

MBT FINANCIAL CORP
Form 10-Q
November 09, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2009

Or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 000-30973

MBT FINANCIAL CORP.
(Exact name of registrant as specified in its charter)

Michigan
(State or other jurisdiction of
incorporation or organization)

38-3516922
(I.R.S. Employer
Identification No.)

102 E. Front Street
Monroe, Michigan 48161
(Address of principal executive offices)
(Zip Code)

(734) 241-3431
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated Filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 6, 2009, there were 16,202,089 shares of the Company's Common Stock outstanding.

Part I Financial Information
Item 1. Financial Statements

MBT FINANCIAL CORP.
CONSOLIDATED BALANCE SHEETS

| Dollars in thousands | September 30, 2009 (Unaudited) | December 31, 2008 |
|--|--|----------------------|
| ASSETS | | |
| Cash and Cash Equivalents | | |
| Cash and due from banks | | |
| Non-interest bearing | \$ 14,500 | \$ 24,463 |
| Interest bearing | 56,731 | 26,323 |
| Total cash and cash equivalents | 71,231 | 50,786 |
| | | |
| Securities - Held to Maturity | 34,655 | 46,840 |
| Securities - Available for Sale | 331,945 | 406,117 |
| Federal Home Loan Bank stock - at cost | 13,086 | 13,086 |
| Loans held for sale | 418 | 784 |
| Loans - Net | 860,522 | 922,420 |
| Accrued interest receivable and other assets | 49,830 | 43,973 |
| Bank Owned Life Insurance | 47,961 | 45,488 |
| Premises and Equipment - Net | 32,864 | 32,907 |
| Total assets | \$ 1,442,512 | \$ 1,562,401 |
| LIABILITIES | | |
| Deposits: | | |
| Non-interest bearing | \$ 121,746 | \$ 144,585 |
| Interest-bearing | 925,903 | 991,493 |
| Total deposits | 1,047,649 | 1,136,078 |
| | | |
| Federal Home Loan Bank advances | 243,500 | 261,500 |
| Repurchase agreements | 30,000 | 30,000 |
| Interest payable and other liabilities | 11,766 | 13,846 |
| Total liabilities | 1,332,915 | 1,441,424 |
| STOCKHOLDERS' EQUITY | | |
| Common stock (no par value; 30,000,000 shares authorized, 16,198,785 and 16,148,482 shares issued and outstanding) | 554 | 321 |
| Retained Earnings | 113,508 | 122,896 |
| Accumulated other comprehensive loss | (4,465) | (2,240) |
| Total stockholders' equity | 109,597 | 120,977 |
| Total liabilities and stockholders' equity | \$ 1,442,512 | \$ 1,562,401 |

The accompanying notes to consolidated financial statements are integral part of these statements.

MBT FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED

| Dollars in thousands, except per share data | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------------|------------------------------------|---------------|
| | 2009 | 2008 | 2009 | 2008 |
| Interest Income | | | | |
| Interest and fees on loans | \$ 13,229 | \$ 15,689 | \$ 39,994 | \$ 47,888 |
| Interest on investment securities- | | | | |
| Tax-exempt | 837 | 844 | 2,579 | 2,477 |
| Taxable | 3,544 | 4,558 | 11,872 | 14,312 |
| Interest on balances due from banks | 30 | - | 57 | - |
| Interest on federal funds sold | - | 22 | - | 23 |
| Total interest income | 17,640 | 21,113 | 54,502 | 64,700 |
| Interest Expense | | | | |
| Interest on deposits | 4,174 | 6,263 | 14,280 | 20,122 |
| Interest on borrowed funds | 2,950 | 3,764 | 9,308 | 11,912 |
| Total interest expense | 7,124 | 10,027 | 23,588 | 32,034 |
| Net Interest Income | 10,516 | 11,086 | 30,914 | 32,666 |
| Provision For Loan Losses | 6,800 | 4,100 | 19,000 | 8,000 |
| Net Interest Income After Provision For Loan Losses | 3,716 | 6,986 | 11,914 | 24,666 |
| Other Income | | | | |
| Income from wealth management services | 936 | 1,087 | 2,756 | 3,333 |
| Service charges and other fees | 1,516 | 1,683 | 4,304 | 4,795 |
| Net gain on sales of securities | 4,365 | 323 | 5,021 | 371 |
| Other Than Temporary Impairments on securities | (2,693) | - | (9,093) | - |
| Portion of OTTI loss recognized in other comprehensive income (before taxes) | (1,859) | - | 3,772 | - |
| Origination fees on mortgage loans sold | 119 | 73 | 350 | 357 |
| Bank owned life insurance income | 369 | 355 | 1,034 | 985 |
| Other | 806 | 744 | 2,376 | 2,244 |
| Total other income | 3,559 | 4,265 | 10,520 | 12,085 |
| Other Expenses | | | | |
| Salaries and employee benefits | 5,122 | 5,090 | 15,956 | 16,113 |
| Occupancy expense | 804 | 801 | 2,445 | 2,712 |
| Equipment expense | 729 | 804 | 2,348 | 2,480 |
| Marketing expense | 277 | 297 | 798 | 894 |
| Professional fees | 419 | 401 | 1,286 | 1,325 |
| Collection expenses | 121 | 87 | 685 | 514 |
| Net loss on other real estate owned | 1,927 | 2,215 | 7,957 | 2,604 |
| Other real estate owned expenses | 399 | 438 | 1,165 | 1,026 |
| FDIC Deposit Insurance Assessment | 628 | 226 | 2,314 | 394 |

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| | | | | |
|---|------------|---------|------------|----------|
| Other | 964 | 1,006 | 3,022 | 3,164 |
| Total other expenses | 11,390 | 11,365 | 37,976 | 31,226 |
| Income (Loss) Before Income Taxes | (4,115) | (114) | (15,542) | 5,525 |
| Income Tax Expense (Benefit) | (1,790) | (438) | (6,477) | 836 |
| Net Income (Loss) | \$ (2,325) | \$ 324 | \$ (9,065) | \$ 4,689 |
| Basic Earnings (Loss) Per Common Share | \$ (0.14) | \$ 0.02 | \$ (0.56) | \$ 0.29 |
| Diluted Earnings (Loss) Per Common Share | \$ (0.14) | \$ 0.02 | \$ (0.56) | \$ 0.29 |
| Common Stock Dividends Declared Per Share | \$ - | \$ 0.09 | \$ 0.02 | \$ 0.45 |

The accompanying notes to consolidated financial statements are integral part of these statements.

MBT FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY - UNAUDITED

| Dollars in thousands | Common Stock | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total |
|---|-----------------|----------------------|--|------------|
| Balance - January 1, 2009 | \$ 321 | \$ 122,896 | \$ (2,240) | \$ 120,977 |
| Issuance of Common Stock (50,303 shares) | | | | |
| Restricted stock awards (15,000 shares) | 45 | - | - | 45 |
| Other stock issued (35,303 shares) | 82 | - | - | 82 |
| Equity Compensation | 106 | - | - | 106 |
| Dividends declared (\$0.02 per share) | - | (323) | - | (323) |
| Comprehensive income (loss): | | | | |
| Net income (loss) | - | (9,065) | - | (9,065) |
| Change in net unrealized loss on securities available for sale - Net of tax effect of \$1,205 | - | - | (2,237) | (2,237) |
| Reclassification adjustment for losses included in net income - Net of tax effect of \$105 | - | - | (195) | (195) |
| Change in postretirement benefit obligation Net of tax effect of \$(111) | - | - | 207 | 207 |
| Total Comprehensive Income (Loss) | | | | (11,290) |
| Balance - September 30, 2009 | \$ 554 | \$ 113,508 | \$ (4,465) | \$ 109,597 |

The accompanying notes to consolidated financial statements are integral part of these statements.

