MBT FINANCIAL CORP
Form 10-Q
August 08, 2008

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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

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	38-3516922
(State or other jurisdiction of incorporation or organization)	(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 [X] No [ ]

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

Large accelerated filer [ ]   Accelerated Filer [X]
Non-accelerated filer [ ]   Smaller reporting company [ ]
(Do not check if a 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 [X]

As of August 5, 2008, there were 16,136,327 shares of the Company's Common Stock outstanding.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MBT FINANCIAL CORP.

CONSOLIDATED BALANCE SHEETS

Dollars in thousands	JUNE 30, 20 (UNAUDITED
ASSETS	
Cash and Cash Equivalents	
Cash and due from banks	$ 21,98
Total cash and cash equivalents	21,98
Securities - Held to Maturity	38,00
Securities - Available for Sale	380,72
Federal Home Loan Bank stock - at cost	13,08
Loans held for sale	40
Loans - Net	971,33
Accrued interest receivable and other assets	41,83
Bank Owned Life Insurance	43,13
Premises and Equipment - Net	32,23
Total assets	$1,542,74
LIABILITIES	
Deposits:	
Non-interest bearing	$ 139,05
Interest-bearing	926,71
Total deposits	1,065,77
Federal Home Loan Bank advances	256,50
Federal funds purchased	54,50
Repurchase agreements	30,00
Interest payable and other liabilities	14,62
Total liabilities	1,421,39
STOCKHOLDERS' EQUITY	
Common stock (no par value; 30,000,000 shares authorized, 16,132,513 and 16,124,997 shares issued and outstanding)	-
Retained Earnings	128,67
Accumulated other comprehensive loss	(7,32

Total stockholders' equity	121,34
Total liabilities and stockholders' equity	$ 1,542,7

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

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MBT FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED

	THREE MONTHS ENDED JUNE 30,	
Dollars in thousands, except per share data	2008	2007
INTEREST INCOME		
Interest and fees on loans	$15,771	$17,751
Interest on investment securities-		
Tax-exempt	818	871
Taxable	4,798	4,582
Interest on federal funds sold	--	84
Total interest income	21,387	23,288
INTEREST EXPENSE		
Interest on deposits	6,368	7,981
Interest on borrowed funds	3,892	4,520
Total interest expense	10,260	12,501
NET INTEREST INCOME	11,127	10,787
PROVISION FOR LOAN LOSSES	2,700	750
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,427	10,037
OTHER INCOME		
Income from wealth management services	1,119	1,151
Service charges and other fees	1,586	1,574
Net gain on sales of securities	23	92
Origination fees on mortgage loans sold	91	210
Bank owned life insurance income	275	334
Other	764	758
Total other income	3,858	4,119
OTHER EXPENSES		
Salaries and employee benefits	5,441	5,599
Occupancy expense	916	844
Equipment expense	848	850
Marketing expense	356	369

Professional fees	455	406
Net loss (gain) on other real estate owned	354	(8)
Other	1,793	1,219
Total other expenses	10,163	9,279
INCOME BEFORE INCOME TAXES	2,122	4,877
INCOME TAX EXPENSE	404	1,342
NET INCOME	$ 1,718	$ 3,535
BASIC EARNINGS PER COMMON SHARE	$ 0.11	$ 0.21
DILUTED EARNINGS PER COMMON SHARE	$ 0.11	$ 0.21
COMMON STOCK DIVIDENDS DECLARED PER SHARE	$ 0.18	$ 0.18

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

MBT FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED

	SIX MONTHS ENDED JUNE 30,	
Dollars in thousands, except per share data	2008	2007
INTEREST INCOME		
Interest and fees on loans	$32,199	$35,512
Interest on investment securities-		
Tax-exempt	1,633	1,880
Taxable	9,754	9,497
Interest on federal funds sold	1	116
Total interest income	43,587	47,005
INTEREST EXPENSE		
Interest on deposits	13,859	15,936
Interest on borrowed funds	8,148	9,099
Total interest expense	22,007	25,035
NET INTEREST INCOME	21,580	21,970
PROVISION FOR LOAN LOSSES	3,900	1,500
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	17,680	20,470
OTHER INCOME		
Income from trust services	2,246	2,218
Service charges and other fees	3,112	3,099
Net gain on sales of securities	48	92

