

FIRST MIDWEST BANCORP INC
Form 10-Q
October 28, 2011

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, 2011

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____.

Commission File Number 0-10967

FIRST MIDWEST BANCORP, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-3161078
(IRS Employer Identification No.)

One Pierce Place, Suite 1500
Itasca, Illinois 60143-9768
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (630) 875-7450

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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, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Large accelerated filer Accelerated filer Non-accelerated filer .

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 October 28, 2011, there were 74,491,727 shares of \$.01 par value common stock outstanding.

FIRST MIDWEST BANCORP, INC.

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GLOSSARY OF TERMS

First Midwest Bancorp, Inc. provides the following list of acronyms as a tool for the reader. The acronyms identified below are used in the Notes to Condensed Consolidated Financial Statements and in Management's Discussion and Analysis of Financial Condition & Results of Operations.

ALCO:	Asset Liability Committee
ATM:	automated teller machine
Bank:	First Midwest Bank (one of the Company's two wholly owned subsidiaries)
BOLI:	Bank-owned life insurance
CDOs:	collateralized debt obligations
CMOs:	collateralized mortgage obligations
Code:	the Code of Ethics and Standards of Conduct of First Midwest Bancorp, Inc.
Common Stock:	shares of common stock of First Midwest Bancorp, Inc. \$0.01 par value per share, which are traded on the Nasdaq Stock Market under the symbol "FMBI"
Company:	First Midwest Bancorp, Inc.
CPP:	Capital Purchase Program enacted under TARP and the Emergency Economic Stabilization Act of 2008
CSV:	cash surrender value
Dodd-Frank Act:	the Dodd-Frank Wall Street Reform and Consumer Protection Act
FASB:	Financial Accounting Standards Board
FDIC:	Federal Deposit Insurance Corporation
Federal Reserve:	Board of Governors of the Federal Reserve system
FHLB:	Federal Home Loan Bank
GAAP:	U.S. generally accepted accounting principles
HAMP:	U.S. Department of the Treasury Home Affordable Modification Program
LIBOR:	London Interbank Offered Rate
NSF:	non-sufficient-funds
OREO:	Other real estate owned, or properties acquired through foreclosure in partial or total satisfaction of certain loans as a result of borrower defaults
OTTI:	other-than-temporary impairment
PSLRA:	Private Securities Litigation Reform Act of 1995
RWA:	risk-weighted assets, as defined in federal regulations
SEC:	U.S. Securities and Exchange Commission
TARP:	Troubled Asset Relief Program
TDR:	Troubled Debt Restructurings
Treasury:	U.S. Department of the Treasury
VIE:	variable interest entity

First Midwest Bancorp, Inc. (the “Company”, “we”, or “our”) is a bank holding company headquartered in the Chicago suburb of Itasca, Illinois with operations throughout the greater Chicago metropolitan area as well as central and western Illinois and eastern Iowa. Our principal subsidiary is First Midwest Bank, which provides a broad range of commercial and retail banking services to consumer, commercial and industrial, and public or governmental customers. We are committed to meeting the financial needs of the people and businesses in the communities where we live and work by providing customized banking solutions, quality products, and innovative services that fulfill those financial needs.

AVAILABLE INFORMATION

We file annual, quarterly, and current reports; proxy statements; and other information with the U.S. Securities and Exchange Commission (“SEC”), and we make this information available free of charge on or through the investor relations section of our web site at www.firstmidwest.com/aboutinvestor_overview.asp. You may read and copy materials we file with the SEC from its Public Reference Room at 100 F. Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The following documents are also posted on our web site or are available in print upon the request of any stockholder to our Corporate Secretary:

- Certificate of Incorporation,
 - Company By-laws,
- Charters for our Audit, Compensation, and Nominating and Corporate Governance Committees,
 - Related Person Transaction Policies and Procedures,
 - Corporate Governance Guidelines,
- Code of Ethics and Standards of Conduct (the “Code”), which governs our directors, officers, and employees,
 - Code of Ethics for Senior Financial Officers, and
 - Luxury Policy.