MBT FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

| Dollars in thousands | Nine Months Ended September 30, | |
|---|------------------------------------|-------------|
| | 2009 | 2008 |
| Cash Flows from Operating Activities | | |
| Net Income (Loss) | \$ (9,065) | \$ 4,689 |
| Adjustments to reconcile net income (loss) to net cash from operating activities | | |
| Provision for loan losses | 19,000 | 8,000 |
| Depreciation | 1,691 | 2,003 |
| (Increase) decrease in net deferred Federal income tax asset | (4,099) | (743) |
| Net (accretion) amortization of investment premium and discount | 209 | (25) |
| Writedowns of Other Real Estate Owned | 6,116 | 2,449 |
| Net increase (decrease) in interest payable and other liabilities | (1,762) | (768) |
| Net increase in interest receivable and other assets | (10,742) | (5,398) |
| Equity based compensation expense | 106 | 175 |
| Net gain on sale/settlement of securities | (5,966) | (371) |
| Other Than Temporary Impairment of investment securities | 5,321 | - |
| Writedowns of Investments securities | 945 | - |
| Increase in cash surrender value of life insurance | (1,034) | (985) |
| Net cash provided by operating activities | \$ 720 | \$ 9,026 |
| Cash Flows from Investing Activities | | |
| Proceeds from maturities and redemptions of investment securities held to maturity | \$ 29,010 | \$ 8,673 |
| Proceeds from maturities and redemptions of investment securities available for sale | 114,718 | 182,320 |
| Proceeds from sales of investment securities available for sale | 201,639 | 23,943 |
| Net decrease in loans | 43,264 | 11,407 |
| Proceeds from sales of other real estate owned | 5,103 | 2,225 |
| Proceeds from sales of other assets | 217 | 187 |
| Purchase of investment securities held to maturity | (16,817) | (2,185) |
| Purchase of Bank Owned Life Insurance | (1,439) | (1,589) |
| Purchase of investment securities available for sale | (246,123) | (178,518) |
| Purchase of bank premises and equipment | (1,768) | (1,079) |
| Net cash provided by investing activities | \$ 127,804 | \$ 45,384 |
| Cash Flows from Financing Activities | | |
| Net decrease in deposits | \$ (88,429) | \$ (29,786) |
| Net increase in short term borrowings | - | (13,300) |
| Net decrease in securities sold under agreements to repurchase | - | (5,000) |
| Repayment of Federal Home Loan Bank borrowings | (18,000) | - |
| Proceeds from Federal Home Loan Bank borrowings | - | 5,000 |
| Proceeds from issuance of common stock | 127 | 99 |
| Dividends paid | (1,777) | (8,709) |
| Net cash used for financing activities | \$ (108,079) | \$ (51,696) |

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| | | | | |
|--|----|--------|----|--------|
| Net Increase In Cash and Cash Equivalents | \$ | 20,445 | \$ | 2,714 |
| Cash and Cash Equivalents at Beginning Of Period | | 50,786 | | 25,113 |
| Cash And Cash Equivalents At End Of Period | \$ | 71,231 | \$ | 27,827 |

The accompanying notes to consolidated financial statements are integral part of these statements.

-5-

MBT FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited consolidated financial statements include the accounts of MBT Financial Corp. (the “Company”) and its subsidiary, Monroe Bank & Trust (the “Bank”). The Bank includes the accounts of its wholly owned subsidiaries, MBT Credit Company, Inc. and MB&T Financial Services, Inc. The Bank operates eighteen branches in Monroe County, Michigan and seven branches in Wayne County, Michigan. MBT Credit Company, Inc. operates a mortgage loan office in Monroe County. The Bank’s primary source of revenue is from providing loans to customers, who are predominantly small and middle-market businesses and middle-income individuals. The Company’s sole business segment is community banking.

The accounting and reporting policies of the Bank conform to practice within the banking industry and are in accordance with accounting principles generally accepted in the United States. Preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term are the determination of the allowance for loan losses and the valuation of other real estate owned.

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, such information reflects all adjustments (consisting of normal recurring adjustments), which are, in the opinion of Management, necessary for fair statement of results for the interim periods.

The significant accounting policies are as follows:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiary. All material intercompany transactions and balances have been eliminated.

COMPREHENSIVE INCOME

Accounting principles generally require that revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, however, such as unrealized gains and losses on securities available for sale and amounts recognized related to postretirement benefit plans (gains and losses, prior service costs, and transition assets or obligations), are reported as a direct adjustment to the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income.

BUSINESS SEGMENTS

While the Company's chief decision makers monitor the revenue streams of various products and services, operations are managed and financial performance is evaluated on a company wide basis. Accordingly, all of the Company’s operations are considered by management to be aggregated in one reportable segment.

FAIR VALUE

In February 2007, the Financial Accounting Standards Board “FASB” issued “The Fair Value Option for Financial Assets and Financial Liabilities” This permits companies to elect on an instrument by instrument basis to fair value certain financial assets and financial liabilities with changes in fair value recognized in earnings as they occur. The election to fair value is generally irrevocable. In April 2007, the Corporation elected early adoption as of January 1, 2007. The Corporation did not select any financial assets or financial liabilities for fair value measurement, but elected early adoption in order to be able to apply the fair value option to financial assets and financial liabilities that may be acquired prior to the effective date of the statements.

The Corporation measures or monitors many of its assets and liabilities on a fair value basis. Fair value is used on a recurring basis for assets and liabilities that are elected to be accounted for under The Fair Value Option as well as for certain assets and liabilities in which fair value is the primary basis of accounting. Examples of these include derivative instruments and available for sale securities. Additionally, fair value is used on a non-recurring basis to evaluate assets or liabilities for impairment or for disclosure purposes. Examples of these non-recurring uses of fair value include certain loans held for sale accounted for on a lower of cost or market basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Corporation uses various valuation techniques and assumptions when estimating fair value.

The Corporation applied the following fair value hierarchy:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. The Corporation’s U.S. government agency securities, government sponsored mortgage backed securities, and mutual fund investments where quoted prices are available in an active market generally are classified within Level 1 of the fair value hierarchy.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. The Corporation’s borrowed funds and investments in obligations of states and political subdivisions are generally classified in Level 2 of the fair value hierarchy. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Private equity investments and trust preferred collateralized debt obligations are classified within Level 3 of the fair value hierarchy. Fair values are initially valued based on transaction price and are adjusted to reflect exit values.

When determining the fair value measurements for assets and liabilities required or permitted to be recorded at and/or marked to fair value, the Corporation considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Corporation looks to active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Corporation looks to market observable data for similar assets or liabilities. Nevertheless, certain assets and liabilities are not actively traded in observable markets and the Corporation must use alternative valuation techniques to derive a fair value measurement.

ACCOUNTING PRONOUNCEMENTS

On April 9, 2009, the FASB issued guidance on the recognition and presentation of Other Than Temporary Impairment (OTTI). The recognition practice categorizes losses on debt securities available for sale or held to maturity determined by management to be other than temporarily impaired into losses due to credit issues and losses related to all other factors. Other than temporary impairment exists when it is more likely than not that the security will mature or be sold before its amortized cost basis can be recovered. An OTTI related to credit losses should be recognized through earnings. An OTTI related to other factors should be recognized in other comprehensive income. Required annual disclosures are now also required for interim periods, including the aging of securities with unrealized losses. The Company elected early adoption beginning with the first quarter of 2009, and appropriate disclosures are contained in these financial statements.

In May 2009, the Company adopted new accounting and disclosure practices for subsequent events. Specifically, the new practices define: 1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, 2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and 3) the disclosure that an entity should make about events or transactions that occurred after the balance sheet date. Management has reviewed events occurring since September 30, 2009 through November 9, 2009, the date the financial statements included in this Quarterly Report on Form 10-Q were issued, and no subsequent events have occurred that, in the opinion of management, require disclosure or accrual.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles." SFAS No. 168 approved the FASB Accounting Standards Codification (the Codification) as the single source of authoritative nongovernmental GAAP. All existing accounting standard documents, such as FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and other related literature, excluding guidance from the Securities and Exchange Commission, have been superseded by the Codification. All other non-grandfathered, non-SEC accounting literature not included in the Codification has become nonauthoritative. The Codification is effective for interim or annual periods ending after September 15, 2009. There have been no changes to the content of our financial statements or disclosures as a result of implementing the Codification during the quarter ended September 30, 2009. However, as a result of implementation of the Codification, previous references to new accounting standards and literature are no longer applicable. All future references to authoritative accounting literature in our consolidated financial statements will be referenced in accordance with the Codification.