Origination fees on mortgage loans sold	284	393
Bank Owned Life Insurance income	630	630
Other	1,500	1,450
Total other income	7,820	7,882
OTHER EXPENSES		
Salaries and employee benefits	11,023	11,048
Occupancy expense	1,911	1,724
Equipment expense	1,676	1,695
Marketing expense	597	621
Professional fees	924	776
Net loss on other real estate	389	10
Other	3,341	2,517
Total other expenses	19,861	18,391
INCOME BEFORE INCOME TAXES	5,639	9,961
INCOME TAX EXPENSE	1,274	2,723
NET INCOME	$ 4,365	$ 7,238
BASIC EARNINGS PER COMMON SHARE	$ 0.27	$ 0.43
DILUTED EARNINGS PER COMMON SHARE	$ 0.27	$ 0.43
COMMON STOCK DIVIDENDS DECLARED PER SHARE	$ 0.36	$ 0.36

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

MBT FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

	SIX MONTHS
Dollars in thousands	2008
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	$ 4,36
Adjustments to reconcile net income to net cash from operating activities	
Provision for loan losses	3,90
Depreciation	1,45
(Increase) decrease in net deferred Federal income tax asset	23
Net (accretion) amortization of investment premium and discount	1
Net increase in interest payable and other liabilities	17
Net (increase) decrease in interest receivable and other assets	(4,72
Equity based compensation expense	13
Net gain on sale/settlement of securities	(4
Increase in cash surrender value of life insurance	(63
Net cash provided by operating activities	$ 4,87

CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from maturities and redemptions of investment securities held to maturity	$ 6,87
Proceeds from maturities and redemptions of investment securities available for sale	153,86
Proceeds from sales of investment securities available for sale	2,98
Net (increase) decrease in loans	6,39
Proceeds from sales of other real estate owned	1,54
Proceeds from sales of other assets	9
Purchase of investment securities held to maturity	(15
Purchase of Bank Owned Life Insurance	-
Purchase of investment securities available for sale	(164,90
Purchase of bank premises and equipment	(96
Net cash provided by investing activities	$ 5,74
CASH FLOWS FROM FINANCING ACTIVITIES	
Net decrease in deposits	$ (44,21
Net increase (decrease) in short term borrowings	41,20
Net decrease in securities sold under agreements to repurchase	(5,00
Proceeds from issuance of common stock	6
Repurchase of common stock	-
Dividends paid	(5,80
Net cash used for financing activities	$ (13,75
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (3,12
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	25,11
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 21,98

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

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

Dollars in thousands	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
BALANCE - JANUARY 1, 2008	$--	$129,917	$(2,470)
Issuance of Common Stock (7,516 shares)	--	64	--
Equity Compensation	--	135	--
Dividends declared ($0.36 per share)	--	(5,807)	--
Comprehensive income:			
Net income	--	4,365	--
Change in net unrealized loss on securities available for sale - Net of tax effect of $2,642	--	--	(4,907)
Reclassification adjustment for gains included in net income - Net of tax effect of $17	--	--	(30)
Change in postretirement benefit obligation			

Net of tax effect of ($44)	--	--	81
Total Comprehensive Income			
BALANCE - JUNE 30, 2008	$--	$128,674	$(7,326)

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

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 twenty branches in Monroe County, Michigan and five 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 FAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159). FAS 159 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 of FAS 159 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. Upon early adoption of FAS 159, the Corporation concurrently adopted the provisions of FAS 157, effective January 1, 2007.

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 FAS 159 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, which are in accordance with FAS 157.

In accordance with FAS 157, 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 and trust preferred securities 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 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.