Within the time period required by the SEC and the Nasdaq Stock Market, we will post on our web site any amendment to the Code and any waiver applicable to any executive officer, director, or senior financial officer (as defined in the Code). In addition, our web site includes information concerning purchases and sales of our securities by our executive officers and directors. The Company’s accounting and reporting policies conform to U.S. generally accepted accounting principles (“GAAP”) and general practice within the banking industry. We post on our website any disclosure relating to certain non-GAAP financial measures (as defined in the SEC’s Regulation G) that we may make public orally, telephonically, by webcast, by broadcast, or by similar means from time to time.

Our Corporate Secretary can be contacted by writing to First Midwest Bancorp, Inc., One Pierce Place, Itasca, Illinois 60143, Attn: Corporate Secretary. The Company’s Investor Relations Department can be contacted by telephone at (630) 875-7533 or by e-mail at investor.relations@firstmidwest.com.

CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

We include or incorporate by reference in this Quarterly Report on Form 10-Q, and from time to time our management may make, statements that may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not historical facts, but instead represent only management’s beliefs regarding future events, many of which, by their nature, are inherently

uncertain and outside our control. Although we believe the expectations reflected in any forward-looking statements are reasonable, it is possible that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in such statements. In some cases, you can identify these statements by forward-looking words, such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “predict,” “probable,” “potential,” or “continue,” and the negative of these terms and other comparable terminology. We caution you not to place undue reliance on forward-looking statements, which speak only as of the date of this report, or when made.

Forward-looking statements are subject to known and unknown risks, uncertainties, and assumptions and may contain projections relating to our future financial performance including our growth strategies and anticipated trends in our business. For a detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements, you should refer to our Annual Report on Form 10-K for the year ended December 31, 2010 and the sections entitled “Risk Factors” in Part II Item 1A of this report and “Management’s Discussion and Analysis of Results of Operations,” as well as our subsequent periodic and current reports filed with the SEC. However,

these risks and uncertainties are not exhaustive. Other sections of this report describe additional factors that could adversely impact our business and financial performance.

Since mid-2007 the financial services industry and the securities markets in general have been materially and adversely affected by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. The overall loss of investor confidence has brought a new level of risk to financial institutions in addition to the risks normally associated with competition and free market economies. The Company has attempted to list those risks in Part I, Item 1A, "Risk Factors," in its 2010 Annual Report on Form 10-K and in Part II, Item 1A, "Risk Factors," of this Quarterly Report on Form 10-Q and considers them as it makes disclosures regarding forward-looking statements. Nevertheless, given the uncertain economic times, new risks and uncertainties may emerge quickly and unpredictably, and it is not possible to predict all risks and uncertainties. We cannot assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We are under no duty to update any of these forward-looking statements after the date of this report to conform our prior statements to actual results or revised expectations, and we do not intend to do so.

PART 1. FINANCIAL INFORMATION (Unaudited)

ITEM 1. FINANCIAL STATEMENTS

FIRST MIDWEST BANCORP, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
 (Amounts in thousands, except per share data)

	September 30, 2011 (Unaudited)	December 31, 2010
Assets		
Cash and due from banks	\$ 116,003	\$ 102,495
Interest-bearing deposits in other banks	946,330	483,281
Trading securities, at fair value	13,308	15,282
Securities available-for-sale, at fair value	970,430	1,057,802
Securities held-to-maturity, at amortized cost	74,375	81,320
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	58,187	61,338
Loans, excluding covered loans	5,104,494	5,100,560
Covered loans	289,747	371,729
Allowance for loan losses	(128,791)	(142,572)
Net loans	5,265,450	5,329,717
Other real estate owned ("OREO"), excluding covered OREO	23,863	31,069
Covered OREO	21,594	22,370
Federal Deposit Insurance Corporation ("FDIC") indemnification asset	63,508	95,899
Premises, furniture, and equipment	132,425	140,907
Accrued interest receivable	31,047	29,953
Investment in bank-owned life insurance ("BOLI")	205,886	197,644
Goodwill and other intangible assets	283,163	286,033
Other assets	174,605	203,192
Total assets	\$ 8,380,174	\$8,138,302
Liabilities		
Noninterest-bearing deposits	\$ 1,634,623	\$329,505
Interest-bearing deposits	4,991,985	5,181,971
Total deposits	6,626,608	6,511,476
Borrowed funds	386,429	303,974
Subordinated debt	137,751	137,744
Accrued interest payable and other liabilities	76,953	73,063
Total liabilities	7,227,741	7,026,257
Stockholders' Equity		
Preferred stock	191,393	190,882
Common stock	858	858
Additional paid-in capital	425,647	437,550
Retained earnings	807,857	787,678
Accumulated other comprehensive loss, net of tax	(11,413)	(27,739)
Treasury stock, at cost	(261,909)	(277,184)
Total stockholders' equity	1,152,433	1,112,045
Total liabilities and stockholders' equity	\$ 8,380,174	\$8,138,302

