

MB Financial, Inc.
1200 North Ashland Avenue
Chicago, Illinois 60622
(773) 278-4040
NASDAQ: MBFI

PRESS RELEASE

For Information at MB Financial, Inc. contact:
Howard A. Jaffe - Vice President and Chief Financial Officer
(773) 645-7866
E-Mail: jaffe@manbk.com

FOR IMMEDIATE RELEASE

MB Financial, Inc. reports 1999 first quarter net income of \$1.4 million

CHICAGO, May 3, 1999 – MB Financial, Inc. (MBFI), the holding company for Manufacturers Bank, announced today first quarter net income of \$1.4 million compared to \$3.6 million in the first quarter of 1998. The first quarter of 1998 included a \$2.7 million after tax gain on the sale of Coal City National Bank in January 1998. Basic earnings per share for the first quarter of 1999 was \$0.28 compared to \$0.76 for the same quarter last year.

On February 26, 1999, Coal City Corporation, the holding company for Manufacturers Bank, was merged with and into Avondale Financial Corp., the holding company for Avondale Federal Savings Bank. The resulting entity was renamed MB Financial, Inc. Consequently, Avondale Federal Savings Bank was merged into Manufacturers Bank.

Since the Coal City stockholders owned more than 50% of the combined company, the transaction was accounted for as a reverse acquisition using the purchase method of accounting with Coal City being the accounting acquirer. As a result, the post-merger historical financial statements of the combined company are Coal City's as the accounting acquirer, and includes the operating results of Avondale only for the month of March 1999.

Mitchell Feiger, President and Chief Executive Officer of MBFI said, "We are gratified to have completed our merger and fully integrated our operations during the first quarter of 1999. MB Financial, Inc. is very well positioned for future growth and profitability."

RESULTS OF OPERATIONS

The Company had net income of \$1.4 million for the first quarter of 1999 compared to \$3.6 million for the first quarter of 1998. Net interest income was \$7.9 million for the first quarter of 1999 compared to \$7.0 million for the same period in 1998. The increase in net interest income was primarily due to the merger.

Other income decreased \$3.9 million to \$1.6 million for the quarter ended March 31, 1999 from \$5.5 million for the same period in 1998. This decrease was primarily due to gains resulting from the sale of Coal City National Bank and the sale of a trust business in the first quarter of 1998, and was slightly offset by increases in loan service fees and securitization fees, as well as a net gain on the sale of other real estate owned in the first quarter of 1999.

Other expense increased from \$6.8 million in the first quarter of 1998 to \$7.1 million in the first quarter of 1999 resulting from higher operating costs due to the merger. Intangible amortization decreased \$193 thousand in the first quarter of 1999 as compared to the same period for 1998.

NET INTEREST MARGIN

The following table sets forth a summary of the Company's net interest income, average earning assets and net interest margin (dollar amounts in thousands):

| | Three Months Ended | |
|-------------------------|---------------------------|-----------------------|
| | March 31, 1999 | March 31, 1998 |
| Net interest income | \$7,949 | \$7,003 |
| Average earning assets | \$942,866 | \$712,204 |
| Net interest margin (1) | 3.44 % | 4.01 % |
| Net interest margin | 3.42 % | 3.99 % |

(1) Net interest margin is presented on a fully tax equivalent basis assuming a 34% tax rate.

The Company's net interest income increased \$946 thousand to \$7.9 million for the quarter ended March 31, 1999 from \$7.0 million for the quarter ended March 31, 1998. The increase in net interest income resulted from an increase in interest income of \$2.9 million, or 21.2%, partially offset by an increase in interest expense of \$2.0 million or 29.0%. Interest income increased due to a \$230.7 million, or 32.4% increase in average interest earning assets while interest expense rose as a result of a \$223.5 million, or 36.9% increase in average interest bearing liabilities. Approximately \$148.0 million of the increase in average interest earning assets and approximately \$142.0 million of the increase in average interest bearing liabilities was due to the merger. The remaining increase in average interest earning assets and average interest bearing liabilities was due to growth in the Company's core banking businesses and an increase in short-term borrowings used to fund U.S. Treasury investments.