2. EARNINGS PER SHARE

The calculation of net income per common share for the three months ended September 30, 2009 and 2008 are as follows:

| | 2009 | 2008 |
|--|----------------|------------|
| Basic | | |
| Net income (loss) | \$ (2,325,000) | \$ 324,000 |
| Less preferred dividends | - | - |
| Net income (loss) applicable to common stock | \$ (2,325,000) | \$ 324,000 |
| Average common shares outstanding | 16,192,914 | 16,136,402 |
| Earnings (loss) per common share - basic | \$ (0.14) | \$ 0.02 |
| | 2009 | 2008 |
| Diluted | | |

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| | | |
|--|----------------|------------|
| Net income (loss) | \$ (2,325,000) | \$ 324,000 |
| Less preferred dividends | - | - |
| Net income (loss) applicable to common stock | \$ (2,325,000) | \$ 324,000 |
| Average common shares outstanding | 16,192,914 | 16,136,402 |
| Stock option adjustment | - | 27,461 |
| Average common shares outstanding - diluted | 16,192,914 | 16,163,863 |
| Earnings (loss) per common share - diluted | \$ (0.14) | \$ 0.02 |

-8-

The calculation of net income per common share for the nine months ended September 30, 2009 and 2008 are as follows:

| | 2009 | 2008 |
|--|----------------|--------------|
| Basic | | |
| Net income (loss) | \$ (9,065,000) | \$ 4,689,000 |
| Less preferred dividends | - | - |
| Net income (loss) applicable to common stock | \$ (9,065,000) | \$ 4,689,000 |
| Average common shares outstanding | 16,180,527 | 16,131,436 |
| Earnings (loss) per common share - basic | \$ (0.56) | \$ 0.29 |
| Diluted | | |
| Net income (loss) | \$ (9,065,000) | \$ 4,689,000 |
| Less preferred dividends | - | - |
| Net income (loss) applicable to common stock | \$ (9,065,000) | \$ 4,689,000 |
| Average common shares outstanding | 16,180,527 | 16,131,436 |
| Stock option adjustment | - | 27,461 |
| Average common shares outstanding - diluted | 16,180,527 | 16,158,897 |
| Earnings (loss) per common share - diluted | \$ (0.56) | \$ 0.29 |

3. STOCK BASED COMPENSATION

Stock Options - The following table summarizes the options that have been granted to non-employee directors and certain key executives in accordance with the Long-Term Incentive Compensation Plan that was approved by shareholders at the Annual Meeting of Shareholders on April 6, 2000.

| | Shares | Weighted Average Exercise Price |
|---|---------|---------------------------------|
| Options Outstanding, January 1, 2009 | 541,976 | \$ 17.42 |
| Granted | - | - |
| Exercised | - | - |
| Forfeited | 1,000 | 15.33 |
| Options Outstanding, September 30, 2009 | 540,976 | \$ 17.43 |
| Options Exercisable, September 30, 2009 | 512,646 | \$ 17.54 |

Restricted Stock Unit Awards - On January 2, 2009, performance restricted stock units were awarded to certain key executives in accordance with the MBT 2008 Stock Incentive Plan that was approved by shareholders on May 1, 2008. Each restricted stock unit (RSU) is equivalent to one share of MBT Financial Corp. common stock. Stock will be issued to the participants following a three year performance period that ends on December 31, 2011 based on the cumulative earnings per share during that three year period. The RSUs vest on December 31, 2011. There were 19,800 RSUs granted, and none will be considered vested and earned for payment if the Company's three year cumulative earnings per share are less than \$0.05. The amount of RSUs that will vest on December 31, 2011 is based on the three year cumulative earnings per share achieved by the company during the vesting period as shown in the following schedule:

| Three Year Cumulative Fully Diluted EPS for the Performance Period Ending December 31, 2011 | Percent PSUs Vested |
|--|---------------------------|
| \$0.15 | 100% |
| \$0.10 | 75% |
| \$0.05 | 50% |

Restricted Stock Awards - On January 2, 2009, 15,000 restricted shares were awarded to certain key executives in accordance with the MBT 2008 Stock Incentive Plan that was approved by shareholders on May 1, 2008. The restricted shares will vest on December 31, 2011.

Stock Only Stock Appreciation Rights (SOSARs) - On January 2, 2009, Stock Only Stock Appreciation Rights (SOSARs) were awarded to certain key executives in accordance with the MBT 2008 Stock Incentive Plan that was approved by shareholders on May 1, 2008. The SOSARs have a term of ten years and vest in three equal annual installments beginning December 31, 2009. SOSARs granted under the plan are structured as fixed grants with the exercise price equal to the market value of the underlying stock on the date of the grant.

On January 2, 2009, Stock Only Stock Appreciation Rights (SOSARs) were awarded to certain directors in exchange for a portion of their retainer in accordance with the MBT 2008 Stock Incentive Plan that was approved by shareholders on May 1, 2008. The SOSARs have a term of ten years and vest on December 31, 2009. SOSARs granted under the plan are structured as fixed grants with the exercise price equal to the market value of the underlying stock on the date of the grant.

The fair value of \$0.52 for the SOSARs was estimated at the date of the grant, using the Black-Scholes option pricing model, with the following assumptions: expected option lives of 7 years, expected volatility of 25.8%, a risk free rate of 3.38% and dividend yield of 4.87%. The following table summarizes the SOSARs that have been granted:

| | Shares | Weighted Average Exercise Price |
|--|---------|------------------------------------|
| SOSARs Outstanding, January 1, 2009 | 99,500 | \$ 8.53 |
| Granted | 141,500 | 3.03 |
| Exercised | - | - |
| Forfeited | 10,500 | 5.39 |
| SOSARs Outstanding, September 30, 2009 | 230,500 | \$ 5.30 |
| SOSARs Exercisable, September 30, 2009 | 34,345 | \$ 8.53 |

The total expense for equity based compensation was \$38,000 in the third quarter of 2009 and \$40,000 in the third quarter of 2008. The total expense for equity based compensation was \$118,000 in the first nine months of 2009 and \$175,000 in the first nine months of 2008.

4. LOANS

The Bank makes commercial, consumer, and mortgage loans primarily to customers in Monroe County, Michigan, southern Wayne County, Michigan, and surrounding areas. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on the automotive, manufacturing, and real estate development economic sectors.

Loans consist of the following (000s omitted):

| | September 30, 2009 | December 31, 2008 |
|---|--------------------------|----------------------|
| Residential real estate loans | \$ 392,515 | \$ 439,133 |
| Non-farm, non-residential real estate loans | 352,912 | 352,935 |
| Loans to finance agricultural production and other loans to farmers | 9,277 | 9,763 |
| Commercial and industrial loans | 100,852 | 109,495 |
| Loans to individuals for household, family, and other personal expenditures | 23,812 | 29,901 |
| All other loans (including overdrafts) | 530 | 384 |
| Total loans, gross | 879,898 | 941,611 |
| Less: Deferred loan fees | 803 | 663 |
| Total loans, net of deferred loan fees | 879,095 | 940,948 |
| Less: Allowance for loan losses | 18,573 | 18,528 |
| | \$ 860,522 | \$ 922,420 |

Loans are placed in a nonaccrual status when, in the opinion of Management, the collection of additional interest is doubtful. All loan relationships over \$250,000 that are classified by Management as nonperforming as well as selected performing accounts and all renegotiated loans are reviewed for impairment. Allowances for loans determined to be impaired are included in the allowance for loan losses. All cash received on nonaccrual loans is applied to the principal balance. Nonperforming assets consist of nonaccrual loans, loans 90 days or more past due, restructured loans, and other real estate owned. Other real estate owned includes real estate that has been acquired in full or partial satisfaction of loan obligations or upon foreclosure and real estate that the bank has purchased but no longer intends to use for bank premises.

The following table summarizes nonperforming assets (000's omitted):

| | September 30, 2009 | December 31, 2008 |
|--|--------------------------|----------------------|
| Nonaccrual loans | \$ 62,038 | \$ 47,872 |
| Loans 90 days past due | 192 | 93 |
| Restructured loans | 14,359 | 5,811 |
| Total nonperforming loans | \$ 76,589 | \$ 53,776 |
| Other real estate owned | 19,416 | 17,156 |
| Other assets | 1,321 | 2,055 |
| Total nonperforming assets | \$ 97,326 | \$ 72,987 |
| Nonperforming assets to total assets | 6.75% | 4.67% |
| Allowance for loan losses to nonperforming loans | 24.25% | 34.45% |

5. ALLOWANCE FOR LOAN LOSSES

Activity in the allowance for loan losses during the quarter ended September 30 was as follows (000's omitted):

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| | September 30, 2009 | September 30, 2008 |
|------------------------------|-----------------------|-----------------------|
| Balance beginning of quarter | \$ 23,875 | \$ 18,093 |
| Provision for loan losses | 6,800 | 4,100 |
| Loans charged off | (12,364) | (3,954) |
| Recoveries | 262 | 169 |
| Balance end of period | \$ 18,573 | \$ 18,408 |

-11-

Activity in the allowance for loan losses during the nine months ended September 30 was as follows (000's omitted):

| | September 30, 2009 | September 30, 2008 |
|---------------------------|-----------------------|-----------------------|
| Balance beginning of year | \$ 18,528 | \$ 20,222 |
| Provision for loan losses | 19,000 | 8,000 |
| Loans charged off | (20,273) | (10,516) |
| Recoveries | 1,318 | 702 |
| Balance end of period | \$ 18,573 | \$ 18,408 |

For each period, the provision for loan losses in the income statement is based on Management's estimate of the amount required to maintain an adequate Allowance for Loan Losses.

