan, program, arrangement or agreement. If the Employee should die after amounts become payable under this Section 7(a), such amounts shall thereafter be paid to the Employee's estate until satisfied in full. Payments pursuant to this Section 7(a) shall be subject to Section 19(b).

(b) Change in Control. Following execution of the Agreement, the Bank and Employee shall enter into a Change in Control Severance Agreement substantially in the form of the agreements entered into by the Bank with its other senior officers, provided, that salary-based severance benefits provided thereunder shall be based on Employee's average Salary as described in Section 7(a) above (the "CIC Severance Agreement"). In the event a Qualifying Termination (as defined in the CIC Severance Agreement) occurs entitling the Employee to Severance Benefits under the CIC Severance Agreement, such Severance Benefits shall be in lieu of the benefits described under Section 7(a) and no amounts shall otherwise be payable under Section 7(a) above. The Bank shall, however, pay or provide the Accrued Compensation. Payments described in this Section 7(b) shall be subject to Section 19(b).

(c) Termination for Cause. In the event of Termination for Cause, the Bank shall have no further obligation to the Employee under this Agreement after the Date of Termination except for the Accrued Compensation. Payments under this Section 7(c) shall be subject to Section 19(b).

(d) Voluntary Termination. The Employee may terminate his employment voluntarily at any time by a notice pursuant to Section 8 of this Agreement. In the event that the Employee voluntarily terminates his employment other than by reason of any of the actions that constitute Involuntary Termination ("Voluntary Termination"), the Bank shall only be obligated to the Employee for the Accrued Compensation, and the Bank shall have no further obligation to the Employee under this Agreement except a final annual bonus in an amount consistent with the Bank's year-end bonus practices, provided that the Compensation Committee or Board of Directors shall determine the amount of such bonus in good faith at the time of the Employee's termination, taking into consideration the portion of the year elapsed prior to termination, and the Bank shall pay such bonus in cash on the Date of Termination. Payments under this Section 7(d) shall be subject to Section 19(b).

(e) Health Benefits. Notwithstanding any other provision of this Agreement, the Bank (or any successor, directly or through its affiliates) shall provide the Employee and his spouse (upon her attainment of age sixty-five or the then current Medicare eligibility age) with coverage under a Medicare Supplemental Insurance plan and a long term care insurance plan obtained by the Bank for the Employee and his spouse, provided, however, that the aggregate annual cost of the premiums on such plans to be paid by the Bank shall not exceed $25,000. The Bank's obligation to provide Medicare Supplemental Insurance and Long Term Care Insurance hereunder shall cease upon the death of both the Employee and his spouse. Upon the death of the first to occur of the Employee or his spouse, the cap of the aggregate annual premium to be paid by the Bank shall be reduced to $12,500.

(f) Death. In the event of the death of Employee during the term of this Agreement and prior to any termination of employment, the Bank shall pay to the Employee's estate, or such person as the Employee may have previously designated in writing, the Accrued Compensation, and a bonus (prorated in accordance with the portion of the fiscal year expired as of the date of his death) in an amount consistent with the Bank's year-end bonus practices as determined by the Board of Directors in good faith, which bonus shall be paid within 90 days after the death of the Employee.

(g) Disability. If the Employee becomes entitled to benefits under the terms of the then-current disability plan, if any, of the Holding Company or the Bank (a "Disability Plan"), he shall be entitled to receive such group and other disability benefits, if any, as are then provided by the Holding Company or the Bank for executive employees. In the event of such disability, this Agreement shall not be suspended, except that (i) the Bank's obligation to pay the Salary to the Employee shall be reduced in accordance with the amount of disability income benefits received by the Employee, if any, pursuant to this Section 7(g) or the policies described in Section 5 or otherwise provided by Bank, such that on an after-tax basis, the Employee shall realize from the sum of disability income benefits and a portion of the Salary (if any) the same amount as he would realize on an after-tax basis from the Salary if the Bank's obligation to pay salary were not reduced pursuant to this Section 7(g); and upon a resolution adopted by a majority of the disinterested members of the Board of Directors, the Bank may discontinue payment of the Salary beginning six months following a determination that the Employee has become entitled to benefits under a Disability Plan or otherwise unable to fulfill his duties under this Agreement.

(h) Regulatory Action. Notwithstanding any other provisions of this Agreement, if the Employee is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or (g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. sections 1818(e)(4) and (g)(1), all obligations of the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the parties shall not be affected.

(i) Release. Notwithstanding the foregoing, the Bank's obligations to pay or provide any benefits, under this Section 7(a) or 7(b) above shall be conditioned on the Executive signing a release of claims in favor of the Bank in the form annexed hereto within forty-give (45) days of such termination and the expiration of any revocation period provided for in such release; provided that, if such Date of Termination is after November 8 of any year, no payment conditioned on such release shall be made until the calendar year following the calendar year of termination even if the release is signed and the revocation period concluded earlier.

(j) Tax Gross Up Agreement. The Holding Company and Employee have entered into a Tax Gross-Up Agreement, dated November 3, 2004, which provides certain payments in the event Employee shall become subject to excise tax under Code Section 4999 of the Code in the event of a Change in Control.