2. EARNINGS PER SHARE

The calculation of net income per common share for the three months ended June 30 is as follows:

	2008	2007
BASIC		
Net income	$ 1,718,000	$ 3,535,000
Less preferred dividends	--	--
Net income applicable to common stock	$ 1,718,000	$ 3,535,000
Average common shares outstanding	16,130,806	16,558,137
Earnings per common share - basic	$ 0.11	$ 0.21

	2008	2007
DILUTED		
Net income	$ 1,718,000	$ 3,535,000
Less preferred dividends	--	--
Net income applicable to common stock	$ 1,718,000	$ 3,535,000

Average common shares outstanding	16,130,806	16,558,137
Stock option adjustment	31,375	27,583
Average common shares outstanding - diluted	16,162,181	16,585,720
Earnings per common share - diluted	$ 0.11	$ 0.21

The calculation of net income per common share for the six months ended June 30 is as follows:

	2008	2007
BASIC		
Net income	$ 4,365,000	$ 7,238,000
Less preferred dividends	--	--
Net income applicable to common stock	$ 4,365,000	$ 7,238,000
Average common shares outstanding	16,128,926	16,622,204
Earnings per common share - basic	$ 0.27	$ 0.43

	2008	2007
DILUTED		
Net income	$ 4,365,000	$ 7,238,000
Less preferred dividends	--	--
Net income applicable to common stock	$ 4,365,000	$ 7,238,000
Average common shares outstanding	16,128,926	16,622,204
Stock option adjustment	31,375	28,969
Average common shares outstanding - diluted	16,160,301	16,651,173
Earnings per common share - diluted	$ 0.27	$ 0.43

3. STOCK BASED COMPENSATION

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, 2008	602,143	$17.36
Granted	--	--
Exercised	--	--
Forfeited	58,334	16.90
Options Outstanding, June 30, 2008	543,809	$17.41
Options Exercisable, June 30, 2008	457,987	$17.75

On June 4, 2008, 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, 2010 based on the cumulative earnings per share during that three year period. The RSUs vest on December 31, 2010. There were 22,300 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 $2.16. The expense recorded for the RSUs in accordance with FAS 123(R) was $25,000 in the first six months of 2008. The amount of RSUs that will vest on December 31, 2010 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, 2010	Percent PSUs Vested
$2.40	100%
$2.34	90%
$2.28	80%
$2.24	70%
$2.21	60%
$2.16	50%

On June 4, 2008, 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, 2008. 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 $1.39 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 25.9%, a risk free rate of 3.61% and dividend yield of 4.87%. The expense recorded for the SOSARs in accordance with FAS 123(R) was $24,000 in the first six months of 2008. The following table summarizes the SOSARs that have been granted:

	Shares	Weighted Average Exercise Price
SOSARs Outstanding, January 1, 2008	--	$0.00
Granted	90,500	8.53
Exercised	--	--
Forfeited	--	--
SOSARs Outstanding, June 30, 2008	90,500	$8.53
SOSARs Exercisable, June 30, 2008	--	$0.00

The total expense for equity based compensation was $135,000 in the first six months of 2008 and $340,000 in the first six months of 2007.

4. LOANS

The Bank grants 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):

	June 30, 2008	December 31, 2007
Residential real estate loans	$472,700	$ 489,038
Non-farm, non-residential real estate loans	336,921	357,622
Loans to finance agricultural production and other loans to farmers	15,390	5,981
Commercial and industrial loans	130,065	107,375
Loans to individuals for household, family, and other personal expenditures	33,867	40,705
All other loans (including overdrafts)	1,115	731
Total loans, gross	990,058	1,001,452
Less: Deferred loan fees	627	624
Total loans, net of deferred loan fees	989,431	1,000,828
Less: Allowance for loan losses	18,093	20,222
	$971,338	$ 980,606

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 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):

	June 30, 2008	December 31, 2007
Nonaccrual loans	$38,115	$30,459
Loans 90 days past due	109	102
Restructured loans	6,023	3,367
Total nonperforming loans	$44,247	$33,928
Other real estate owned	16,105	10,626
Other assets	1,960	1,939
Total nonperforming assets	$62,312	$46,493
Nonperforming assets to total assets	4.04%	2.99%
Allowance for loan losses to nonperforming loans	40.89%	59.60%

