

MB Financial, Inc. 2006 Summary Annual Report

mb. my bank



MB Financial, Inc. 800 West Madison Street, Chicago, Illinois 60607





MB Financial, Inc. is the Chicago-based holding company for our lead bank, MB Financial Bank, N.A. in Chicago and Union Bank, N.A. in Oklahoma City. MB Financial Bank owns LaSalle Solutions whose core business is providing flexible equipment financing and asset management solutions primarily in the technology arena.

MB Financial provides customer-driven financial solutions to privately-held, middle-market businesses as well as to small businesses and individuals who work and live in the communities we serve. We offer a wide array of commercial and personal banking products and services as well as trust, private banking and investments through our wealth management group. MB is also among a small number of banks that work closely with leasing companies providing debt, equity and bridge financing. Our products and services are delivered by professionals who go above and beyond customer expectations at every point of contact.

MB Financial Bank has been helping our customers grow, manage and protect their assets for almost 100 years. Our priority is to make banking better, simpler and easier. Customers decide when, where and how they bank. And, we provide them with convenient access to over 65 banking centers located throughout the city of Chicago and suburbs (most open seven days a week), and over 1.5 million ATMs worldwide. Other access options include a sophisticated suite of treasury management products, Free Internet Banking with Free Online Bill Pay, Phone Access Line (PAL) and the Telephone Banking Center.

MB Financial understands that relationships matter. Our goal is to be the premier commercial, consumer and relationship bank serving Chicagoland and the Oklahoma City metropolitan areas. And our fundamental values of integrity, high performance, customer focus, mutual respect, open communication and enthusiastic service continue to define, sustain and guide our efforts.

As of December 31, 2006:

Assets: \$8 billion

Loans: \$5.3 billion

Deposits: \$5.9 billion

Equity: \$847 million

## mb. my bank

The true test of how we're doing, is how *you're* doing. That's why our commercial and personal financial services teams work hard to meet your changing financial needs – on your timeline. As you grow, we grow with you. The result? More and more people are referring to MB as 'my bank.'

In 2006, MB Financial accelerated its drive to be the most highly-regarded bank for privately-held, middle-market businesses and individuals who live and work in the communities we serve. We have a sound strategy, we're sticking to it and it's paying off.

We achieved solid results this year by launching a number of initiatives that will create value; by embracing every customer interaction as an opportunity to attract, retain and deepen a relationship; and by expanding our reach through MB Financial Bank's successful completion and integration of its largest merger, Oak Brook Bank. In other words, we worked hard. Every day.

There were 1,402 reasons why we were able to deliver results to shareholders and customers: our employees. We have one of the most professional, dedicated, ethical and customer-driven teams serving the Chicagoland and Oklahoma City metropolitan areas. They take pride and ownership in everything they do. Add their talents to the wise counsel of our Board of Directors, and these deep roots of experience and knowledge present us with greater opportunities than ever before.

**In 2006, we arrived at this position of strength through highlights including:**

**Merger and integration of Oak Brook Bank.** The merger with First Oak Brook Bancshares, parent company of Oak Brook Bank, was announced in May, closed in August and, in November, we merged Oak Brook Bank into MB Financial Bank. To the credit of our integration team, we completed the Oak Brook Bank transaction in record time – four months sooner than initially communicated. We believe that the merger was complementary

in terms of talent, geographic coverage and business orientation. It gives us the platform to grow earning assets while funding them organically – a truly powerful combination. It has also provided entry into new lines of business including institutional banking, public pensions and indirect lending. And, with 23 locations – and no need for branch closings – the addition of Oak Brook Bank significantly increased our presence in the western suburbs and North Shore. We now have a strong foothold – and enhanced opportunities – in both DuPage and Cook Counties, where 79 percent of Chicago Metropolitan Statistical Area (MSA) middle-market businesses are located.