8. Notice of Termination. Subject to the provisions of Section 1(c) hereof, in the event that the Bank desires to terminate the employment of the Executive during the term of this Agreement, the Bank shall deliver to the Employee a written notice of termination, stating whether such termination constitutes Termination for Cause, Involuntary Termination, or termination for disability, setting forth in reasonable detail the facts and circumstances that are the basis for the termination, and specifying the date upon which employment shall terminate, which date shall be at least 30 days after the date upon which the notice is delivered, except in the case of Termination for Cause. In the event that the Employee determines in good faith that he has experienced

an Involuntary Termination of his employment in accordance with Section 1(c), he shall (a) send a written notice to the Bank stating the circumstances that constitute such Involuntary Termination, which notice shall be given within 90 days of the Employee's first learning of such circumstances and shall state his intention to terminate his employment due to such Involuntary Termination and (b) provide the Bank with 30 days from the date of such notice to cure such circumstances. If the Bank fails to cure such circumstances, then Employee will be deemed to have terminated his employment due to Involuntary Termination at the end of such 30 day period. In the event that the Employee desires to effect a Voluntary Termination, he shall deliver a written notice to the Bank, stating the date upon which employment shall terminate, which date shall be at least 90 days after the date upon which the notice is delivered, unless the parties agree to a date sooner.

9. Covenant Not To Compete.

(a) The Employee agrees that his services are special and unique, and of an unusual and extraordinary character which gives them peculiar value for which monetary damages cannot provide adequate compensation. In consideration of the Bank's entering into this Agreement, the Employee hereby agrees that during the Non-Compete Period (as defined below), he shall not without the prior written consent of the Bank:

(i) serve as a director, officer, or employee of, or directly or indirectly, as a consultant, independent contractor or otherwise, provide any personal services to any institution insured by the Federal Deposit Insurance Corporation or any affiliate of such an institution which institution or affiliate has an office in Cook County, Illinois or adjacent counties in Illinois; or

(ii) solicit, or directly or indirectly cause to be solicited, any employee or agent of the Bank to leave his or her employment or terminate his or her relationship with the Bank; or

(iii) solicit, or directly or indirectly cause to be solicited, customers of the Bank for the purpose of offering loans or other financing services to such customers.

(b) The term "Non-Compete Period" shall mean the period of one year following termination of employment at any time for any reason. The provisions of this Section 9 shall survive expiration of the term of this Agreement.

(c) If any provision of this Section 9, as applied to any party or to any circumstances, is adjudged by a court to be invalid or unenforceable, the same shall in no way affect any other provision of this Section 9 or any other part of this Agreement, the application of such provision in any other circumstances or the validity or enforceability of this Agreement. If any such provision, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision, and/or to delete specific words or phrases, and in its reduced form such provision shall then be enforceable and shall be enforced. Upon breach of any provision of this Section 9, the Bank shall be entitled to injunctive relief, since the remedy at law would be inadequate and insufficient. In addition, the Bank shall be entitled to suspend pay of, and have the right to recover, any amounts paid or payable under Section 7(a) or 7(b) and to such damages as it can show it has sustained by reason of such breach.

10. Attorneys' Fees. The Bank shall pay all legal fees and related expenses (including the costs of experts, evidence and counsel) incurred by the Employee as a result of (i) the Employee's contesting or disputing any termination of employment, or (ii) the Employee's seeking to obtain or enforce any right or benefit provided by this Agreement or by any other plan or arrangement maintained by the Bank (or any successor) or an affiliate under which the Employee is or may be entitled to receive benefits; provided that the Bank's obligation to pay such fees and expenses is subject to the Employee's prevailing with respect to the matters in dispute in any proceeding initiated by the Employee or the Employee's having been determined to have acted reasonably and in good faith with respect to any proceeding initiated by the Bank.

11. No Assignments Except by Operation of Law in Certain Mergers.

(a) This Agreement is personal to each of the parties hereto, and neither may assign or delegate any of its rights or obligations hereunder without first obtaining the written consent of the other party except that, by operation of law in a merger in which the Bank is a party but not the resulting entity, the Bank's obligations may be assigned to and assumed by the resulting entity of such a merger; provided, however, that the Bank shall require any successor or assign (other than by operation of law in a merger in which the Bank is a party but not the resulting entity) by an assumption agreement in form and substance satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Bank would be required to perform it if no such succession or assignment had taken place. Failure of the Bank to obtain such an assumption agreement prior to the effectiveness of any such succession or assignment shall be a breach of this Agreement and shall entitle the Employee to compensation and benefits from the Bank in the same amount and on the same terms as the compensation pursuant to Section 7(a), Section 7(b) and Section 7(e) hereof. For purposes of implementing the provisions of this Section 11, the date on which any such succession becomes effective shall be deemed the Date of Termination.

(b) This Agreement and all rights of the Employee hereunder shall inure to the benefit of and be enforceable by the Employee's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

12. Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, to the Bank at its home office, to the attention of the Board of Directors with a copy to the Secretary of the Bank, or, if to the Employee, to such home or other address as the Employee has most recently provided in writing to the Bank.

13. Amendments. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties.

14. Headings. The headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

15. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provisions shall not affect the validity or enforceability of the other provisions hereof.