5. ALLOWANCE FOR LOAN LOSSES

Activity in the allowance for loan losses was as follows (000's omitted):

	June 30, 2008	June 30, 2007
Balance beginning of year	$20,222	$13,764
Provision for loan losses	3,900	1,500
Loans charged off	(6,562)	(2,170)
Recoveries	533	986
Balance end of period	$18,093	$14,080

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 June 30, 2008 and December 31, 2007 (000's omitted):

	June 30, 2008		December 31, 2007	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
Held to Maturity				
Obligations of U.S. Government Agencies	$ 7	$ 7	$ 7	$ 8
Obligations of States and Political Subdivisions	37,998	38,184	44,727	45,036
	$38,005	$38,191	$44,734	$45,044

	June 30, 2008		December 31, 2007	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
Available for Sale				
Obligations of U.S. Government Agencies	$307,173	$304,258	$330,505	$330,178
Obligations of States and Political Subdivisions	39,054	38,575	27,046	27,134
Other Securities	42,488	37,890	23,081	22,926
	$388,715	$380,723	$380,632	$380,238

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. The Company has the ability and intent to hold most of these securities until recovery, which may be until maturity. For securities in which the Company no longer has the intent to hold until recovery, the securities are treated as other than temporarily impaired and the amount of impairment is charged to earnings.

7. FAIR VALUE MEASUREMENTS

The following tables present information about the Company's assets measured at fair value on a recurring basis at June 30, 2008, 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.

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)	Sig Unob Inputs
Investment Securities - Available for Sale	$317,651	$62,484	

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, 2007	$585
Total realized and unrealized gains (losses) included in income	--
Total unrealized gains (losses) included in other comprehensive income	3
Net purchases, sales, calls and maturities	--
Net transfers in/out of Level 3	--
BALANCE AT JUNE 30, 2008	$588

Of the Level 3 assets that were still held by the Company at June 30, 2008, the unrealized loss for the six months ended June 30, 2008 was $2,000, 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.

Available for sale investment securities categorized as Level 3 assets consist of bonds issued by local municipalities. The Company estimates the fair value of these bonds based on the present value of expected future cash flows using management's best estimate of key assumptions,

including forecasted interest yield and payment rates, credit quality, and a discount rate commensurate with the current market and other risks involved.

The Company also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. These assets include held to maturity investments and loans. The Company estimated the fair values of these assets using Level 3 inputs, specifically discounted cash flow projections. In the six months ended June 30, 2008, the Company recognized a non-cash impairment charge of $4,572,000 to adjust these assets to their fair values.

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

	Balance at June 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Securities - Held to Maturity	$38,191	$ 7	$19,676	$18,508
Impaired loans accounted for under FAS 114	$33,797	$--	$ --	$33,797
Loan held for sale	$ 408	$--	$ --	$ 408
Other Real Estate Owned	$18,065	$--	$18,065	$ --

Held to maturity investment securities categorized as Level 3 assets primarily consist of bonds issued by local municipalities. The Company estimates the fair value of these bonds based on the present value of expected future cash flows using management's best estimate of key assumptions, including forecasted interest yield and prepayment rates, credit quality and a discount rate commensurate with the current market and other risks involved.

Impaired loans accounted for under FAS 114 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).

8. 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	
	June 30, 2008	December 31, 2007
Commitments to extend credit:		
Unused portion of commercial lines of credit	$71,144	$92,774
Unused portion of credit card lines of credit	6,004	5,988
Unused portion of home equity lines of credit	22,199	20,047
Standby letters of credit and financial guarantees written	9,923	9,994
All other off-balance sheet assets	4,018	3,555

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 20 branch offices in Monroe County, Michigan and 5 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 southeast Michigan economy, 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 to increase the allowance for loan losses and write down the values of some of our Other Real Estate Owned this quarter. Our Allowance for Loan Losses is now $18.1 million, or 1.83% of loans. Non performing assets (NPAs) increased from $55.4 million to $62.3 million.