**Our strongest slate of leaders.** By merging with Oak Brook Bank, MB Financial Bank expanded significantly in terms of talented employees, its branch network, products, business units and customer base. This increased scale required some organizational changes to better position us in reaching our objectives. This new team mix gives us a balance of perspective, continuity and entrepreneurial drive. In addition, with the retirement of Union Bank President E. Wilson Roberts, we welcomed John Osborne as president and CEO. He brings over 30 years of banking experience in Oklahoma City and we're pleased to have him on board.

**Relationships 101.** MB Financial has one of the best commercial banking teams. Our experienced relationship managers are energetic, sensitive to the needs of customers, good communicators and realize, above all, that our business is about relationships. Customers have one point of contact. And their banker is backed by an experienced professional staff that have answers to your questions. Just as important, decision mak-

ers are local. That means we deliver a customer-critical advantage: highly-personalized service and fast answers.

This year, we added new financial solutions to make the banking experiences of customers better, simpler and easier. For example, Deposit Express, an electronic depository service, was introduced to our treasury management customers. It allows them to scan checks and deposits electronically from their location giving them more time to focus on their business and not on routine banking matters.

In personal banking, relationships are enhanced by convenience. MB Financial Bank was the first and only bank in Chicago to offer ATM Freedom to personal banking customers. When a customer maintains a specified minimum daily balance, we pay all – and we mean all – ATM fees. This gives customers free access to their money from anywhere they are in the world.

**Securing the future.** Because we don't know what might happen, we continued to develop and test plans on how to resume critical business operations should a natural or other disaster occur. We completed communications and alternate site exercises that tested multiple critical operations. We'll continue to assess and test our disaster recovery plan in 2007.

Steps were also taken to give customers a better tool to fight online financial fraud. Online treasury management business customers were introduced to an enhanced login process that includes an additional layer of authentication. In 2007, personal banking internet customers were introduced to enhanced online security as well.

**Lending a hand.** It's important to help enhance and preserve the communities where we do business. We make a positive difference through community development, mortgage lending, financial education and volunteerism. In 2006, MB Financial Bank and MB Financial Charitable Foundation contributed over \$570,000 to over 350 community organizations. Nearly 400 employees volunteered time and heart to local non-profit efforts including those

sponsored by the MB Spirit Committee. We also helped build nearly 900 units of affordable housing for lower-income families, and put money to work in capital-starved markets committing over \$44 million in community development loans and nearly \$46 million in direct investments through MB Financial Community Development Corporation.

We're proud to have retained our overall 'outstanding' Community Reinvestment Act (CRA) rating by the Office of the Comptroller of Currency (OCC). Only 9% of banks nationwide achieve such a rating. It reflects how our entire bank works as a team to provide access to loan and deposit products throughout our communities.

In so many ways, our employees show that our company has a huge heart and the resourcefulness to do whatever it takes to help.

**With deep appreciation.** We want to express special gratitude to our retiring MB Financial, Inc. board members, who are leaving in compliance with the company's mandatory director retirement policy. Retiring members include Chairman E.M. Bakwin and Directors Alfred Feiger, Lawrence E. Gilford, Richard I. Gilford, David L. Husman and Kenneth A. Skopec. Their leadership, advice and counsel over the years have been invaluable. Thomas "Hal" Harvey, a director since 1995, was appointed chairman of the board. Hal has been a highly-valued member of our board and we look forward to working with him in his additional role as chairman. And, it was with great sorrow that we said goodbye to Director Clarence Mann, who passed away. He was an outstanding director, an inspiration, and he'll be missed as a business colleague and friend.

**Forward motion.** We are energized by our past but understand that it's only a foundation on which to grow. While our strategy remains sound and our opportunities for future growth are significant, we understand that the only way to make big things happen is through hard work. We're determined and dedicated to attract more people who will call MB 'my bank.'

mb. my bank **for business**

We offer the best of both worlds – the superior products and services of the largest banks and the kind of focused attention, experience and quick decisions that your company needs in order to be successful. We're dedicated to doing all we can to help you build your business, reach out to new markets, invest wisely and manage your money.

At MB, we want to do business. Senior bankers are local and involved in every relationship making us nimble in our decision making and responsive to your needs.