Although net interest income increased in 1999, the net interest margin decreased from 3.99% for the quarter ended March 31, 1998 to 3.42% for the quarter ended March 31, 1999. This decrease was due to increased leverage in the Company's balance sheet as a result of the purchase of approximately \$100.0 million additional U.S. Treasury investments and the addition of approximately \$100.0 million repurchase agreements used to fund those investments. Excluding the effect of the increased leverage in the Company's balance sheet, the net interest margin for the first quarter of 1999 would be 3.83% compared to 3.99% for the same period in 1998.

OTHER INCOME

Other income decreased \$3.9 million to \$1.6 million for the quarter ended March 31, 1999 from \$5.5 million for the same period in 1998. The decrease was primarily due to a \$4.1 million gain resulting from the sale of Coal City National Bank and a \$200 thousand gain on the sale of a trust business for the same period in 1998. Offsets to these decreases include a \$123 thousand increase in loan service fees and a \$189 thousand increase in securitization fees related to the merger, as well as a \$101 thousand net gain on the sale of other real estate owned in the first quarter of 1999.

OTHER EXPENSE

Other expense increased from \$6.8 million in the first quarter of 1998 to \$7.1 million in the first quarter of 1999. Approximately \$895 thousand of the increase was due to operating costs primarily associated with the former Avondale branches and higher personnel costs. Offsetting this increase were a \$314 thousand decrease in operating expenses related to the sale of Coal City National Bank and a \$193 thousand decrease in intangible amortization.

BALANCE SHEET

Total assets increased \$579.4 million to \$1.3 billion at March 31, 1999 compared to \$762.7 million at March 31, 1998. Approximately \$491.0 million of the increase was due to the merger. In addition, U.S. Treasury investments, funded by short-term borrowings, increased \$100.0 million. Net loans increased \$262.6 million from \$519.2 million at March 31, 1998 to \$781.8 million at March 31, 1999. Approximately \$205.9 million of this increase was due to the merger while the remainder of the increase was due to strong loan demand. Total deposits increased \$334.0 million from 634.4 million at March 31, 1998 to \$968.4 million at March 31, 1999. The total increase in deposits related to the merger was \$343.0 million.

Long-term borrowings increased \$92.6 million primarily attributable to advances from the Federal Home Loan Bank of \$100.8 million acquired through the merger.

Additionally, in July 1998, the Company issued \$25.0 million in Corporation Obligated Mandatorily Redeemable Capital Securities and retired \$10.0 million of Corporation Obligated Mandatorily Redeemable Preferred Securities issued in 1997. In the fourth quarter of 1998, \$10.2 million of preferred stock was further redeemed with a portion of the proceeds from the \$25.0 million issuance of Capital Securities.

The Company's total risk-based capital ratio was 10.36%, Tier 1 capital to risk-weighted assets ratio was 9.05%, and Tier 1 capital to average asset ratio was 8.22% at March 31, 1999. The FDIC has categorized the bank subsidiary as "Well-Capitalized" at March 31, 1999.

As of March 31, 1999, the Company's book value per share was \$10.45 compared to \$10.92 at March 31, 1998.

ASSET QUALITY

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

| | <u>At March 31, 1999</u> | <u>At March 31, 1998</u> |
|--|--------------------------|--------------------------|
| Non-accruing loans | \$10,727 | \$9,364 |
| Loans 90 days or more past due, still Accruing interest | - | - |
| Total non-performing loans | 10,727 | 9,364 |
| Other real estate owned | 740 | 3,879 |
| Total non-performing assets | <u>\$11,467</u> | <u>\$13,243</u> |
| Total non-performing loans to total loans | 1.35 % | 1.78 % |
| Total non-performing assets to total assets | .83 % | 1.74 % |