Net Interest Income increased $340,000 compared to the second quarter of 2007 due to the improvement in the net interest margin and the slight growth in average earning assets. We are encouraged by the second consecutive quarterly improvement in the margin, and we are beginning to see the benefits of our cost reduction initiatives. Non interest income, excluding securities transactions, decreased 4.8% compared to last year as Wealth Management fees were

impacted by lower market values for investments and origination fees on mortgage loans sold were impacted by a decline in real estate lending activity. Credit quality issues also affected our non interest expenses, which increased 9.5% compared to last year. We expect credit related expenses to remain high, but we will see meaningful expense improvement in most other areas.

Our capital levels remain strong, and well above regulatory minimums required to be considered a well-capitalized institution. As of June 30, 2008 our total tangible capital was $121,348,000. We have ample liquidity to meet the needs of our qualified loan customers, and continue to maintain a financially sound and solvent balance sheet. We are increasingly concerned however that the reduced earnings levels are not sufficient to cover our current dividend. Maintaining a strong capital position in today's environment is critical. Therefore, our board will be evaluating all options concerning the payment of our dividend during its monthly meeting in August. We will make a determination of the appropriate level of the dividend payment at that time.

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 accordance with SFAS 5. 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 in accordance with SFAS 114.

Financial Condition

The economic conditions in southeast Michigan remained weak throughout the first six months of 2008. Rising unemployment and decreasing property values resulted in decreases in loans and deposits, and an increase in nonperforming assets since the end of 2007. Although steepening of the yield curve helped the net interest margin improve, these balance sheet changes resulted in lower net interest income, a larger provision for loan losses, and higher credit related non interest expenses. While some lending opportunities exist, the economy is expected to remain weak through the rest of the year. The Company expects to continue to restrict its asset growth and focus on credit quality and capital management.

Since December 31, 2007, total loans decreased $12.4 million (1.2%) due to the weak loan demand. Total cash and investments decreased $9.4 million (2.0%), and total assets decreased $14.1 million (0.9%). Consumer loans decreased $6.8 million, or 16.8% due to a reduction in lending for autos and other personal expenditures, especially boats and recreational vehicles. Residential real estate secured loans decreased $16.3 million (3.3%) due to a decrease in residential development activity. Deposits decreased $44.2 million, or 4.0%, due to a variety of factors, primarily including normal seasonal activity of large municipal depositors and aggressive certificate of deposit pricing strategies of some of the regional banks that have offices in our market area. Total capital decreased $6.1 million or 4.8% because dividends declared exceeded net income by $1.4 million, and accumulated other comprehensive income decreased $4.9 million, primarily due to the decrease in the value of securities available for sale. The capital to assets ratio decreased from 8.19% at December 31, 2007 to 7.87% at June 30, 2008.

The amount of nonperforming assets ("NPAs") increased $15.8 million or 34.0% since year end. NPAs include non performing loans, which increased 30.4% from $33.9 million to $44.2 million,

and Other Real Estate Owned and Other Assets ("OREO"), which increased from $12.6 million to $18.1 million. Total problem assets, which includes all NPAs and performing loans that are internally classified as substandard, increased $16.0 million, or 18.3%. The Company's Allowance for Loan and Lease Losses ("ALLL") decreased $2.1 million since December 31, 2007, as the amount of specific allocations required by FAS 114 decreased from $9.1 million to $7.2 million, due to progress made in successfully resolving a large non performing asset and charge offs of amounts previously recognized as impaired loans. The FAS 5 portion of the allowance decreased slightly from $11.1 million to $10.9 million because the impact of the decrease in the loan portfolio was greater than the impact of the increase in the loss factors. The loss factors, which include five year loss averages, and adjustments for various current factors, such as recent delinquency and charge off trends and national and local economic conditions, were increased due to the weak economic conditions and declining real estate values. The ALLL is now 1.83% of loans, compared to 2.02% at year end. The ALLL is 40.9% of NPLs, a decrease from 59.6% at year end. We believe that at this level the ALLL adequately estimates the potential losses in the loan portfolio.