All banks lend money and provide a wide variety of services. But what sets us apart is our people. Our relationship managers are customer-driven. They care. They're responsive.

mb.my bank **for responsiveness**



We know you, your objectives and your strategic plans. Quite simply, we understand that your banking experience begins and ends with us. While you have one point of contact, your banker is backed by an experienced team working, in tandem, to help you achieve your goals.

mb. my bank **for convenience**

Our customers want to bank when, where and how they choose. That's why we've extended our business hours, are open many 'bank' holidays, and operate seven days a week in most markets.

And, customers have no-fee access to over 1.5 million ATMs worldwide through our ATM Freedom program.



Each day is a stepping stone to the next. Your financial choices today will shape your future. We work hard to help you grow, manage and protect your wealth and enable you to pass your assets on to future generations.

mb. my bank **for the future**

We use an integrated approach to wealth management. Through a sound, objective investment strategy and a premier level of service, we transform your dreams into your reality.



## MB Financial, Inc. and Subsidiaries Consolidated Balance Sheets

(Amounts in thousands, except share and per share data)

December 31	2006	2005
<b>Assets</b>		
Cash and due from banks	\$ 150,935	\$ 92,001
Interest bearing deposits with banks	9,113	12,783
Federal funds sold	2	–
Investment securities available for sale	1,713,325	1,405,844
Loans held for sale	–	500
Loans (net of allowance for loan losses of \$61,617 at December 31, 2006 and \$44,979 at December 31, 2005)	5,194,464	3,701,203
Lease investments, net	80,258	65,696
Premises and equipment, net	197,619	147,701
Cash surrender value of life insurance	120,893	90,194
Goodwill, net	379,047	125,010
Other intangibles, net	28,856	12,594
Other assets	103,786	65,539
<b>Total assets</b>	<b>\$ 7,978,298</b>	<b>\$ 5,719,065</b>
<b>Liabilities and Stockholders' Equity</b>		
Liabilities		
Deposits:		
Noninterest bearing	\$ 976,194	\$ 694,548
Interest bearing	4,923,038	3,507,152
<b>Total deposits</b>	<b>5,899,232</b>	<b>4,201,700</b>
Short-term borrowings	716,471	745,647
Long-term borrowings	258,439	71,216
Junior subordinated notes issued to capital trusts	179,162	123,526
Accrued expenses and other liabilities	78,042	69,990
<b>Total liabilities</b>	<b>7,131,346</b>	<b>5,212,079</b>
<b>Stockholders' Equity:</b>		
Common stock, (\$0.01 par value; authorized 40,000,000 shares; issued 37,332,328 shares at December 31, 2006 and 28,912,803 at December 31, 2005)	373	289
Additional paid-in capital	439,502	141,745
Retained earnings	437,353	390,407
Accumulated other comprehensive loss	(7,602)	(9,453)
Less: 666,120 and 453,461 shares of treasury stock, at cost, at December 31, 2006 and December 31, 2005, respectively	(22,674)	(16,002)
<b>Total stockholders' equity</b>	<b>846,952</b>	<b>506,986</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 7,978,298</b>	<b>\$ 5,719,065</b>

## MB Financial, Inc. and Subsidiaries Consolidated Statements of Income

(Amounts in thousands, except share and per share data)