To serve as a basis for making this provision, the Bank maintains an extensive credit risk monitoring process that considers several factors including: current economic conditions affecting the Bank's customers, the payment performance of individual loans and pools of homogeneous loans, portfolio seasoning, changes in collateral values, and detailed reviews of specific loan relationships. For loans deemed to be impaired due to an expectation that all contractual payments will probably not be received, impairment is measured by comparing the Bank's recorded investment in the loan to the present value of expected cash flows discounted at the loan's effective interest rate, or the fair value of the collateral, or the loan's observable market price.

The provision for loan losses increases the Allowance for Loan Losses, a valuation account which is netted against loans on the consolidated statements of condition. When it is determined that a customer will not repay a loan, the loan is charged off, reducing the Allowance for Loan Losses. If, subsequent to a charge off, the Bank is able to collect additional amounts from the customer or sell collateral worth more than earlier estimated, a recovery is recorded.

6. INVESTMENT SECURITIES

The following is a summary of the Bank's investment securities portfolio as of September 30, 2009 and December 31, 2008 (000's omitted):

| | Amortized Cost | Held to Maturity September 30, 2009 | | Estimated Market Value |
|---|-------------------|--|-------------------------------|------------------------------|
| | | Gross Unrealized Gains | Gross Unrealized Losses | |
| Obligations of U.S. Government Agencies | \$ 6 | \$ 1 | \$ - | \$ 7 |
| Obligations of States and Political Subdivisions | 34,649 | 361 | (123) | 34,887 |
| | \$ 34,655 | \$ 362 | \$ (123) | \$ 34,894 |

| | Available for Sale September 30, 2009 | | | |
|--|--|------------------------------|-------------------------------|------------------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
| Obligations of U.S. Government Agencies | \$ 260,193 | \$ 3,899 | \$ (187) | \$ 263,905 |
| Obligations of States and Political Subdivisions | 44,986 | 1,663 | (51) | 46,598 |
| Trust Preferred CDO Securities | 19,924 | - | (7,831) | 12,093 |
| Corporate Debt Securities | 8,367 | - | (1,404) | 6,963 |
| Other Securities | 2,553 | 103 | (270) | 2,386 |
| | \$ 336,023 | \$ 5,665 | \$ (9,743) | \$ 331,945 |

| | Held to Maturity December 31, 2008 | | | |
|--|---------------------------------------|------------------------------|-------------------------------|------------------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
| Obligations of U.S. Government Agencies | \$ 7 | \$ - | \$ - | \$ 7 |
| Obligations of States and Political Subdivisions | 46,833 | 214 | (1,011) | 46,036 |
| | \$ 46,840 | \$ 214 | \$ (1,011) | \$ 46,043 |

| | Available for Sale December 31, 2008 | | | |
|--|---|------------------------------|-------------------------------|------------------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
| Obligations of U.S. Government Agencies | \$ 322,767 | \$ 6,915 | \$ (11) | \$ 329,671 |
| Obligations of States and Political Subdivisions | 40,999 | 541 | (426) | 41,114 |
| Trust Preferred CDO Securities | 25,132 | - | (5,761) | 19,371 |
| Corporate Debt Securities | 15,170 | - | (1,654) | 13,516 |
| Other Securities | 2,386 | 59 | - | 2,445 |
| | \$ 406,454 | \$ 7,515 | \$ (7,852) | \$ 406,117 |

The investment securities portfolio is evaluated for impairment throughout the year. Impairment is recorded against individual securities, unless the decrease in fair value is attributable to interest rates or the lack of an active market, and Management determines that the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before a recovery of their amortized costs bases, which may be maturity. The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other than temporarily impaired (in thousands), aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2009 and December 31, 2008.

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September 30, 2009

| | Less than 12 months | | 12 months or longer | | Total | |
|--|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|
| | Aggregate Fair Value | Gross Unrealized Losses | Aggregate Fair Value | Gross Unrealized Losses | Aggregate Fair Value | Gross Unrealized Losses |
| Obligations of United States Government Agencies | \$ 39,881 | \$ 187 | \$ - | \$ - | \$ 39,881 | \$ 187 |
| Obligations of States and Political Subdivisions | 307 | 3 | 5,828 | 171 | 6,135 | 174 |
| Trust Preferred CDO Securities | - | - | 3,681 | 4,059 | 3,681 | 4,059 |
| Corporate Debt Securities | - | - | 6,963 | 1,404 | 6,963 | 1,404 |
| Equity Securities | 270 | 270 | - | - | 270 | 270 |
| | \$ 40,458 | \$ 460 | \$ 16,472 | \$ 5,634 | \$ 56,930 | \$ 6,094 |

December 31, 2008

| | Less than 12 months | | 12 months or longer | | Total | |
|--|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|
| | Aggregate Fair Value | Gross Unrealized Losses | Aggregate Fair Value | Gross Unrealized Losses | Aggregate Fair Value | Gross Unrealized Losses |
| Obligations of United States Government Agencies | \$ 8,791 | \$ 4 | \$ 1,500 | \$ 7 | \$ 10,291 | \$ 11 |
| Obligations of States and Political Subdivisions | 20,707 | 1,211 | 3,878 | 226 | 24,585 | 1,437 |
| Trust Preferred CDO Securities | 6,605 | 2,474 | 12,766 | 3,287 | 19,371 | 5,761 |
| Corporate Debt Securities | 12,516 | 1,654 | - | - | 12,516 | 1,654 |
| | \$ 48,619 | \$ 5,343 | \$ 18,144 | \$ 3,520 | \$ 66,763 | \$ 8,863 |

The amount of investment securities issued by government agencies, states, and political subdivisions with unrealized losses and the amount of unrealized losses on those investment securities are primarily the result of market interest rates and not the result of the credit quality of the issuers of the securities. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other than temporarily impaired at September 30, 2009.

The Trust Preferred CDO Securities are issued by companies in the financial services industry, including banks, thrifts, and insurance companies. Each of the four securities owned by the Company is in an unrealized loss position. The main reasons for the impairment are the overall decline in market values for financial industry securities and the

lack of an active market for these types of securities in particular. In determining whether the impairment is not other-than-temporary, the Company analyzed each security's expected cash flows. The assumptions used in the cash flow analysis were developed following a review of the financial condition of the individual obligors in the pools. The analysis concluded that disruption of our cash flows due to defaults by issuers was currently not expected to occur in two of the four securities owned. As a result of uncertainties in the market place affecting companies in the financial services industry, it is at least reasonably possible that a change in the estimate will occur in the near term. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other than temporarily impaired at September 30, 2009.

The Other Than Temporary Impairment (OTTI) analysis of two of the four Trust Preferred CDO securities indicated that their impairment most likely is not temporary. Accounting regulations require entities to split OTTI charges between credit losses, which are charged to earnings, and other impairment, which is charged to Other Comprehensive Income (OCI). The CDOs that have OTTI have a par value of \$17.5 million.

The Corporate Debt Securities consist of senior unsecured debt issued by regional banks and bank holding companies. The market values for these securities have declined over the last several months due to larger credit spreads on financial sector debt. The Company owns three bonds with maturities ranging from December, 2015 to February, 2019. The Company monitors the financial condition of each issuer by reviewing financial statements and industry analyst reports, and believes that each of the issuers will be able to fulfill the obligations of these securities. The unrealized losses on investment securities are primarily the result of increases in market interest rates and not the result of credit quality of the issuers of the securities. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the company does not consider those investments to be other than temporarily impaired at September 30, 2009.

7. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Certain of the Bank's assets and liabilities are financial instruments that have fair values that differ from their carrying values in the accompanying consolidated balance sheets. These fair values, along with the methods and assumptions used to estimate such fair values, are discussed below. The fair values of all financial instruments not discussed below (Cash and cash equivalents, Federal funds sold, Federal Home Loan Bank stock, Accrued interest receivable and other assets, Bank Owned Life Insurance, Federal funds purchased, and Interest payable and other liabilities) are estimated to be equal to their carrying amounts as of September 30, 2009 and December 31, 2008.