Results of Operations -- Second Quarter 2008 vs. Second Quarter 2007

Net Interest Income - A comparison of the income statements for the three months ended June 30, 2007 and 2008 shows an increase of $340,000, or 3.2% in Net Interest Income. Interest income on loans decreased $2.0 million or 11.2% as the average loans outstanding decreased $1.5 million and the average yield on loans decreased from 7.18% to 6.39%. The interest income on investments and fed funds sold increased $79,000 even though the yield on investments and fed funds sold decreased from 5.23% to 5.13%, as the average amount of investments and fed funds sold increased $14.4 million. An improvement in the term structure of interest rates 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 $1.6 million or 20.2% even though average deposits increased $218,000 as the average cost of those deposits decreased from 2.98% to 2.38%. The cost of borrowed funds decreased $628,000 even though the average amount of borrowed funds increased $31.4 million as the average cost of the borrowings decreased from 6.09% to 4.74%.

Provision for Loan Losses - The Provision for Loan Losses increased from $750,000 in the second quarter of 2007 to $2.7 million in the second quarter of 2008 due to increased non performing loans and weaker economic conditions. Net charge offs were $2.3 million during the second quarter of 2008, compared to $0.7 million in the second quarter of 2007. Each quarter, the Company conducts a review and analysis of its ALLL to ensure 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.

Other Income -- Non interest income decreased $261,000 in the second quarter of 2008 compared to the second quarter of 2007. Wealth Management income decreased $32,000, or 2.8% due to decreasing market values of assets under management, the value of which has a direct impact on fee income. Origination fees on mortgage loans sold decreased 56.7% from $210,000 to $91,000 due to significantly slower real estate lending activity. Bank Owned Life Insurance earnings decreased $59,000 due to a larger annual cost of insurance adjustment in the second quarter of 2008.

Other Expenses -- Total non interest expenses increased $884,000 or 9.5% compared to the second quarter of 2007 primarily due to higher credit related expenses. Salaries and Employee Benefits decreased $158,000, or 2.8%, as the number of full time equivalent employees decreased from 425 to 384. Occupancy expense increased $72,000 or 8.5% mainly due to accelerated depreciation on our temporary branch location in Petersburg. Professional fees

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increased $49,000 due to credit related legal expenses. Losses on Other Real Estate Owned (OREO) increased $362,000 due to write downs on properties in 2008. Other OREO expenses increased $358,000 compared to the second quarter of 2007 as the increase in OREO properties caused an increase in insurance, maintenance, and property tax expenses. Various other expenses increased $201,000 primarily due to higher collection costs.

As a result of the above activity, the Income Before Income Taxes decreased $2.8 million to $2.1 million. The income tax expense decreased $938,000 from $1,342,000 to $404,000. The percent of our income that is derived from tax exempt sources increased, and our effective tax rate decreased from 27.5% last year to 19.0%. The Net Profit of $1.7 million is a decrease of $1.8 million from the profit of $3.5 million in the second quarter of 2007.

Results of Operations -- First Six Months 2008 vs. 2007

Net Interest Income - A comparison of the income statements for the six months ended June 30, 2007 and 2008 shows a decrease of $390,000, or 1.8% in Net Interest Income. Interest income on loans decreased $3.3 million or 9.3% even though the average loans outstanding increased $1.5 million as the average yield on loans decreased from 7.19% to 6.51%. The interest income on investments and fed funds sold decreased $105,000 even though the average amount of investments and fed funds increased $3.8 million as the yield on investments and fed funds sold decreased from 5.26% to 5.17%. An improvement in the term structure of interest rates 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 $2.1 million or 13.0% even though average deposits increased $5.0 million as the average cost of those deposits decreased from 2.95% to 2.55%. The cost of borrowed funds decreased $951,000 even though the average amount of borrowed funds increased $15.3 million as the average cost of the borrowings decreased from 6.04% to 5.15%.

