mb financial

Via e-mail: director@fasb.org

September 30, 2010

Mr. Russell Golden
Technical Director
Financial Accounts Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 1810-100 "Accounting for Financial Instruments and Revisions to the Accounting for the Derivative Instruments and Hedging Activities"

MB Financial, Inc. (MB) appreciates the opportunity to comment on the exposure draft "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities." MB is a financial holding company, headquartered in Chicago with assets of $10.6 billion as of June 30, 2010. Our primary market is the Chicago metropolitan area, in which we operate approximately 90 banking offices through our bank subsidiary, MB Financial Bank, N.A (MB Financial Bank). Through MB Financial Bank, we offer a broad range of financial services primarily to small and middle market businesses and individuals in the market that we serve. Our primary lines of business include commercial banking, retail banking and wealth management.

Fair value of loans held for investment

Our primary business strategy is to issue deposits and use that funding to originate loans and invest in securities. The loans we originate are generally held for investment until payoff or renewal. Approximately 74% of the loans in our portfolio are commercial in nature and each has unique pricing, payment, collateralization and guarantee structures and could not be easily packaged for sale. Like many other financial institutions, we have not placed much consideration on how saleable a loan may be before originating it and have been much more focused on the profitability of a customer relationship considering all services provided to a customer.

We are concerned that assigning fair values to our loan portfolio will be difficult to do with any degree of accuracy and that the fair values assigned may vary dramatically from quarter to quarter adding volatility to our results. There is no reliable marketplace from which to derive benchmark prices for our commercial loans, as there is for most securities in our portfolio. For us and many other companies, loan fair values would be considered a "level 3" estimate. As a result, the approach taken to estimate loan fair values may vary significantly from company to company limiting the ability of our investors and analysts to compare our performance with others. We believe this lack of comparability and possibly subjective accounting will reduce investor confidence which could add volatility to stock prices and ultimately raise the cost of capital.

Furthermore, our approach to lending could change with much more emphasis on how a particular loan will trade subsequent to the origination date. This may also shift our loan appetite more towards originating homogenous loans and less towards originating unique small and middle market loans. If most companies take a similar approach to lending, the availability of credit to small and middle market businesses could be reduced and/or the pricing significantly increased.

Costs involved

The costs and resources to comply with this new requirement would be significant. The implementation of the proposed ASU will cause a great deal of operational challenges due to the lack of accounting systems capable of handling its requirements. We may have to hire consultants every quarter to help us estimate the fair value of our loan portfolio. In addition, our audit fees will most likely increase substantially due to the additional work required to audit the fair values provided.

Convergence with International Reporting Standards

The FASB's accounting guidance set forth in the proposal directly conflicts with the guidance proposed by the International Accounting Standards Board (IASB). Under the IASB's proposal, financial instruments that are held to maturity would be accounted for under an amortized cost basis. If we are working towards convergence of US GAAP with International Financial Reporting Standards, this proposal certainly doesn't accomplish that objective.

We urge FASB to seriously consider the issues discussed above and in other comment letters submitted. Many of these letters expressed similar concerns.

Thank you for the opportunity to provide our views on the proposed ASU for the FASB's consideration. If you have any questions or comments regarding this letter, please do not hesitate to contact me at 847-653-1991.

Sincerely,

Jill E. York

Jill E. York
Vice-President and Chief Financial Officer