INVESTMENT SECURITIES

Fair value for the Bank's investment securities was determined using the market value in active markets, where available. When not available, fair values are estimated using the fair value hierarchy. In the fair value hierarchy, Level 2 fair values are determined using observable inputs other than Level 1 market prices, such as quoted prices for similar assets. Level 3 values are determined using unobservable inputs, such as discounted cash flow projections. These Estimated Market Values are disclosed in Note 6. The fair value disclosures required are in Note 8.

LOANS, NET

The fair value of all loans is estimated by discounting the future cash flows associated with the loans, using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

OTHER TIME DEPOSITS

The fair value of other time deposits, consisting of fixed maturity certificates of deposit, is estimated by discounting the related cash flows using the rates currently offered for deposits of similar remaining maturities.

FHLB ADVANCES AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

A portion of the Federal Home Loan Bank advances in the accompanying consolidated balance sheets were written with a put option that allows the Federal Home Loan Bank to require repayment or conversion to a variable rate advance. The fair value of these puttable Federal Home Loan Bank advances is estimated using the binomial lattice option pricing method.

The fair value of fixed and variable rate Federal Home Loan Bank advances and Securities Sold under Repurchase Agreements, is estimated by discounting the related cash flows using the rates currently available for borrowings of similar remaining maturities.

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

The fair values of commitments to extend credit and standby letters of credit and financial guarantees written are estimated using the fees currently charged to engage into similar agreements. The fair values of these instruments are not significant.

The carrying amounts and approximate fair values as of September 30, 2009 and December 31, 2008 are as follows (000's omitted):

| | September 30, 2009 | | December 31, 2008 | |
|--|--------------------|----------------------|-------------------|----------------------|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Financial Assets: | | | | |
| Cash and due from banks | \$ 71,231 | \$ 71,231 | \$ 50,786 | \$ 50,786 |
| Securities | 366,600 | 366,839 | 452,957 | 452,160 |
| Federal Home Loan Bank Stock | 13,086 | 13,086 | 13,086 | 13,086 |
| Loans, net | 860,522 | 862,055 | 922,420 | 953,267 |
| Financial Liabilities: | | | | |
| Demand, NOW, savings and money market savings deposits | 626,343 | 626,343 | 621,762 | 621,762 |
| Other time deposits | 421,306 | 428,965 | 514,316 | 521,272 |
| Borrowed funds | | | | |
| Variable Rate FHLB Advances | 110,000 | 117,705 | 123,000 | 131,491 |
| Fixed Rate FHLB Advances | 3,500 | 3,697 | 8,500 | 8,800 |
| Putable FHLB Advances | 130,000 | 136,108 | 130,000 | 138,870 |
| Repurchase Agreements | 30,000 | 35,055 | 30,000 | 33,840 |

8. FAIR VALUE MEASUREMENTS

The following tables present information about the Company's assets measured at fair value on a recurring basis at September 30, 2009, and the valuation techniques used by the Company to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Company has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

-16-

Assets measured at fair value on a recurring basis are as follows (000's omitted):

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at Sept. 30, 2009 |
|--|--|---|--|---------------------------------|
| Investment Securities - Available for Sale | \$ 273,253 | \$ 46,598 | \$ 12,094 | \$ 331,945 |

The changes in Level 3 assets measured at fair value on a recurring basis were (000's omitted):

| | Investment Securities - Available for Sale |
|--|---|
| Balance at December 31, 2008 | \$ 19,746 |
| Total realized and unrealized gains (losses) included in income | (5,316) |
| Total unrealized gains (losses) included in other comprehensive income | (2,336) |
| Net purchases, sales, calls and maturities | - |
| Net transfers in/out of Level 3 | - |
| Balance at September 30, 2009 | \$ 12,094 |

Of the Level 3 assets that were held by the Company at September 30, 2009, the unrealized loss for the nine months ended September 30, 2009 was \$2,336,000, which is recognized in other comprehensive income in the consolidated statements of financial condition. The Company did not have any sales or purchases of Level 3 available for sale securities during the period.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Company owns pooled Trust Preferred Securities ("TRUPs") with a fair value of \$12,094,000 as of September 30, 2009. Trading of these types of securities is only conducted on a distress sale or forced liquidation basis. As a result, the Company measures the fair values of these assets using Level 3 inputs, specifically discounted cash flow projections.

The Company also has assets that under certain conditions are subject to measurement at fair value on a nonrecurring basis. These assets include loans and Other Real Estate Owned. The Company estimated the fair values of these assets using Level 3 inputs, specifically discounted cash flow projections.

Assets measured at fair value on a nonrecurring basis are as follows (000's omitted):

| Balance at Sept. 30, 2009 | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Losses for the three months ended Sept. 30, | Total Losses for the nine months ended Sept. 30, |
|---------------------------------|---|---|--|--|---|
|---------------------------------|---|---|--|--|---|

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| | (Level 1) | | | | 2009 | | 2009 | | | | | |
|----------------------------|-----------|--------|----|---|------|--------|------|--------|----|-------|----|--------|
| Impaired loans | \$ | 66,550 | \$ | - | \$ | - | \$ | 66,550 | \$ | 3,799 | \$ | 10,447 |
| Other Real Estate Owned | \$ | 19,416 | \$ | - | \$ | 19,416 | \$ | - | \$ | 1,927 | \$ | 7,957 |

Impaired loans categorized as Level 3 assets consist of non-homogenous loans that are considered impaired. The Company estimates the fair value of the loans based on the present value of expected future cash flows using management's best estimate of key assumptions. These assumptions include future payment ability, timing of payment streams, and estimated realizable values of available collateral (typically based on outside appraisals). Other Real Estate Owned (OREO) consists of property received in full or partial satisfaction of a receivable. The Company utilizes independent appraisals to estimate the fair value of OREO properties.

9. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Bank is a party to 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 and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of condition.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for its other lending activities.

Financial instruments whose contractual amounts represent off-balance sheet credit risk were as follows (000s omitted):

| | Contractual Amount | |
|--|-----------------------|----------------------|
| | September 30, 2009 | December 31, 2008 |
| Commitments to extend credit: | | |
| Unused portion of commercial lines of credit | \$ 63,850 | \$ 62,537 |
| Unused portion of credit card lines of credit | 5,323 | 5,872 |
| Unused portion of home equity lines of credit | 16,147 | 20,200 |
| Standby letters of credit and financial guarantees written | 5,434 | 7,297 |
| All other off-balance sheet assets | 5,336 | 3,682 |

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. Most commercial lines of credit are secured by real estate mortgages or other collateral, and generally have fixed expiration dates or other termination clauses. Since the lines of credit may expire without being drawn upon, the total committed amounts do not necessarily represent future cash requirements. Credit card lines of credit have various established expiration dates, but are fundable on demand. Home equity lines of credit are secured by real estate mortgages, a majority of which have ten year expiration dates, but are fundable on demand. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of the collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on Management's credit evaluation of the counterparty.

Standby letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements and other business transactions.

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

Introduction

MBT Financial Corp. (the "Company") is a bank holding company with one subsidiary, Monroe Bank & Trust ("the Bank"). The Bank is a commercial bank with two wholly owned subsidiaries, MBT Credit Company, Inc. and MB&T Financial Services. MBT Credit Company, Inc. conducts lending operations for the Bank and MB&T Financial Services is an insurance agency which sells insurance policies to the Bank. The Bank operates 18 branch offices in Monroe County, Michigan and 7 offices in Wayne County, Michigan. The Bank's primary source of income is interest income on its loans and investments and its primary expense is interest expense on its deposits and borrowings.

The ongoing challenges in the national economy generally and in the southeast Michigan economy in particular, with increasing unemployment and decreasing real estate values, continue to have a negative impact on our performance. We monitor the quality of our loan portfolios closely, and we decided that the decrease in value of real estate collateral associated with such economic challenges necessitated write downs of some of our loans this quarter. Our Provision for Loan Losses in the third quarter of 2009 was \$6.8 million. We charged off \$12.1 million of loans during the quarter, so our Allowance for Loan and Lease Losses decreased \$5.3 million to \$18.6 million, which is 2.11% of loans. Although the charge offs exceeded the provision in the quarter, we believe that the Allowance remains adequate because most of the loans charged off in the third quarter were provided for in earlier quarters. We also conducted an auction of OREO properties on October 8, which required us to write down the values of the properties that sold to their sales prices effective September 30. At the auction we sold properties carried at \$1.9 million for \$1.4 million. The third quarter loss on OREO sales of \$1.9 million includes \$0.5 million to write down the value of the properties sold in October. The auction sales are expected to close in the fourth quarter. Non performing assets (NPAs) increased from \$89.0 million to \$97.3 million during the quarter, as non performing loans increased \$6.8 million and OREO increased \$1.5 million. However, Total Problem Assets, which includes non performing assets and problem loans that are still performing, decreased \$2.4 million, or 1.6% during the quarter. This was the second consecutive quarterly decrease in total problem assets.