16. Governing Law. This Agreement shall be governed by the laws of the State of Illinois.

17. Preparation Fees. The Bank shall be solely responsible for payment of reasonable legal fees incurred by Employee in the preparation, negotiation and execution of this Agreement, but not in excess of $10,000.

18. Successors to Code Sections. all provisions of this agreement referring to sections of the U.S.C. (United States Code) or to the Internal Revenue Code shall be deemed to refer to successor code sections in the event of renumbering of code sections.

19. Code Section 409A. (a) The intent of the parties is that payments and benefits under this Agreement comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If the Employee notifies the Bank (with specificity as to the reason therefore) that the Employee believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause the Employee to incur any additional tax or interest under Code Section 409A and the Bank concurs with such belief or the Bank (without any obligation whatsoever to do so) independently makes such determination, the Bank shall, after consulting with the Employee, reform such provision to try to comply with Code Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Code Section 409A. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Employee and the Bank of the applicable provision without violating the provisions of Code Section 409A.

(b) If the Employee is deemed on the date of "separation from service" to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is specified as subject to this Section, such payment or benefit shall be made or provided at the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Employee, and (B) the date of the Employee's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 19(b) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Employee in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Whenever a payment is to be made promptly after a date, it shall be made within sixty (60) days thereafter.

(c) With regard to any provision herein that provides for reimbursement of expenses or in-kind benefits: (i) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, and (ii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not effect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year, provided that the foregoing shall not be violated with regard to expenses covered by Code Section 105(h) that are subject to a limit related to the period in which the arrangement is in effect. Any expense or other reimbursement payment made pursuant to this Agreement or any plan, program, agreement or arrangement of the Bank referred to herein, shall be made on or before the last day of the taxable year following the taxable year in which such expense or other payment to be reimbursed.

20. 1999 Employment Agreement. Except with respect to stock options awarded pursuant to the 1999 Employment Agreement, this Agreement supersedes and replaces the 1999 Employment Agreement and as of the date hereof, the 1999 Employment Agreement shall terminate and have no further force or effect.

21. Entire Agreement. This Agreement, together with the CIC Severance Agreement and Tax Gross-Up Agreement referred to herein, sets forth the entire agreement of the parties with respect to the subject matter contained herein and supersedes all prior agreements, promises, understandings, covenants, arrangements, representations or warranties, whether oral or written, by any officer, director or representation of either party hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first above written.

MB FINANCIAL BANK, N.A.

Attest:

By: /s/ Jill E. York
Its: Vice President and Chief Financial Officer

/s/ Doria Koros
Secretary

EMPLOYEE:

/s/ Burton J. Field
Burton J. Field

APPENDIX A

ANNEX TO EMPLOYEE EMPLOYMENT AGREEMENT

Form of Release

AGREEMENT AND GENERAL RELEASE

MB Financial, Inc., MB Financial Bank, N.A., its affiliates, subsidiaries, divisions, successors and assigns in such capacity, and the current, future and former employees, officers, directors, and agents thereof in such capacities (collectively referred to throughout this Agreement as "**Corporation**") and Burton J. Field ("**Employee**"), the Employee's heirs, executors, administrators, successors and assigns (collectively referred to throughout this Agreement as "**Employee**") agree:

1. **Consideration**. The parties acknowledge that this Agreement and General Release is being executed in accordance with Section 7 of the Employment Agreement by and between Employee and the Corporation.

2. **Revocation**. Employee may revoke this Agreement and General Release for a period of seven (7) calendar days following the day Employee executes this Agreement and General Release. Any revocation within this period must be submitted, in writing, hand delivered to Corporation, or if mailed, postmarked, within seven (7) calendar days of execution of this Agreement and General Release. This Agreement and General Release shall not become effective or enforceable until the revocation period has expired.

3. **General Release of Claim**. Employee knowingly and voluntarily releases and forever discharges Corporation from any and all claims, causes of action, demands, fees and liabilities of any kind whatsoever, whether known and unknown, against Corporation, Employee has, has ever had or may have as of the date of execution of this Agreement and General Release, including, but not limited to, any alleged violation of:

- Title VII of the Civil Rights Act of 1964, as amended;
- The Civil Rights Act of 1991;
- Sections 1981 through 1988 of Title 42 of the United States Code, as amended;
- The Immigration Reform and Control Act, as amended;
- The Americans with Disabilities Act of 1990, as amended;
- The Age Discrimination in Employment Act of 1967, as amended;
- The Older Workers Benefit Protection Act of 1990;
- The Worker Adjustment and Retraining Notification Act, as amended;
- The Occupational Safety and Health Act, as amended;
- The Family and Medical Leave Act of 1993;
- Any other federal, state or local civil or human rights law or any other local, state or federal law, regulation or ordinance;

- Any public policy, contract, tort, or common law; or

- Any allegation for costs, fees, or other expenses including attorneys’ fees incurred in these matters.

Notwithstanding anything herein to the contrary, the sole matters to which the Agreement and General Release do not apply are: (i) Employee's rights of indemnification and directors and officers liability insurance coverage to which Employee was entitled immediately prior to DATE with regard to Employee's service as an officer and director of Corporation; (ii) Employee's rights under any tax-qualified pension or claims for accrued vested benefits under any other Employee benefit plan, policy or arrangement maintained by Corporation or under COBRA; (iii) Employee's rights under the provisions of the Employment Agreement which are intended to survive termination of employment; or (iv) Employee's rights as a stockholder.