A reconciliation of the activity in the Company's allowance for loan losses follows (dollars in thousands):

| | Three Months Ended | |
|---|---------------------------|-----------------------|
| | March 31, 1999 | March 31, 1998 |
| Balance at beginning of period | \$6,344 | \$7,922 |
| Decreases resulting from sale of subsidiary | - | (399) |
| Additions resulting from the merger | 9,489 | - |
| Provision for loan losses | 246 | 188 |
| Charge-offs | (410) | (4) |
| Recoveries | 97 | 44 |
| Balance at March 31, | <u>\$15,766</u> | <u>\$7,751</u> |
| Total loans at March 31, | \$797,532 | \$526,914 |
| Ratio of allowance to total loans | 1.98 % | 1.47 % |

The Company maintains its allowance for loan losses at a level that management believes will be adequate to absorb estimated losses on existing loans based on an evaluation of the collectibility of loans and prior loss experience. In March 1999, \$9,489 was added to the allowance for loan losses with the merger. In January 1998, Coal City National Bank was sold reducing the allowance for loan losses by \$399 thousand.

CASH EARNINGS

The purchase method of accounting has been used to record each of the Company's acquisitions. As a result, the recorded basis of the net assets of the acquired entities has been adjusted to fair value. Adjustments included recording core deposit intangibles to reflect the difference between the fair value and underlying basis of deposits purchased and recording goodwill for the excess of the acquisition cost over the fair value of net assets acquired. Core deposit intangibles and goodwill are being amortized as a non-cash expense over periods of up to eight and 20 years, respectively. Other fair value adjustments made to assets such as investment securities, loans, and buildings are also being amortized or depreciated over varying periods, ranging from eight to 35 years. Amortization/depreciation expense reduces net income during the amortization periods.

If the Company's acquisitions had met certain accounting rules, the pooling of interest method of accounting may have been used to account for the Company's acquisitions. Under this method of accounting, no goodwill or core deposit intangibles would have been recorded or other fair value adjustments made. Consequently, net income is not reduced for the amortization of core deposit intangibles, goodwill or other fair value adjustments. Since application of the two methods can result in dramatically different net income, management, certain analysts and certain peer financial institutions have been computing cash earnings in order to compare results. At present, cash earnings is not a defined term or concept under generally accepted accounting principles.

The following table sets forth the Company's cash earnings, which is defined by management as net income excluding amortization of purchase accounting non-cash items and the related deferred income tax effect (dollars in thousands):

| | Three Months Ended | |
|---|---------------------------|-----------------------|
| | March 31, 1999 | March 31, 1998 |
| Net income | \$1,444 | \$3,558 |
| Goodwill amortization | 204 | 235 |
| Core deposit intangibles amortization (net of tax) | 273 | 380 |
| Other fair value adjustment amortization (net of tax) | - | 3 |
| Cash earnings | 1,921 | 4,176 |
| Preferred dividends | - | (434) |
| Cash earnings to common stockholders | <u>\$1,921</u> | <u>\$3,742</u> |
| Cash earnings per share: (1) (3) | | |
| Basic | \$0.37 | \$0.91 |
| Diluted | \$0.37 | \$0.91 |
| Performance ratios: (2) (3) | | |
| Cash return on average tangible assets | 0.77 % | 2.20 % |
| Cash return on average tangible equity | 19.39 % | 71.01 % |

(1) Basic earnings per share is calculated by dividing the cash earnings by the average number of common shares outstanding for the period. Diluted earnings per share is calculated by dividing the cash earnings by the average number of common shares outstanding for the period, including additional shares that would have been outstanding if dilutive potential shares had been issued.

(2) Cash return on average tangible assets and equity has been annualized for the three months ended March 31, 1999 and for the three months ended March 31, 1998.

(3) March 31, 1998 ratios include the \$4.1 million gain on sale of Coal City National Bank. Basic and diluted cash earnings per share, excluding the gain on sale of Coal City National Bank, would have been \$0.25 and \$0.25 respectively. Cash return on average tangible assets and equity, excluding the gain on sale of Coal City National Bank, would have been 0.79 % and 19.68 % respectively.

This news release may contain forward-looking statements that involve risk and uncertainties, with respect to the results of operations and other uncertainties which may not be known or anticipated by the Company. While management of the Company uses its best efforts to be accurate in making forward-looking statements, any such statements are subject to risks and uncertainties that could cause the Company's actual results to vary materially from the future results indicated in such forward-looking statements.