Net Interest Income decreased \$570,000 compared to the third quarter of 2008 even though the net interest margin was unchanged as the average earning assets decreased. The provision for loan losses increased from \$4.1 million in the third quarter of 2008 to \$6.8 million in 2009 due to the continued weak economic conditions and soft real estate market. Non interest income decreased \$706,000 compared to last year as Wealth Management fees decreased due to lower market values for investments, NSF fees decreased due to a significant decrease in overdraft activity, and other than temporary impairment of investment securities offset the gains on securities sold. We believe that we are beginning to see the benefits of our cost reduction initiatives. Even though credit related expenses and FDIC insurance costs increased, our total non interest expenses only increased \$25,000, or 0.2% compared to the third quarter of 2008. We expect credit related expenses to remain high, but we should continue to see meaningful expense improvement in most other areas.

Our capital level remains above the regulatory minimum required to be considered a well-capitalized institution. As of September 30, 2009 our total capital was \$109,597,000. We believe that we have sufficient liquidity to meet the needs of our qualified loan customers, and we continue to maintain a financially sound and solvent balance sheet. Due to the four consecutive quarterly losses and the continued weak earnings and economic outlook, our board of directors determined to eliminate the quarterly dividend in the third quarter of 2009 after reducing it twice in the last six quarters. Our board does not expect to reinstate the dividend until it believes that earnings and capital have returned to levels that support ongoing payment of dividends.

In May, 2009 the Bank agreed to an informal memorandum of understanding with its regulators to establish, among other things, reporting regularly to the regulators about our operations, financial condition, and efforts to mitigate risks. As a part of this informal program the Bank undertook certain actions to improve the Bank's credit administration and developed a written plan to attain a minimum Tier 1 Leverage Capital ratio of 8% that was approved by the Company's Board and timely submitted to its regulatory agencies. A failure to meet its commitment regarding these corrective actions could result in more formal regulatory actions. The Bank's Tier 1 Leverage Capital ratio decreased from 7.83% at June 30, 2009 to 7.06% at September 30, 2009. The decrease in this ratio in the third quarter was due to the Net Loss of \$2.3 million during the quarter and the disallowance, solely for purposes of computation of the Bank's Tier 1 Leverage Capital ratio, of \$10.5 million in deferred tax assets. Bank capital regulations limit the amount of deferred tax assets that banks may include in equity capital when determining compliance with bank capital requirements. Although the disallowance of \$10.5 million in deferred tax assets adversely impacted our regulatory capital ratios at September 30, 2009, no valuation allowance was required for the deferred tax asset we carry on our consolidated balance sheet at September 30, 2009, and therefore there was no reduction in our consolidated shareholder equity resulting from this disallowance. Prior to the third quarter of 2009, the Bank targeted an 8% Tier 1 Leverage Ratio. In response to the ongoing challenges in the national economy in general and in southeast Michigan in particular, in late 2008 and early 2009, the Company developed a plan for risk mitigation, profitability, and capital management that it believed would allow the Bank to achieve this target by the end of 2009. Following the results of the third quarter, which included the above mentioned credit related losses in the loan and investment portfolios and the previously mentioned disallowance of deferred tax assets for Bank regulatory capital purposes, The Company does not expect to reach the 8% Tier 1 Leverage Ratio target set forth in our memorandum of understanding until mid to late 2010. This expectation could be impacted positively or negatively due to current uncertainties, which include, but are not limited to, pending legislation regarding tax loss carry backs, changing economic conditions, asset quality, and property values, and potential increased impairment of investment securities.

Critical Accounting Policies

The Company's Allowance for Loan Losses is a "critical accounting estimate" because it is an estimate that is based on assumptions that are highly uncertain, and if different assumptions were used or if any of the assumptions used were to change, there could be a material impact on the presentation of the Company's financial condition. These assumptions include, but are not limited to, collateral values and the effect of economic conditions on the financial condition of the borrowers. To determine the Allowance for Loan Losses, the Company estimates losses on all loans that are not classified as non accrual or renegotiated by applying historical loss rates, adjusted for current conditions, to those loans. In addition, all loans that are non accrual or renegotiated are individually tested for impairment. Any amount of monetary impairment is included in the Allowance for Loan Losses.

Financial Condition

Economic deterioration appears to have begun to abate in the third quarter of 2009. Local unemployment and property values stabilized, resulting in the second quarterly decrease in total problem assets. However, the economic environment is still weak, especially in southeast Michigan, and nonperforming assets increased during the quarter. Total loans also decreased due to low loan demand and payments and charge offs of existing loans. We continued to use maturities and sales of investments to decrease our borrowings and brokered certificates of deposits, which has helped improve our net interest margin. This has also resulted in a decrease in total assets, which has enabled us to maintain capital ratios in excess of the minimum "well capitalized" regulatory standard (even though our capital decreased due to the loss). The decrease in earning assets resulted in a decrease in net interest income, and the poor economic conditions caused a significantly larger provision for loan losses, and higher credit related non interest expenses. While some lending opportunities exist, the economy is expected to remain weak in our market area into 2010. The Company expects low or slightly negative deposit and asset growth well into 2010 and intends to continue

to focus efforts on credit quality, capital management, and risk mitigation.

-20-

Since December 31, 2008, total loans decreased \$62.6 million (6.6%) due to the weak loan demand. Total cash and investments decreased \$65.9 million (13.1%), and total assets decreased \$119.9 million (7.7%). Residential real estate secured loans decreased \$46.6 million (10.6%) due to a decrease in residential development activity. Deposits decreased \$88.4 million, or 7.8%, due to continued reduction in the amount of brokered certificates of deposit and a less competitive pricing strategy which is designed to reduce the amount of deposits and the average cost of deposits while managing our interest rate risk. Total capital decreased \$11.4 million or 9.4% because of the net loss of \$9.1 million, and the \$2.2 million decrease in accumulated other comprehensive income (AOCI). AOCI decreased due to the decrease in the value of securities available for sale. Total capital decreased at a higher rate than total assets causing the capital to assets ratio to decrease from 7.74% at December 31, 2008 to 7.60% at September 30, 2009.

The amount of nonperforming assets (“NPAs”) increased \$24.3 million or 33.3% since year end. NPAs include non performing loans, which increased 42.4% from \$53.8 million to \$76.6 million, and Other Real Estate Owned and Other Assets (“OREO”), which increased 7.9% from \$19.2 million to \$20.7 million. Total problem assets, which includes all NPAs and performing loans that are internally classified as substandard, increased \$8.8 million, or 6.4%. The Company’s Allowance for Loan and Lease Losses (“ALLL”) increased \$45,000 since December 31, 2008, as the amount of specific allocations decreased from \$5.2 million to \$5.1 million, mainly due to charge offs. The general allocation portion of the allowance increased slightly from \$13.2 million to \$13.5 million because the impact of the decrease in the size of the loan portfolio was less than the impact of the increase in the loss factors. The loss factors, which include five year loss averages (weighted more heavily for recent losses), and adjustments for various current factors, such as recent delinquency trends and national and local economic conditions, were increased due to the weak economic conditions and declining real estate values. The ALLL is now 2.11% of loans, compared to 1.97% at year end. The ALLL is 24.3% of NPLs, compared to 34.4% at year end. In light of current economic conditions, we believe that at this level the ALLL adequately estimates the potential losses in the loan portfolio.