Provision for Loan Losses - The Provision for Loan Losses increased from $1.5 million in the first six months of 2007 to $3.9 million in the first six months of 2008 due to increased non performing loans and weaker economic conditions. Net charge offs were $6.0 million during the first six months of 2008, compared to $1.2 million in the first six months of 2007.

Other Income -- Non interest income decreased $62,000 in the first six months of 2008 compared to the first six months of 2007. Origination fees on mortgage loans sold decreased 27.7% from $393,000 to $284,000 due to significantly slower real estate lending activity.

Other Expenses -- Total non interest expenses increased $1.5 million or 8.0% compared to the first six months of 2007 primarily due to higher credit related expenses. Occupancy expense increased $187,000 or 10.8% mainly due to accelerated depreciation on our temporary branch location in Petersburg. Professional fees increased $148,000 due to credit related legal expenses. Losses on Other Real Estate Owned (OREO) increased $379,000 due to write downs on properties in 2008. Other OREO expenses increased $460,000 compared to the first six months of 2007 as the increase in OREO properties caused an increase in insurance, maintenance, and property tax expenses. Various other expenses increased $296,000 primarily due to higher collection costs.

As a result of the above activity, the Income Before Income Taxes decreased $4.3 million to $5.6 million. The income tax expense decreased $1.4 million from $2.7 million to $1.3 million. The percent of our income that is derived from tax exempt sources increased, and our effective tax rate decreased from 27.3% last year to 22.6%. The Net Profit of $4.4 million is a decrease of $2.9 million from the profit of $7.2 million in the first six months of 2007.

Cash Flows

Cash flows from operating activities decreased from $12.2 million in the first six months of 2007 to $4.9 million in the first six months of 2008 due to the decrease in net income and the increase in interest receivable and other assets. Cash flows provided by investing activities decreased from $48.3 million in the first six months of 2007 to $5.7 million in the first six months of 2008 primarily due to the large amount of proceeds from investment securities sold in the first six months of 2007. The amount of cash used for financing activities

decreased from $56.6 million in the first six months of 2007 to $13.8 million in the first six months of 2008 due to an increase of $41.2 million in short term borrowings in the first six months of 2008. The additional borrowings were used to replace deposits and to fund purchases of investment securities.

Liquidity and Capital

The Company maintains 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 lines that have been established with correspondent banks, and Repurchase Agreements with money center banks that allow us to pledge securities as collateral for borrowings. As of June 30, 2008, the Bank utilized $256.5 million of its authorized limit of $275 million with the Federal Home Loan Bank of Indianapolis and $54.5 million of its $110 million of federal funds lines with its correspondent banks. 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 violate the guidelines.

Total stockholders' equity of the Company was $121.3 million at June 30, 2008 and $127.4 million at December 31, 2007. The ratio of equity to assets was 7.9% at June 30, 2008 and 8.2% at December 31, 2007. 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%.

The following table summarizes the capital ratios of the Company:

	June 30, 2008	December 31, 2007	Minimum to be Well Capitalized
Leverage Capital	8.3%	8.4%	5.0%
Tier 1 Risk Based Capital	11.6%	11.8%	6.0%
Total Risk Based Capital	12.9%	13.1%	10.0%

At June 30, 2008 and December 31, 2007, the Bank was in compliance with the capital guidelines and is considered "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 2007.

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.

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. Throughout the first six months of 2008, the estimated variability of the net interest income was within the Bank's established policy limits.

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 actual 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 fair values are determined in accordance with Statement of Financial Accounting Standards Number 107, Disclosures about Fair Value of Financial Instruments. The Bank estimates the interest rate risk by calculating the effect of market

interest rate shocks on the 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 shock on the market for loans and deposits.

The Bank's ALCO has established limits in the acceptable amount of interest rate risk, as measured by the change in economic value of the Bank's equity, in its policy. Throughout the first six months of 2008, the estimated variability of the economic value of equity was within the Bank's established policy limits.

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, 2007.