TABLES TO FOLLOW

MB FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF INCOME
(Statement Amounts in Thousands Except Common Share Data)
(Unaudited)

| | Three Months Ended March 31, | |
|---|------------------------------|-----------------|
| | 1999 | 1998 |
| Interest Income: | | |
| Loans | \$ 12,802 | \$ 11,159 |
| Investment securities: | | |
| Taxable | 3,639 | 2,531 |
| Nontaxable | 79 | 82 |
| Federal funds sold | 293 | 118 |
| Other interest bearing accounts | 17 | - |
| Total interest income | 16,830 | 13,890 |
| Interest expense: | | |
| Deposits | 6,304 | 5,593 |
| Short-term borrowings | 1,507 | 731 |
| Long-term borrowings | 1,070 | 563 |
| Total interest expense | 8,881 | 6,887 |
| Net interest income | 7,949 | 7,003 |
| Provision for loan losses | 246 | 188 |
| Net interest income after provision for loan losses | 7,703 | 6,815 |
| Other income: | | |
| Loan service fees | 211 | 88 |
| Securitization fees | 189 | - |
| Customer service charges | 691 | 702 |
| Lease financing, net | 237 | 245 |
| Net gains on sale of securities available for sale | - | 15 |
| Gain on sale of Coal City National Bank | - | 4,099 |
| Other operating income | 235 | 351 |
| | 1,563 | 5,500 |
| Other expense: | | |
| Salaries and employee benefits | 3,817 | 3,653 |
| Occupancy and equipment expenses | 1,275 | 946 |
| Intangible amortization expense | 618 | 811 |
| Other operating expenses | 1,353 | 1,430 |
| | 7,063 | 6,840 |
| Income before income taxes and minority interest | 2,203 | 5,475 |
| Income taxes | 759 | 1,885 |
| Income before minority interest | 1,444 | 3,590 |
| Minority interest | - | (32) |
| Net income | 1,444 | 3,558 |
| Other comprehensive income: | | |
| Unrealized securities losses, net of income taxes | (730) | (122) |
| Less: reclassification adjustments for gains included in net income, net of income taxes | - | 10 |
| Other comprehensive income | (730) | (132) |
| Comprehensive income | \$ 712 | \$ 3,426 |
| Net income | \$ 1,444 | \$ 3,558 |
| Preferred stock dividend | - | 434 |
| Net income available to common stockholders | \$ 1,444 | \$ 3,124 |
| Common share data: | | |
| Basic earnings per common share | \$ 0.28 | \$ 0.76 |
| Diluted earnings per common share | \$ 0.28 | \$ 0.76 |
| Weighted average common shares outstanding (1) | 5,126,289 | 4,109,453 |
| (1) 1998 was converted at an exchange rate of 83.5 | | |

MB FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS

(Statement Amounts in Thousands)

(Unaudited)