Results of Operations – Third Quarter 2009 vs. Third Quarter 2008

Net Interest Income - A comparison of the income statements for the three months ended September 30, 2008 and 2009 shows a decrease of \$570,000, or 5.1%, in Net Interest Income. Interest income on loans decreased \$2.5 million or 15.7% as the average loans outstanding decreased \$80.7 million and the average yield on loans decreased from 6.37% to 5.83%. The interest income on investments, fed funds sold, and interest bearing balances due from banks decreased \$1.0 million even though the average amount of investments, fed funds sold, and interest bearing balances due from banks increased \$13.2 million as the yield decreased from 5.16% to 4.05%. An improvement in the term structure of interest rates, a decrease in the overall level of interest rates, and the maturity of some high cost borrowings and brokered certificates of deposit allowed funding costs to decrease faster than asset yields. The interest expense on deposits decreased \$2.1 million or 33.4% as the average deposits decreased \$24.8 million and the average cost of those deposits decreased from 2.31% to 1.57%. The cost of borrowed funds decreased \$0.8 million as the average amount of borrowed funds decreased \$29.9 million and the average cost of the borrowings decreased from 4.88% to 4.23%.

Provision for Loan Losses - The Provision for Loan Losses increased from \$4.1 million in the third quarter of 2008 to \$6.8 million in the third quarter of 2009 due to increased non performing loans and weaker economic conditions. Net charge offs were \$12.1 million during the third quarter of 2009, compared to \$3.8 million in the third quarter of 2008. Each quarter, the Company conducts a review and analysis of its ALLL to determine its adequacy. This analysis involves specific allocations for impaired credits and a general allocation for losses expected based on historical experience adjusted for current conditions. The ALLL is 2.11% of loans as of September 30, 2009 and, in light of current economic conditions, we believe that at this level the ALLL adequately estimates the potential losses in our loan portfolio.

Other Income – Non interest income decreased \$706,000 or 16.6% compared to the third quarter of 2008. Although we have been successful in attracting new business in our Wealth Management Group, income decreased 13.9% due to decreasing market values of investments. Service charges and other fees decreased \$167,000, or 9.9%, primarily due to a decrease in NSF fees on checking accounts. Mortgage loan activity increased in the third quarter of 2009 due to an increase in the number of refinances, and the origination fees on mortgage loans sold increased \$46,000, or 63.0%. The net gain on securities transactions decreased \$510,000 as gains on sales of investments in 2009 were offset by an OTTI charge on our pooled trust preferred CDO securities.

Other Expenses – Total non interest expenses increased \$25,000 or 0.2% compared to the third quarter of 2008. Most expense categories were flat or decreased due to cost containment initiatives implemented throughout the last year. Salaries and Employee Benefits increased \$32,000, or 0.6%, as the increase in health insurance expense was nearly offset by a decreases in the 401(k) matching contribution and the incentive pay accrual. Equipment expenses decreased \$75,000, or 9.3% as computer expense decreased \$38,000 and machine maintenance decreased \$37,000. The advertising program was reduced in 2009, resulting in a decrease of \$20,000, or 6.7% in marketing expense. Collection expenses increased \$34,000 or 39.1% due to the growth in non performing assets. Losses on OREO transactions decreased \$288,000 compared to the third quarter last year due to a large amount of write downs in the third quarter of 2008. FDIC insurance premium expense increased \$402,000, or 177.9% primarily due to an increase in our regular assessment rate from 7 basis points to nearly 22 basis points.

As a result of the above activity, the Income Before Income Taxes decreased \$4.0 million to a loss of \$4.1 million. The income tax benefit increased \$1.4 million from \$0.4 million to \$1.8 million. The Net Loss of \$2.3 million is a decrease of \$2.6 million from the profit of \$0.3 million in the third quarter of 2008.

Results of Operations – Nine Months Ended September 30, 2009 vs. September 30, 2008

Net Interest Income - A comparison of the income statements for the nine months ended September 30, 2008 and 2009 shows a decrease of \$1.8 million, or 5.4% in Net Interest Income. Interest income on loans decreased \$7.9 million or 16.5% as the average loans outstanding decreased \$72.8 million and the average yield on loans decreased from 6.46% to 5.83%. The interest income on investments, fed funds sold, and interest bearing balances due from banks decreased \$2.3 million even though the average amount of investments, fed funds sold, and interest bearing balances due from banks increased \$8.5 million as the yield decreased from 5.16% to 4.38%. An improvement in the term structure of interest rates, a decrease in higher cost borrowed funds and brokered certificates of deposit, and a decrease in the overall level of interest rates allowed funding costs to decrease faster than asset yields. The interest expense on deposits decreased \$5.8 million or 29.0% as the average deposits decreased \$18.5 million and the average cost of those deposits decreased from 2.47% to 1.79%. The cost of borrowed funds decreased \$2.6 million as the average amount of borrowed funds decreased \$29.7 million and the average cost of the borrowings decreased from 5.06% to 4.37%.

Provision for Loan Losses - The Provision for Loan Losses increased from \$8.0 million in the first nine months of 2008 to \$19.0 million in the first nine months of 2009 due to increased non performing loans and weaker economic conditions. Net charge offs increased from \$9.8 million during the first nine months of 2008 to \$19.0 million in the first nine months of 2009.

Other Income – Non interest income, excluding securities transactions, decreased \$0.9 million or 7.6% compared to the first nine months of 2008. Although we have been successful in attracting new business in our Wealth Management Group, income decreased \$577,000, or 17.3% due to decreasing market values of investments. Service charges and other fees decreased \$491,000, or 10.2%, primarily due to a decrease in NSF fees on checking accounts. Gains on sales of securities decreased \$671,000 from a gain of \$371,000 in 2008 to a loss of \$300,000 in 2009 due to the OTTI charges in 2009.

Other Expenses – Total non interest expenses increased \$6.8 million or 21.6% compared to the first nine months of 2008 primarily due to higher credit related expenses and an increase in our FDIC insurance assessment. Salaries and Employee Benefits decreased \$157,000, or 1.0%, primarily due to a reduction in the incentive compensation accrual. Occupancy expense decreased \$267,000 or 9.8% as depreciation, utilities, maintenance, and property tax expenses decreased due to branch closings. The advertising program was reduced in 2009, resulting in a decrease of \$96,000, or 10.7% in marketing expense. Losses on OREO transactions increased \$5.4 million compared to last year due to losses totaling \$2.3 million on 56 properties sold at auctions in 2009 and numerous write downs due to decreasing property values in 2009. FDIC insurance premium expense increased \$1.9 million due to a special assessment of \$663,000 in the second quarter of 2009, an increase in our regular assessment rate from 7 basis points to nearly 22 basis points in the second quarter of 2009, and because the Bank utilized its remaining assessment credits in 2008.

As a result of the above activity, the Income Before Income Taxes decreased \$21.1 million to a loss of \$15.5 million. The income tax expense decreased \$7.3 million from \$0.8 million to a benefit of \$6.5 million. The Net Loss of \$9.1 million is a decrease of \$13.8 million from the profit of \$4.7 million in the first nine months of 2008.

Cash Flows

Cash flows from operating activities decreased from \$9.0 million in the first nine months of 2008 to \$0.7 million in the first nine months of 2009 due to the decrease in net income and the increase in the net deferred federal income tax asset. Cash flows provided by investing activities increased from \$45.4 million in the first nine months of 2008 to \$127.8 million in the first nine months of 2009 primarily due to a restructuring of a portion of the investment portfolio in the third quarter of 2009. A portion of the investment activity proceeds and the reduction in loans were used to fund the reduction in deposits and borrowed funds. The amount of cash used for financing activities increased from \$51.7 million in the first nine months of 2008 to \$108.1 million in the first nine months of 2009 as the decrease in deposits increased from \$29.8 million in 2008 to \$88.4 million in 2009. Also, the decrease in short term borrowing was \$13.3 million in 2008, compared to zero in 2009, and Federal Home Loan Bank advances decreased \$18.0 million in 2009 compared to an increase of \$5.0 million in the first nine months of 2008. This is a result of the Bank's efforts to improve its capital position by decreasing total assets and improve its net interest margin by reducing higher cost funding and lower yield assets.

Liquidity and Capital

The Company believes it has sufficient liquidity to fund its lending activity and allow for fluctuations in deposit levels. Internal sources of liquidity are provided by the maturities of loans and securities as well as holdings of securities Available for Sale. External sources of liquidity include a line of credit with the Federal Home Loan Bank of Indianapolis, the Federal funds line that has been established with our correspondent bank, Repurchase Agreements with money center banks that allow us to pledge securities as collateral for borrowings and the Federal Reserve Discount Window, which allows us to pledge loans and investments as collateral. As of September 30, 2009, the Bank utilized \$243.5 million of its authorized limit of \$275 million with the Federal Home Loan Bank of Indianapolis and none of its \$25 million of federal funds line with a correspondent bank.