Years Ended December 31	2006	2005	2004
<b>Interest income:</b>			
Loans	\$ 330,437	\$ 236,088	\$ 178,139
Investment securities:			
Taxable	55,141	47,305	43,061
Nontaxable	11,843	10,062	8,166
Federal funds sold	669	84	48
Other interest bearing deposits	470	365	100
<b>Total interest income</b>	<b>398,560</b>	<b>293,904</b>	<b>229,514</b>
<b>Interest expense:</b>			
Deposits	150,139	82,256	53,374
Short-term borrowings	29,165	19,982	6,754
Long-term borrowings and junior subordinated notes	17,844	10,280	8,986
<b>Total interest expense</b>	<b>197,148</b>	<b>112,518</b>	<b>69,114</b>
<b>Net interest income</b>	<b>201,412</b>	<b>181,386</b>	<b>160,400</b>
Provision for loan losses	10,100	8,650	7,800
<b>Net interest income after provision for loan losses</b>	<b>191,312</b>	<b>172,736</b>	<b>152,600</b>
<b>Other income:</b>			
Loan service fees	5,441	5,194	4,648
Deposit service fees	20,244	19,469	18,727
Lease financing, net	13,369	14,232	15,111
Brokerage fees	9,370	9,924	9,766
Trust and asset management fees	6,916	5,840	5,457
Net (loss) on sale of securities available for sale	(445)	(1,531)	(308)
Increase in cash surrender value of life insurance	4,192	3,890	3,757
Net gain on sale of assets	860	20	3,060
Merchant card processing	6,848	2,251	4
Other operating income	6,109	5,140	5,092
<b>Total other income</b>	<b>72,904</b>	<b>62,429</b>	<b>65,314</b>
<b>Other expenses:</b>			
Salaries and employee benefits	93,766	76,826	70,311
Occupancy and equipment expense	25,490	23,400	21,177
Computer services expense	6,978	5,785	4,913
Advertising and marketing expense	4,907	5,786	5,045
Professional and legal expense	2,302	3,133	2,356
Brokerage fee expense	4,986	3,857	4,651
Telecommunication expense	2,719	3,395	2,888
Other intangibles amortization expense	1,971	993	1,015
Merchant card processing	6,210	2,035	–
Other operating expenses	18,349	16,422	14,792
<b>Total other expenses</b>	<b>167,678</b>	<b>141,632</b>	<b>127,148</b>
<b>Income before income taxes</b>	<b>96,538</b>	<b>93,533</b>	<b>90,766</b>
Income taxes	29,424	28,779	27,638
<b>Net income</b>	<b>\$ 67,114</b>	<b>\$ 64,754</b>	<b>\$ 63,128</b>
<b>Common share data:</b>			
Basic earnings per common share	\$ 2.15	\$ 2.27	\$ 2.26
Diluted earnings per common share	\$ 2.12	\$ 2.24	\$ 2.21
Weighted average common shares outstanding	31,156,887	28,480,909	27,886,191
Diluted weighted average common shares outstanding	31,687,220	28,895,042	28,537,111



## Directors and Executive Officers

### MB Financial, Inc.

#### Board of Directors

Thomas H. Harvey, Chairman of the Board; and  
Environment Program Director,  
William and Flora Hewlett Foundation  
David P. Bolger, Executive Vice President,  
Chief Financial and Administrative Officer,  
Aon Corporation  
Robert S. Engelman, Jr., Private Investor  
Mitchell Feiger, President and Chief Executive Officer  
Charles J. Gries, Partner, Charles J. Gries & Co., CPA  
James N. Hallene, Vice Chairman; and  
Principal, Capital Concepts, LLC  
Patrick Henry, Chairman of the Board, Verado Energy, Inc.  
Richard J. Holmstrom, Partner, Menlo Equities, LLC  
Karen J. May, Executive Vice President,  
Global Human Resources, Kraft Foods, Inc.  
Richard M. Rieser, Jr., Vice Chairman and  
Executive Vice President  
Ronald D. Santo, Vice President; Chairman and  
Group President, MB Financial Bank

#### Executive Officers

Mitchell Feiger, President and  
Chief Executive Officer, MB Financial, Inc.  
Rosemarie Bouman, Executive Vice President and  
Chief Administrative Officer, MB Financial Bank  
Burton J. Field, Vice President, MB Financial, Inc.;  
President, Lease Banking, MB Financial Bank  
Thomas P. FitzGibbon, Jr., Executive Vice President,  
MB Financial Bank; President, MB Financial  
Community Development Corporation;  
President, MB Financial Charitable Foundation  
Larry J. Kallembach, Senior Vice President and  
Chief Information Officer, MB Financial Bank  
Thomas D. Panos, President and  
Chief Commercial Banking Officer, MB Financial Bank  
Susan Peterson, Executive Vice President and  
Chief Retail Banking Officer, MB Financial Bank  
Richard M. Rieser, Jr., Vice Chairman and  
Executive Vice President, MB Financial, Inc.  
Ronald D. Santo, Vice President, MB Financial, Inc.;  
Chairman of the Board and Group President,  
MB Financial Bank  
Brian Wildman, Senior Vice President,  
Wealth Management, MB Financial Bank  
Jill E. York, Vice President and Chief Financial Officer,  
MB Financial, Inc.; Executive Vice President and  
Chief Financial Officer, MB Financial Bank