4. **No Claims Permitted**. Employee waives Employee's right to file any charge or complaint against Corporation arising out of Employee's employment with or separation from Corporation before any federal, state or local court or any state or local administrative agency, except where such waivers are prohibited by law. This Agreement, however, does not prevent Employee from filing a charge with the Equal Employment Opportunity Commission, any other federal government agency, and/or any government agency concerning claims of discrimination, although Employee waives the Employee's right to recover any damages or other relief in any claim or suit brought by or through the Equal Employment Opportunity Commission or any other state or local agency on behalf of Employee under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964 as amended, the Americans with Disabilities Act, or any other federal or state discrimination law, except where such waivers are prohibited by law.

5. **Affirmations**. Employee affirms Employee has not filed, has not caused to be filed, and is not presently a party to, any claim, complaint, or action against Corporation in any forum or form. Employee further affirms that the Employee has been paid and/or has received all compensation, wages, bonuses, commissions, and/or benefits to which Employee may be entitled and no other compensation, wages, bonuses, commissions and/or benefits are due to Employee, except as provided in Section 5(d) of the Employment Agreement. Employee also affirms Employee has no known workplace injuries.

6. **Governing Law and Interpretation**. This Agreement and General Release shall be governed and conformed in accordance with the laws of the State of Illinois without regard to its conflict of laws provisions. In the event Employee or Corporation breaches any provision of this Agreement and General Release, Employee and Corporation affirm either may institute legal action to specifically enforce any term or terms of this Agreement and General Release. Should any provision of this Agreement and General Release be declared illegal or unenforceable by any court of competent jurisdiction and should the provision be incapable of being modified to be enforceable, such provision shall immediately become null and void, leaving the remainder of this Agreement and General Release in full force and effect. Nothing herein, however, shall operate to void or nullify any general release language contained in the Agreement and General Release.

7. **Nonadmission of Wrongdoing**. Employee agrees neither this Agreement and General Release nor the furnishing of the consideration for this Release shall be deemed or construed at any time for any purpose as an admission by Corporation of any liability or unlawful conduct of any kind.

8. **Amendment**. This Agreement and General Release may not be modified, altered or changed except upon express written consent of both parties wherein specific reference is made to this Agreement and General Release.

9. **Entire Agreement**. This Agreement and General Release sets forth the entire agreement between the parties hereto and fully supersedes any prior agreements or understandings between the parties; provided, however, that notwithstanding anything in this Agreement and General Release, the provisions in the Employment Agreement which are intended to survive termination of the Employment Agreement, shall survive and continue in full force and effect. Employee acknowledges Employee has not relied on any representations, promises, or agreements of any kind made to Employee in connection with Employee's decision to accept this Agreement and General Release.

EMPLOYEE HAS BEEN ADVISED THAT EMPLOYEE HAS UP TO FORTY-FIVE (45) CALENDAR DAYS TO REVIEW THIS AGREEMENT AND GENERAL RELEASE AND HAS BEEN ADVISED IN WRITING TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTION OF THIS AGREEMENT AND GENERAL RELEASE.

EMPLOYEE AGREES ANY MODIFICATIONS, MATERIAL OR OTHERWISE, MADE TO THIS AGREEMENT AND GENERAL RELEASE DO NOT RESTART OR AFFECT IN ANY MANNER THE ORIGINAL TWENTY-ONE (21) CALENDAR DAY CONSIDERATION PERIOD.

HAVING ELECTED TO EXECUTE THIS AGREEMENT AND GENERAL RELEASE, TO FULFILL THE PROMISES SET FORTH HEREIN, AND TO RECEIVE THE SUMS AND BENEFITS SET FORTH IN THE EMPLOYMENT AGREEMENT, EMPLOYEE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS AGREEMENT AND GENERAL RELEASE INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS EMPLOYEE HAS OR MIGHT HAVE AGAINST CORPORATION.

IN WITNESS WHEREOF, the parties hereto knowingly and voluntarily executed this Agreement and General Release as of the date set forth below:

MB Financial, Inc. and MB Financial Bank, N.A., each for itself and its affiliates

By: /s/ Burton J. Field
Burton J. Field

Date: September 1, 2008

By: /s/ Jill E. York
Name: Jill E. York
Title: Vice President and Chief Financial Officer

Date: September 1, 2008

MB FINANCIAL BANK, N.A.

Change in Control Severance Agreement

THIS SEVERANCE AGREEMENT, (the "Agreement") is entered into as of September 1, 2008 (the "Effective Date"), by and between MB Financial Bank, N.A., a national banking association (the "Company") and Burton J. Field (the "Executive");

Witnesseth That:

Whereas, the Executive is employed by the Company, and the Company desires to provide protection to Executive in connection with any change in control of the Company.