The Company's Funds Management Policy includes guidelines for desired amounts of liquidity and capital. The Funds Management Policy also includes contingency plans for liquidity and capital that specify actions to take if liquidity and capital ratios fall below the levels contained in the policy. Throughout the first nine months of 2009 the Company was in compliance with its Funds Management Policy regarding liquidity and capital.

Total stockholders' equity of the Company was \$109.6 million at September 30, 2009 and \$121.0 million at December 31, 2008. The ratio of equity to assets was 7.60% at September 30, 2009 and 7.74% at December 31, 2008. Federal bank regulatory agencies have set capital adequacy standards for Total Risk Based Capital, Tier 1 Risk Based Capital, and Leverage Capital. These standards require banks to maintain Leverage and Tier 1 ratios of at least 4% and a Total Capital ratio of at least 8% to be adequately capitalized. The regulatory agencies consider a bank to be well capitalized if its Total Risk Based Capital is at least 10% of Risk Weighted Assets, Tier 1 Capital is at least 6% of Risk Weighted Assets, and the Leverage Capital Ratio is at least 5%.

In the third quarter of 2009, the Bank implemented an investment strategy that was designed to improve its regulatory capital ratios by increasing capital and reducing risk weighted assets. This strategy involved selling approximately \$120 million of par value of FNMA and FHLMC mortgage backed and debt securities and investing the proceeds in GNMA mortgage backed securities. These sales produced gains of \$5.3 million, which preserved capital by offsetting the OTTI charge on the pooled trust preferred CDOs. The reinvestment in GNMA bonds decreased the risk weighting of these assets from 20% to 0%, which helps maintain the Tier 1 Risk Based Capital and Total Risk Based Capital ratios.

The following table summarizes the capital ratios of the Company and the Bank:

| | Actual | | Minimum to Qualify as Well Capitalized | |
|---|------------|--------|--|-------|
| | Amount | Ratio | Amount | Ratio |
| As of September 30, 2009: | | | | |
| Total Capital to Risk-Weighted Assets | | | | |
| Consolidated | \$ 116,173 | 11.16% | \$ 104,069 | 10% |
| Monroe Bank & Trust | 115,209 | 11.08% | 103,970 | 10% |
| Tier 1 Capital to Risk-Weighted Assets | | | | |
| Consolidated | 103,093 | 9.91% | 62,441 | 6% |
| Monroe Bank & Trust | 102,094 | 9.82% | 62,382 | 6% |
| Tier 1 Capital to Average Assets | | | | |
| Consolidated | 103,093 | 7.12% | 72,353 | 5% |
| Monroe Bank & Trust | 102,094 | 7.06% | 72,306 | 5% |

| | Actual | | Minimum to Qualify as Well Capitalized | |
|--|------------|--------|--|-------|
| | Amount | Ratio | Amount | Ratio |
| As of December 31, 2008: | | | | |
| Total Capital to Risk-Weighted Assets | | | | |
| Consolidated | \$ 136,286 | 12.74% | \$ 106,980 | 10% |
| Monroe Bank & Trust | 134,853 | 12.62% | 106,895 | 10% |
| Tier 1 Capital to Risk-Weighted Assets | | | | |
| Consolidated | 122,820 | 11.48% | 64,188 | 6% |
| Monroe Bank & Trust | 121,398 | 11.36% | 64,137 | 6% |
| Tier 1 Capital to Average Assets | | | | |
| Consolidated | 122,820 | 7.82% | 78,543 | 5% |
| Monroe Bank & Trust | 121,398 | 7.73% | 78,495 | 5% |

At September 30, 2009 and December 31, 2008, the Bank was in compliance with the capital guidelines and qualifies as "well-capitalized" under regulatory standards.

Market risk for the Bank, as is typical for most banks, consists mainly of interest rate risk and market price risk. The Bank's earnings and the economic value of its equity are exposed to interest rate risk and market price risk, and monitoring this risk is the responsibility of the Asset/Liability Management Committee (ALCO) of the Bank. The Bank's market risk is monitored monthly and it has not changed significantly since year-end 2008.

Forward-Looking Statements

Certain statements contained herein are not based on historical facts and are "forward-looking statements" within the meaning of Section 21A of the Securities Exchange Act of 1934. Forward-looking statements which are based on various assumptions (some of which are beyond the Company's control), may be identified by reference to a future period or periods, or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "estimate," "anticipate," "continue," or similar terms or variations on those terms, or the negative of these terms. Actual results could differ materially from those set forth in forward-looking statements, due to a variety of factors, including, but not limited to, those related to the economic environment, particularly in the market areas in which the Company operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset/liability management, changes in the financial and securities markets, including changes with respect to the market value of our financial assets, the availability of and costs associated with sources of liquidity, and the ability of the Company to resolve or dispose of problem loans.

The Company does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Bank faces market risk to the extent that the fair values of its financial instruments are affected by changes in interest rates. The Bank does not face market risk due to changes in foreign currency exchange rates, commodity prices, or equity prices. The asset and liability management process of the Bank seeks to monitor and manage the amount of interest rate risk. This is accomplished by analyzing the differences in repricing opportunities for assets and liabilities, by simulating operating results under varying interest rate scenarios, and by estimating the change in the net

present value of the Bank's assets and liabilities due to interest rate changes.

-25-

Each month, the Asset and Liability Committee (ALCO), which includes the senior management of the Bank, estimates the effect of interest rate changes on the projected net interest income of the Bank. The sensitivity of the Bank's net interest income to changes in interest rates is measured by using a computer based simulation model to estimate the impact on earnings of gradual increases or decreases of 100, 200, and 300 basis points in the prime rate. The net interest income projections are compared to a base case projection, which assumes no changes in interest rates.

The Bank's ALCO has established limits in the acceptable amount of interest rate risk, as measured by the change in the Bank's projected net interest income, in its policy. At the end of 2008, the estimated variability of the net interest income exceeded the Bank's established policy limits for the minus 200 and minus 300 basis point rate scenarios. At the end of the first nine months of 2009, the estimated variability of the net interest income exceeded the Bank's established policy limit for the minus 300 basis point rate scenario. However, because current interest rates are at historically low levels, it is not probable that rates would decrease 300 basis points, and the ALCO determined that no corrective action is required.

The ALCO also monitors interest rate risk by estimating the effect of changes in interest rates on the economic value of the Bank's equity each month. The economic value of the Bank's equity is first determined by subtracting the fair value of the Bank's liabilities from the fair value of the Bank's assets. The Bank estimates the interest rate risk by calculating the effect of market interest rate changes on that economic value of its equity. For this analysis, the Bank assumes immediate parallel shifts of plus or minus 100, 200, and 300 basis points in interest rates. The discount rates used to determine the present values of the loans and deposits, as well as the prepayment rates for the loans, are based on Management's expectations of the effect of the rate changes on the market for loans and deposits.

The Bank's interest rate risk, as measured by the net interest income and economic value of equity simulations, has not changed significantly from December 31, 2008.

Item 4. Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2009, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2009, in alerting them in a timely manner to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

There was no change in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended September 30, 2009, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II Other Information

Item 1. Legal Proceedings

MBT Financial Corp. and its subsidiaries are not a party to, nor is any of their property the subject of any material legal proceedings other than ordinary routine litigation incidental to their respective businesses, nor are any such proceedings known to be contemplated by governmental authorities.

Item 1A. Risk Factors

There have been no material changes in the risk factors disclosed by the Company in its Report on Form 10-K for the fiscal year ended December 31, 2008.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

No matters to be reported.

-27-

Item 6. Exhibits

The following exhibits are filed as a part of this report:

- 3.1 Restated Articles of Incorporation of MBT Financial Corp. Previously filed as Exhibit 3.1 to MBT Financial Corp.'s Form 10-K for its fiscal year ended December 31, 2000.
- 3.2 Amended and Restated Bylaws of MBT Financial Corp. Previously filed as Exhibit 3.2 to MBT Financial Corp.'s Form 10-Q for its quarter ended March 31, 2008.
- 31.1 Certification by Chief Executive Officer required by Securities and Exchange Commission Rule 13a-14.
- 31.2 Certification by Chief Financial Officer required by Securities and Exchange Commission Rule 13a-14.
- 32.1 Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

MBT Financial Corp.
(Registrant)

November 9, 2009
Date

By /s/ H. Douglas Chaffin
H. Douglas Chaffin
President &
Chief Executive Officer

November 9, 2009
Date

By /s/ John L. Skibski
John L. Skibski
Executive Vice President and
Chief Financial Officer

Exhibit Index

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