### MB Financial Bank, N.A.

#### Board of Directors

Ronald D. Santo, Chairman of the Board; and  
Group President, Commercial Banking  
Rosemarie Bouman, Executive Vice President and  
Chief Administrative Officer  
Alfred Feiger, Retired MB Financial, Inc. Director  
Mitchell Feiger, President, and Chief Executive Officer,  
MB Financial, Inc.  
Burton J. Field, President, Lease Banking  
Thomas P. FitzGibbon, Jr., Executive Vice President;  
President, MB Financial Community  
Development Corporation;  
President, MB Financial Charitable Foundation  
Lawrence E. Gilford, Retired MB Financial, Inc. Director  
Richard I. Gilford, Retired MB Financial, Inc. Director  
Larry J. Kallembach, Senior Vice President and  
Chief Information Officer  
Julian Kulas, Attorney  
James Mann, Senior Vice President  
Paul Nadzikewycz, Real Estate Investor  
Thomas D. Panos, President and  
Chief Commercial Banking Officer  
Susan Peterson, Executive Vice President and  
Chief Retail Banking Officer  
Nancy L. Philip, President, P.S. Advertising, Inc.  
Richard M. Rieser, Jr., Vice Chairman and  
Executive Vice President, MB Financial, Inc.  
Hipolito (Paul) Roldan, Chief Executive Officer,  
Hispanic Housing Development Corporation  
Jason B. Selch, Senior Equity Analyst,  
Equity Group Investments, LLC  
K. A. Skopec, Retired MB Financial, Inc. Director  
Brian Wildman, Senior Vice President, Wealth Management  
Jill E. York, Executive Vice President and  
Chief Financial Officer

## Directors and Executive Officers

### Union Bank, N.A.

#### Board of Directors

Patrick J. Ryan, Chairman of the Board; and  
Private Investor  
Mitchell Feiger, President and  
Chief Executive Officer, MB Financial, Inc.  
George A. Hall, Private Investor  
Edward J. Henry, Director,  
National Stockyards, Oklahoma City, OK  
Edward J. Hutlas, Registered Petroleum Engineer,  
Independent Consultant  
Frank Merrick, President, Foundation Management, Inc.  
John Osborne, President and Chief Executive Officer  
Margaret S. Salyer, President, Accel Financial Staffing  
K.A. Skopec, Director, MB Financial Bank  
Charles E. Wiggin, President, Wiggin Properties, Inc.  
Jill E. York, Executive Vice President and  
Chief Financial Officer, MB Financial Bank

## Services

MB offers a full suite of products  
and services that help make banking better, simpler and easier.

### Commercial Banking

Commercial Financing  
Working Capital Loans  
Lines of Credit  
Equipment Loans  
Business Acquisition Loans  
Full Leasing Company Product Line  
Health Care Practice Financing  
Commercial Project Financing  
Standby Letters of Credit  
ESOP Financing  
Industrial Revenue and Development Bond Financing  
SBA 504 Program  
Commercial Real Estate Lending  
Retail, Industrial/Warehouse, Office and  
Multifamily Construction Loans  
Acquisition and Development Loans for Homebuilders  
Acquisition Loans for Asset Repositioning  
Bridge Loans and Mini-Perms

Asset-Based Lending  
Treasury Management  
Institutional Banking  
International Banking  
Corporate Checking  
Employee Bank@Work

### Asset Management and Trust Services

Personal Trusts  
Investment Management  
Custody  
Estates  
Guardianships  
Retirement Plans  
Public Pensions  
Private Banking