Now, Therefore, it is hereby agreed by and between the parties, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as follows:

Article I. Establishment and Purpose

1.1 Term of the Agreement. Unless expired earlier as provided in Section 1.3 or terminated by the Company pursuant to Section 2.4, this Agreement will commence on the Effective Date and remain in effect for an initial term of three years which will be automatically extended for one year on each anniversary of the Effective Date. In addition, if a Change in Control occurs while this Agreement is effective, this Agreement will remain irrevocably in effect for the greater of twenty-four months from the date of the Change in Control or until all benefits have been paid to the Executive hereunder, and will then expire.

1.2 Purpose of the Agreement. The purpose of this Agreement is to advance the interests of the Company by providing the Executive with an assurance of equitable treatment, in terms of compensation and economic security, in the event of an acquisition or other Change in Control of the Company. An assurance of equitable treatment will enable the Executive to maintain productivity and focus during a period of significant uncertainty that is inherent in an acquisition or other Change in Control. Further, the Company believes that agreements of this kind will aid it in attracting and retaining the highly qualified, high-performing professionals who are essential to its success.

1.3 Contractual Right to Benefits. This Agreement establishes and vests in the Executive a contractual right to the benefits to which he or she is entitled hereunder, enforceable by the Executive against the Company. However, nothing in this Agreement will require or be deemed to require the Company to segregate, earmark, or otherwise set aside any funds or other assets to provide for any payments to be made under it.

Subject to Section 3.2, the Company will retain the right to terminate the Executive's employment at any time prior to a Change in Control of the Company. If the Executive's employment is terminated prior to a Change in Control of the Company, this Agreement will no longer be applicable to the Executive, and any and all rights and obligations of the Company and the Executive under this Agreement will cease. Notwithstanding the foregoing, if the effective date of a Change in Control occurs within six months following the effective date of an involuntary termination without Just Cause, the Executive's termination may be deemed to be a Qualifying Termination pursuant to Section 3.2 of this Agreement as of the date of the Change in Control.

Article II. Definitions and Construction

2.1 Definitions. Whenever used in the Agreement, the following terms have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized.

(a) "Average Annual Bonus" means the Executive's actual average annual bonus earned over the two complete fiscal years prior to the Effective Date of Termination, or, if shorter, over the Executive's entire period of employment. However, if the Executive's period of employment is less than one year, the average bonus will be considered zero.

(b) "Base Salary" means the average annual salary received by the Executive during the 24-month period immediately preceding the Effective Date of Termination.

(c) "Beneficial Owner" has the meaning ascribed to that term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act, namely, any person, who directly or indirectly, through any contract, arrangement, understanding or otherwise, has or shares voting power, which includes the power to vote or direct the voting of securities, and/or investment power, which includes the power to dispose of, or direct the disposition of, a security.

(d) "Beneficiary" means the persons or entities designated or deemed designated by the Executive pursuant to Section 8.2 herein.

(e) "Board" means the Board of Directors of the Company.

(f) The term "Change in Control" means (1) any Person is or becomes the Beneficial Owner directly or indirectly of securities of the Parent or the Company representing 35% or more of the combined voting power of the Parent's or the Company's outstanding securities entitled to vote generally in the election of directors; (2) individuals who were members of the Parent Board on the Effective Date (the "Incumbent Parent Board") cease for any reason to constitute at least a majority thereof, provided that any person becoming a member of the Parent Board subsequent to the Effective Date (a) whose appointment as a director by the Parent Board was approved by a vote of at least three-quarters of the directors comprising the Incumbent Parent Board, or (b) whose nomination for election as a member of the Parent Board by the Corporation's stockholders was approved by the Incumbent Parent Board or recommended by the nominating committee serving under the Incumbent Parent Board, shall be considered a member of the Incumbent Parent Board; (3) consummation of a plan of reorganization, merger or consolidation involving the Parent or the Company or the securities of either, other than (a) in the case of the Parent, a transaction at the completion of which the stockholders of the Parent immediately preceding completion of the transaction hold more than 60% of the outstanding securities of the resulting entity entitled to vote generally in the election of its directors or (b) in the case of the Company, a transaction at the completion of which the Parent holds more than 50% of the outstanding securities of the resulting institution entitled to vote generally in the election of its directors; (4) consummation of a sale or other disposition to an unaffiliated third party or parties of all or substantially all of the assets of the Parent or the Company or approval by the stockholders of the Parent or the Company of a plan of complete liquidation or dissolution of the Parent or the Company; provided that for purposes of clause (1), the term "Person" shall not include the Parent, any Executive benefit plan of the Parent or the Company, or any corporation or other entity owned directly or indirectly by the stockholders of the Parent in substantially the same proportions as their ownership of stock of the Parent. Each event comprising a "Change in Control" is intended to constitute a "change in ownership or effective control," or a "change in the ownership of a substantial portion of the assets," of the Parent or the Company as such terms are defined for purposes of Section 409A of the Code and "Change in Control" as used herein shall be interpreted consistently therewith.

(g) "Code" means the Internal Revenue Code of 1986, as amended.

(h) "Company" means MB Financial Bank, N.A., a national banking association, or any successor thereto that adopts the Agreement, as provided in Section 8.1 herein.

(i)

"Compensation Committee" means the Compensation Committee of the Board of Directors of the Parent Company.

(j) "Director" means a member of the Board or of the Parent Board, as the case may be.