| | March 31, 1999 | December 31, 1998 | March 31, 1998 |
|---|---------------------|----------------------|-------------------|
| ASSETS | | | |
| Cash and due from banks | \$ 34,597 | \$ 23,669 | \$ 36,318 |
| Investment securities: | | | |
| Securities available for sale | 369,891 | 212,020 | 136,670 |
| Securities held to maturity (fair value of \$11,259 at March 31, 1999, \$11,529 at December 31, 1998 and \$5,638 at March 31, 1998) | 10,932 | 11,142 | 5,224 |
| Stock in Federal Home Loan Bank | 7,904 | 2,614 | 615 |
| Federal funds sold | 42,200 | 20,350 | - |
| Other interest bearing deposits | 941 | 0 | - |
| Loans (net of allowance for loan losses of \$15,766 at March 31, 1999, \$6,344 at December 31, 1998 and \$7,751 at March 31, 1998) | 781,766 | 542,009 | 519,163 |
| Lease investments, net | 20,177 | 21,931 | 21,812 |
| Premises and equipment, net | 11,973 | 11,483 | 11,066 |
| Other assets | 28,109 | 8,380 | 10,702 |
| Interest only strip | 15,940 | 0 | - |
| Intangibles, net | 17,675 | 18,293 | 21,105 |
| | <u>1,342,105</u> | <u>871,891</u> | <u>762,675</u> |
| Total assets | \$ 1,342,105 | \$ 871,891 | \$ 762,675 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Liabilities | | | |
| Deposits: | | | |
| Noninterest bearing | \$ 141,224 | \$ 128,218 | \$ 130,331 |
| Interest bearing | 827,193 | 517,443 | 504,117 |
| Total deposits | <u>968,417</u> | <u>645,661</u> | <u>634,448</u> |
| Short-term borrowings | 138,008 | 130,521 | 29,365 |
| Long-term borrowings | 113,143 | 12,034 | 20,537 |
| Other liabilities | 23,729 | 11,815 | 11,937 |
| Total liabilities | <u>1,243,297</u> | <u>800,031</u> | <u>696,287</u> |
| Minority Interest in Subsidiary | - | - | 1,544 |
| Corporation Obligated Mandatorily Redeemable Capital Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures | 25,000 | 25,000 | - |
| Corporation Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures | - | - | 10,000 |
| Stockholders' Equity | | | |
| Preferred stock, (Class B, \$150,000 par value; authorized 100 shares; issued March 31, 1998 68 shares) | - | - | 10,200 |
| Common stock, (March 31, 1999 \$0.01 par value; authorized 20,000,000 shares; issued 7,064,515 shares; December 31, 1998 and March 31, 1998 no par value; \$10 stated value; authorized 200,000; issued 48,957) | 71 | 490 | 490 |
| Additional paid-in capital | 50,447 | 23,794 | 23,779 |
| Retained earnings | 23,676 | 22,232 | 20,186 |
| Accumulated other comprehensive income | (386) | 344 | 189 |
| Total stockholders' equity | <u>73,808</u> | <u>46,860</u> | <u>54,844</u> |
| | <u>\$ 1,342,105</u> | <u>\$ 871,891</u> | <u>\$ 762,675</u> |
| Total liabilities and stockholders' equity | \$ 1,342,105 | \$ 871,891 | \$ 762,675 |

MB FINANCIAL, INC.
SELECTED FINANCIAL RATIOS
(Unaudited)

| | <u>At or For the Three Months Ended</u> | |
|--|---|-----------------------|
| | <u>March 31, 1999</u> | <u>March 31, 1998</u> |
| Performance Ratios: | | |
| Return on average assets | 0.57 % | 1.83 % |
| Return on average equity | 10.31 | 27.05 |
| Net interest rate spread | 2.78 | 3.31 |
| Net interest margin | 3.42 | 3.99 |
| Other expense to average assets | 2.79 | 3.48 |
| Average interest-earning assets to Average interest-bearing liabilities | 113.84 | 117.76 |
| Net interest income to other expense | 112.54 | 102.38 |
| Cash Earnings: | | |
| Cash earnings per share: | | |
| Basic | \$0.37 | \$0.91 |
| Diluted | \$0.37 | \$0.91 |
| Performance ratios: | | |
| Cash return on average tangible assets | 0.77 % | 2.20 % |
| Cash return on average tangible equity | 19.39 % | 71.01 % |
| Asset Quality Ratios: | | |
| Non-performing loans to total loans | 1.35 % | 1.78 % |
| Non-performing assets to total assets | 0.83 | 1.74 |
| Allowance for loan losses to total loans | 1.98 | 1.47 |
| Allowance for loan losses to non performing loans | 146.97 | 82.77 |
| Capital Ratios: | | |
| Average equity to average assets | 5.53 % | 6.69 % |
| Equity to total assets | 5.50 | 7.19 |
| Total capital (to risk-weighted assets) | 10.36 | 9.58 |
| Tier 1 capital (to risk-weighted assets) | 9.05 | 7.40 |
| Tier 1 capital (to average assets) | 8.22 | 5.44 |