### Personal Banking

Checking  
Savings  
CDs/IRAs  
Health Savings Accounts  
Mortgages  
Home Equity Lines of Credit  
Consumer Loans  
Internet Banking  
Investment Services

## Locations

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### Corporate Office

800 W. Madison Street  
Chicago, Illinois 60607

### MB Financial Center

6111 N. River Road  
Rosemont, Illinois 60018

### MB Financial Bank

[www.mbfincial.com](http://www.mbfincial.com)  
1.888.i bank mb  
(1.888.422.6562)

### Illinois

#### Addison

777 Army Trail Boulevard

#### Aurora

2992 Indian Trail Road

#### Bensenville

1050 Busse Highway

#### Bolingbrook

455 S. Weber Road

#### Broadview

1500 Roosevelt Road

#### Burbank

5750 W. 87th Street

#### Burr Ridge

8300 S. Madison  
7000 County Line Road

#### Chicago

800 W. Madison Street  
1420 W. Madison Street  
33 W. Huron Street  
2 S. LaSalle Street  
303 E. Wacker Drive  
One E. Wacker Drive  
One S. Wacker Drive  
557 S. State Street  
1200 N. Ashland Avenue  
936 N. Western Avenue  
820 N. Western Avenue  
6422 W. Archer Avenue  
8300 W. Belmont Avenue  
2965 N. Milwaukee Avenue  
5670 N. Milwaukee Avenue

6443 N. Sheridan Road  
1618 W. 18th Street  
5100 S. Damen Avenue  
3030 E. 92nd Street

#### Countryside

600 W. Plainfield Road

#### Darien

2401 75th Street

#### Dolton

14122 Chicago Road

#### Elmhurst

990 N. York Road

#### Glencoe

356 Park Avenue

#### Glen Ellyn

487 Pennsylvania Avenue

#### Glenview

2200 N. Waukegan Road  
2823 Pfingsten Road

#### Highland Park\*

581 Elm Place

#### Homer Glen

13900 S. Bell Road

#### Joliet

1540 Route 59

#### LaGrange

326 W. Burlington Avenue

#### LaGrange Park

401 N. LaGrange Road

#### Lemont

1151 State Street

#### Lincolnwood

6401 N. Lincoln Avenue  
4010 W. Touhy Avenue

#### Lisle

6444 S. College Road

#### Lombard\*

1145 S. Main Street

### Morton Grove

6201 Dempster Street  
9147 Waukegan Road

### Mount Prospect

15 E. Prospect Avenue

### Naperville

380 W. Diehl Road

### Niles

7557 W. Oakton Avenue

### Northbrook

1161 Church Street

### North Riverside

7222 W. Cermak Road

### Oak Brook

1400 Sixteenth Street  
3824 York Road

### Oak Lawn

9701 S. Cicero Avenue

### Oak Park\*

6621 W. North Avenue

### Palatine

2251 Plum Grove Road

### Park Ridge

1014 Busse Highway

### Rosemont

6111 N. River Road

### Schaumburg

200 W. Higgins Road

### South Holland

475 E. 162nd Street  
16340 South Park Avenue

### St. Charles

2607 Lincoln Highway

### Tinley Park

16255 S. Harlem Avenue  
18299 S. Harlem Avenue

### Warrenville

28W571 Batavia Road

### Wheaton

212 S. West Street

### Pennsylvania

#### Philadelphia

7918 Bustleton Avenue

#### Union Bank

[www.unionbankokc.com](http://www.unionbankokc.com)  
877.949.7200

#### Oklahoma City

4921 N. May Avenue  
1201 W. Memorial Road  
7300 S. Penn Avenue  
312 W. Commerce

#### Edmond

125 E. First

#### MB Financial Community

#### Development Corporation

847.653.1996

#### Rosemont

6111 N. River Road

#### LaSalle Solutions

[www.elasalle.com](http://www.elasalle.com)

847.823.9600

#### Rosemont

6111 N. River Road

\* Coming 2007

Our fundamental values of integrity, high performance, customer focus, mutual respect, open communication and enthusiasm make MB a great place to work and to bank.