(k) "Disability" means a physical or mental condition that would entitle the Executive to benefits under the Company's long-term disability plan, or if the Company maintains no such plan, then under the federal Social Security laws.

(l) "Effective Date of Termination" means the date on which a Qualifying Termination occurs which triggers Severance Benefits hereunder.

(m) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor to it.

(n) "Expiration Date" means the date the Agreement expires, as provided in Section 1.1 herein.

(o) "Good Reason" means (i) the occurrence of a ten percent or greater reduction in the aggregate value of the Executive's annual Base Salary, bonus opportunity, and benefits excluding profit sharing; (ii) the assignment to the Executive of any duties inconsistent with, and commonly (in the banking industry) considered beneath, the Executive's position, or a change in the Executive's status, offices, titles and reporting relationships, authority, duties or responsibilities, or any other action by the Company, in each case if the assignment, change or action results in a significant diminution in the Executive's position, authority, duties or responsibility; or (iii) a required relocation of the Executive to a location more than fifty miles from the Executive's then existing job location to which the Executive does not consent to in writing. In determining whether an assignment, change or action described in clause (ii) above constitutes Good Reason, due consideration will be given to the size of the organization and other facts and circumstances surrounding the Executive's situation before and after the assignment, change or action. For example, if the Executive is moved to a position that carries a title generally considered to be of a lower degree, but he or she is working in a larger division or company than before the change, has more Executives reporting to him or her, or has authority for projects controlling more dollars, or if other circumstances exist that suggest the Executive's new position is not a demotion, then Good Reason will not exist for the Executive to terminate his or her employment.

(p) "Just Cause" means a termination of the Executive's employment by the Company, for which no Severance Benefits are payable, as provided in Article IV.

(q) "Parent" means MB Financial, Inc., a Maryland corporation, or any direct parent of a successor of the Company that adopts the Agreement as provided in Section 8.1.

(r) "Parent Board" means the Board of Directors of the Parent.

(s) "Person" means a natural person, company, or government, or a political subdivision, agency, or instrumentality of a government, including a "group" as defined in Section 13(d) of the Exchange Act. When two or more persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring the securities of the Company, they will be deemed a Person for purposes of the Agreement. "Person" will be construed in the same manner as under Section 3(a)(9) of the Exchange Act, and "group" will be construed in the same manner as under Section 13(d) of the Exchange Act.

(t) "Qualifying Termination" means any of the events described in Section 3.2, the occurrence of which triggers the payment of Severance Benefits.

(u) "Severance Benefit" means the payment of severance compensation as provided in Article III.

2.2 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also includes the feminine, the plural includes the singular, and the singular includes the plural.

2.3 Severability. If any provision of this Agreement is held to be illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of this Agreement, and this Agreement will be construed and enforced as if the illegal or invalid provision had not been included.

2.4 Amendment or Termination. The provisions of this Agreement may be amended by written agreement between the Company and the Executive, with any material amendment approved by the

Compensation Committee or the Board. Subject to the final sentence of Section 1.1, the Company may terminate this Agreement by written resolution of the Compensation Committee or the Board, effective as of a date at least twelve months following the date the Company gives written notice to the Executive of its intent to terminate the Agreement.

2.5 Applicable Law. To the extent not preempted by the laws of the United States, the laws of the State of Illinois, without regard to its conflict of laws provisions, will be the controlling law in all matters relating to this Agreement.

Article III. Severance Benefits

3.1 Right to Severance Benefits. Subject to the provisions hereof, the Executive will be entitled to receive from the Company Severance Benefits as described in Section 3.3 if there has been a Change in Control of the Company and if any of the events designated within Section 3.2 occur. The Executive will not be entitled to receive Severance Benefits if his or her employment with the Company ends due to death, disability, voluntary retirement, a voluntary termination by the Executive without Good Reason, or due to an involuntary termination by the Company for Just Cause.

3.2 Qualifying Terminations. The occurrence of any one of the following events within twenty-four calendar months after a Change in Control of the Company will trigger the payment of Severance Benefits under this Agreement:

(a) an involuntary termination of the Executive's employment without Just Cause;

(b) a voluntary termination of the Executive's employment with the Company, for Good Reason;

(c) the failure or refusal of a successor company (including, but not limited to, an individual, corporation, association, or partnership) to assume the Company's obligations under this Agreement, as required by Section 8.1; and

(d) a breach by the Company or any successor company of any of the provisions of this Agreement.

In addition, an involuntary termination without Just Cause will trigger the payment of Severance Benefits under this Agreement if the Executive's employment is terminated by the Company without Just Cause within six months prior to a Change in Control that actually occurs during the term of this Agreement and either (i) the termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control, or (ii) the Executive reasonably demonstrates that the termination is otherwise in connection with or in anticipation of the Change in Control.

3.3 Description of Severance Benefits. If the Executive becomes entitled to receive Severance Benefits, as provided in Sections 3.1 and 3.2, the Company will pay to the Executive and provide him or her with the following:

(a) an amount equal to the Executive's annual Base Salary multiplied by **two;**

(b) an amount equal to the Executive's Average Annual Bonus multiplied by **two;**

(c) immediate vesting of the Executive's benefits, if any, under any and all non-qualified retirement plans of the Company (or its affiliates) in which the Executive participates; and

(d) continuation of the welfare benefits of medical, dental or other health coverage, long-term disability, and group term life insurance at the same premium cost to the Executive and at the same coverage level as in effect as of the Executive's Effective Date of Termination until the **second** anniversary of the Effective Date of Termination, without regard to the federal income tax consequences of that continuation.