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 June 30, 2008, 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 June 30, 2008, 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 June 30, 2008, 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, 2007.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The Company has a stock repurchase program which it publicly announced on January 22, 2008. On that date, the Board of Directors authorized the repurchase of 1 million of the Company's common shares, which authorization will expire on December 31, 2008. The Company did not repurchase any of its stock during the three months ended June 30, 2008.

On June 4, 2008, 90,500 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, 2008. 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. Each award was granted pursuant to a Stock Only Stock Appreciation Rights Agreement (the "SOSAR Agreement") entered into with each award

recipient. The SOSARS may be exercised in whole or in part during the term by giving written notice of exercise to the Company specifying the number of shares in respect of which the SOSAR is being exercised. Upon the exercise of a SOSAR, subject to satisfaction of the tax withholding requirements, each holder is entitled to receive the number of shares equal in value to the excess of the fair market value of a share on the exercise date over the exercise price of the SOSAR multiplied by the number of SOSARS being exercised. The above disclosure provides only a summary of the terms of each award. The general form of the SOSAR Agreement is provided as an exhibit to this Report.

On June 4, 2008, 22,300 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, 2010 based on the cumulative earnings per share during that three year period. The RSUs vest on December 31, 2010. No RSUs will be considered vested and earned for payment if the Company's three year cumulative earnings per share are less than $2.16. The above disclosure provides only a summary of the terms of each award. Each RSU award was granted pursuant to a Restricted Share Unit Agreement (the "RSU Agreement") entered into with each award recipient, the general form of which is provided as an exhibit to this Report.

These transactions were not registered under the Securities Act of 1933 (the "Act"), but were made in reliance upon the exemption from registration contained in Section 4(2) thereof.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Shareholders of MBT Financial Corp. was held on May 1, 2008. The following directors were elected to a new term of office:

Peter H. Carlton
H. Douglas Chaffin
Joseph S. Daly
Thomas M. Huner
Rocque E. Lipford
William D. McIntyre, Jr.
Michael J. Miller
Debra J. Shah
John L. Skibski
Philip P. Swy

Karen M. Wilson

The Annual Meeting of Shareholders of MBT Financial Corp. was held for the following purposes:

1. To elect a Board of Directors for the ensuing year;

2. To consider and act upon a new incentive compensation plan, the MBT Financial Corp. 2008 Stock Incentive Plan;

3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The results of the voting are as follows:

Proposal 1, Election of Directors:

	For	Withhold Authority
Peter H. Carlton	10,925,114	2,987,751
H. Douglas Chaffin	10,444,793	3,468,072
Joseph S. Daly	10,440,356	3,472,509
Thomas M. Huner	12,275,859	1,637,006
Rocque E. Lipford	8,669,230	5,243,635
William D. McIntyre, Jr.	10,380,988	3,531,877
Michael J. Miller	12,348,233	1,564,632
Debra J. Shah	10,293,580	3,619,285
John L. Skibski	12,020,106	1,892,759
Philip P. Swy	12,355,598	1,557,267
Karen M. Wilson	10,303,365	3,609,500

Proposal 2, the 2008 MBT Financial Corp. Stock Incentive Plan:

For	6,661,816	57.7%
Against	4,797,095	41.6%
Abstain	76,891	0.7%
Total	11,535,802	100.0%

Proposal 2 received the affirmative vote of a majority of the votes cast on the proposal required for approval.

ITEM 5. OTHER INFORMATION

No matters to be reported.

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.

10.1 MBT Financial Corp. 2008 Stock Incentive Plan. Previously filed as Exhibit 10 to MBT Financial Corp.'s Form 8-K filed on June 5, 2008.

10.2 Form of Stock Only Stock Appreciation Rights Agreement under the MBT Financial Corp. 2008 Stock Incentive Plan.

10.3 Form of Restricted Share Unit Agreement under the MBT Financial Corp. 2008 Stock Incentive Plan.

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 hereunto duly authorized.

MBT Financial Corp.
(Registrant)

August 6, 2008 Date	By /s/ H. Douglas Chaffin H. Douglas Chaffin President & Chief Executive Officer
August 6, 2008 Date	By /s/ John L. Skibski John L. Skibski Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
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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.