The treatment of any options held by the Executive will be subject to the terms of the plan or plans under which they were granted. Benefits under subsection 3.3(d) will be discontinued prior to the end of the **second** anniversary of the Effective Date of Termination if the Executive receives substantially similar benefits in the aggregate from a subsequent employer, as determined by the Compensation Committee. Continued medical, dental or other health benefits under subsection 3.3(d) will count toward any COBRA continuation coverage period that may apply to the Executive.

Article IV. Just Cause or Retirement

4.1 Just Cause. Nothing in this Agreement will be construed to prevent the Company from terminating the Executive's employment for Just Cause. If the Company does so, no Severance Benefits will be payable to the Executive under this Agreement.

Just Cause will be defined to include, but will not be limited to, willful, malicious conduct by the Executive that is prejudicial to the best interests of the Company, including theft, embezzlement, the conviction of a criminal act, disclosure of trade secrets, a gross dereliction of duty, or other grave misconduct on the part of the Executive that is injurious to the Company.

4.2 Retirement. If the Executive's employment with the Company ends due to voluntary retirement, the Executive: (i) will not be entitled to receive Severance Benefits under this Agreement; and (ii) will not be eligible to participate in a Company-sponsored severance plan or arrangement at any time following his or her retirement.

Article V. Form and Timing of Severance Benefits

5.1 Form and Timing of Severance Benefits. The Severance Benefits described in Sections 3.3(a) and (b) will be paid in cash to the Executive in a single lump sum as soon as practicable following the Effective Date of Termination, but in no event more than thirty days after the Effective Date of Termination. The vesting of benefits under Section 3.3(c) shall occur on the Effective Date of Termination.

The Severance Benefits described in subsection 3.3(d) will be provided by the Company to the Executive immediately upon the Effective Date of Termination and will continue to be provided until the **second** anniversary of the Effective Date of Termination. However, the Severance Benefits described in subsection 3.3(d) will be discontinued prior to the end of the **two-year** period immediately upon the Executive's receiving similar benefits from a subsequent employer, as determined by the Compensation Committee.

5.2 Withholding of Taxes. The Company will withhold from any amounts payable under this Agreement all Federal, state, city, or other taxes that are legally required.

Article VI. Tax Gross Up Agreement

6.1 Tax Gross Up Agreement. Contemporaneously with entering into this Agreement, the Executive and Parent have entered into a Tax Gross-Up Agreement to make the Executive whole in certain circumstances described therein from the excise tax, if any, imposed under Section 280(G) of the Code.

Article VII. Other Rights and Benefits Not Affected

7.1 Other Benefits. Except as provided in this Section below, neither the provisions of this Agreement nor the Severance Benefits provided for hereunder will reduce any amounts otherwise payable, or in any way diminish the Executive's rights as an Executive of the Company, whether existing now or hereafter, under any benefit, incentive, retirement, stock option, stock bonus, stock purchase plan, or any employment agreement, or other Agreement or arrangement. Notwithstanding the foregoing, if the Executive is also a covered Executive under a severance plan of the Company or one of its affiliates, the Executive will be entitled to receive the Severance Benefits provided under this Agreement in lieu of any severance pay or other benefits provided under that severance plan. Benefits provided under this Agreement will not increase any amounts otherwise payable under any other arrangement, if that other arrangement does not provide that severance benefits will be taken into account in determining benefits.

7.2 Employment Status. This Agreement does not constitute a contract of employment or impose on the Executive or the Company any obligation to retain the Executive as an Executive, to change the status of the Executive's employment, or to change the Company's policies regarding termination of employment.

Article VIII. Successors

8.1 Successors. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Company or of any division or subsidiary thereof to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such an assumption and agreement prior to the effectiveness of any such succession will be a breach of this Agreement and will entitle the Executive to compensation from the Company in the same amount and on the same terms as he or she would be entitled hereunder if terminated voluntarily for Good Reason, except that, for the purposes of implementing the foregoing, the date on which any succession becomes effective will be deemed the Effective Date of Termination.

This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive dies while any amount would still be payable to him or her hereunder had he or she continued to live, any such amount, unless otherwise provided herein, will be paid in accordance with the terms of this Agreement, to the Executive's devisee, legatee, or other designee, or if there is no such designee, to the Executive's estate.

8.2 Beneficiaries. The Executive's beneficiary under the qualified defined contribution plan of the Company or an affiliate in which the Executive participates will be his or her Beneficiary under this Agreement, unless the Executive otherwise designates a Beneficiary in the form of a signed writing acceptable to the Compensation Committee. The Executive may make or change such a designation at any time.

Article IX. Administration

9.1 Administration. This Agreement will be administered by the Compensation Committee. In that capacity, the Compensation Committee, to the extent not contrary to the express provisions of the Agreement, is authorized in its discretion to interpret this Agreement, to prescribe and rescind rules and regulations, to provide conditions and assurances deemed necessary and advisable, to protect the interests of the Company, and to make all other determinations necessary or advisable for the administration of this Agreement and similar Agreements.

In fulfilling its administrative duties hereunder, the Compensation Committee may rely on outside counsel, independent accountants, or other consultants to render advice or assistance.

9.2 Indemnification and Exculpation. The members of the Board and the Parent Board, its agents and officers, directors, and Executives of the Company and its affiliates will be indemnified and held harmless by the Company against and from any and all loss, cost, liability, or expense that may be imposed upon or reasonably incurred by them in connection with or resulting from any claim, action, suit, or proceeding to which they may be a party or in which they may be involved by reason of any action taken or failure to act under this Agreement and against and from any and all amounts paid by them in settlement (with the Company's written approval) or paid by them in satisfaction of a judgment in any such action, suit, or proceeding. The foregoing provision will not apply to any person if the loss, cost, liability, or expense is due to that person's gross negligence or willful misconduct.

Article X. Legal Fees and Arbitration

10.1 Legal Fees and Expenses. The Company (or, in the event of the acquisition of substantially all of the assets of the Company, the acquirer of those assets) will pay all legal fees, costs of litigation, and expenses directly related to legal fees and costs of litigation incurred in good faith by the Executive as a result of the Company's refusal to provide the Severance Benefits to which the Executive becomes entitled under this Agreement, or as a result of the Company's contesting the validity, enforceability, or interpretation of this Agreement, but in each case only if the Executive ultimately prevails in litigation conducted as a result of the refusal or contest.

10.2 Arbitration. The Executive and the Company will have the right and option to elect (in lieu of litigation) to have any dispute or controversy arising under or in connection with this Agreement settled by arbitration, conducted before a panel of three arbitrators sitting in a location selected by the Executive within fifty miles from the location of his or her job, in accordance with rules of the American Arbitration Association then in effect. Judgment may be entered on the award of the arbitrator in any court having jurisdiction. All expenses of arbitration, including the fees and expenses of the counsel for the Executive, will be split between the Company and the Executive, unless the Executive prevails, in which case the Company will bear the expenses of the arbitration. Notwithstanding the right of the Executive or the Company to elect to enter into arbitration, the Company and the Executive may mutually agree to resolve any dispute or controversy arising under or in connection with the Agreement in a court of law, in lieu of arbitration.

Article XI. Exclusivity of Severance Benefits

11.1 Exclusivity of Severance Benefits. Subject to Section 7.1, if the Company is contractually obligated to pay to the Executive any severance benefits pursuant to another agreement, plan, program, policy, or any other change of control agreement, the terms and provisions of the program under which the aggregate level of severance benefits is the highest (as determined by the Executive) will operate to completely replace and supersede the terms and provisions of this Agreement and/or all other programs that provide for the payment of severance benefits.

Article XII. Code Section 409A

12.1 Code Section 409A. The intent of the parties is that payments and benefits under this Agreement comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If the Executive notifies the Company (with specificity as to the reason therefore) that the Executive believes that any provision of this Agreement would cause the Executive to incur any additional tax or interest under Code Section 409A and the Company concurs with such belief or the Company (without any obligation whatsoever to do so) independently makes such determination, the Company shall, after consulting with the Executive, reform such provision to try to comply with Code Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Code Section 409A. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Executive and the Company of the applicable provision without violating the provisions of Code Section 409A.

If the Executive is deemed on the date of "separation from service" to be a "specified Executive" within the meaning of such terms under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is specified as subject to this Section, such payment or benefit shall be made or provided at the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Executive, and (B) the date of the Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 12.1 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Whenever a payment is to be made promptly after a date, it shall be made within sixty (60) days thereafter.

With regard to any provision herein that provides for reimbursement of expenses or in-kind benefits: (i) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, and (ii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not effect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year, provided that the foregoing shall not be violated with regard to expenses covered by Code Section 105(h) that are subject to a limit related to the period in which the arrangement is in effect. Any expense or other reimbursement payment made pursuant to this Agreement or any plan, program, agreement or arrangement of the Company referred to herein, shall be made on or before the last day of the taxable year following the taxable year in which such expense or other payment to be reimbursed.

IN WITNESS WHEREOF, the Executive has executed this Agreement and the Company has caused this Agreement to be executed by a resolution of the Board, as of the day and year first above written.

MB FINANCIAL BANK, N.A.	**EXECUTIVE**
By: /s/ Jill E. York	By: /s/ Burton J. Field
Its: Vice President and Chief Financial Officer	Burton J. Field

CERTIFICATION

I, Mitchell Feiger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MB Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2008

/s/ Mitchell Feiger
Mitchell Feiger
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Jill E. York, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MB Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2008

/s/ Jill E. York
Jill E. York
Vice President and Chief Financial Officer

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certifies in his or her capacity as an officer of MB Financial, Inc. (the Company) that the Annual Report of the Company on Form 10-Q for the quarter ended September 30, 2008 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such report.

Date: November 7, 2008	**/s/ Mitchell Feiger**
	Mitchell Feiger President and Chief Executive Officer
Date: November 7, 2008	**/s/ Jill E. York**
	Jill E. York Vice President and Chief Financial Officer