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	September 30, 2011		December 31, 2010	
	Preferred Shares	Common Shares	Preferred Shares	Common Shares
Par Value	None	\$ 0.01	None	\$ 0.01
Shares authorized	1,000	100,000	1,000	100,000
Shares issued	193	85,787	193	85,787
Shares outstanding	193	74,485	193	74,096
Treasury shares	-	11,302	-	11,691

See accompanying notes to unaudited condensed consolidated financial statements.

FIRST MIDWEST BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except per share data)
(Unaudited)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Interest Income				
Loans	\$ 64,085	\$ 65,416	\$ 190,091	\$ 195,335
Investment securities	8,633	11,920	28,346	39,571
Covered loans	6,640	4,294	22,117	9,854
Federal funds sold and other short-term investments	817	708	2,200	1,631
Total interest income	80,175	82,338	242,754	246,391
Interest Expense				
Deposits	6,654	9,049	21,294	29,220
Borrowed funds	706	797	2,073	2,556
Subordinated debt	2,280	2,279	6,845	6,845
Total interest expense	9,640	12,125	30,212	38,621
Net interest income	70,535	70,213	212,542	207,770
Provision for loan losses	20,425	33,576	58,680	73,452
Net interest income after provision for loan losses	50,110	36,637	153,862	134,318
Noninterest Income				
Service charges on deposit accounts	10,215	9,249	27,922	26,682
Trust and investment advisory fees	3,946	3,728	12,180	11,023
Other service charges, commissions, and fees	5,325	4,932	15,601	13,732
Card-based fees	4,931	4,547	14,622	12,937
BOLI income	1,479	267	1,990	864
Securities gains, net (reclassified from other comprehensive income)	449	6,376	2,520	10,554
Gain on FDIC-assisted transaction	-	-	-	4,303
Other	(1,754)	1,654	467	2,289
Total noninterest income	24,591	30,753	75,302	82,384
Noninterest Expense				
Salaries and wages	22,957	24,562	74,115	67,844
Employee benefits	5,930	5,364	18,553	15,506
OREO expense, net	4,174	9,577	13,328	32,214
Net occupancy and equipment expense	8,157	8,326	25,272	24,302
Technology and related costs	2,709	2,593	8,029	7,861
Professional services	7,571	6,187	18,330	18,379
FDIC premiums	1,799	2,835	6,232	7,913
Other expenses	10,584	9,333	30,568	27,686
Total noninterest expense	63,881	68,777	194,427	201,705
Income (loss) before income tax expense (benefit)	10,820	(1,387)	34,737	14,997

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Income tax expense (benefit)	1,704	(3,972)	4,575	(3,478)
Net income	9,116	2,585	30,162	18,475
Preferred dividends and accretion on preferred stock	(2,586)	(2,575)	(7,749)	(7,720)
Net income applicable to non-vested restricted shares	(96)	1	(338)	(145)
Net income applicable to common shares	\$ 6,434	\$ 11	\$ 22,075	\$ 10,610
Per Common Share Data				
Basic earnings per common share	\$ 0.09	\$ 0.00	\$ 0.30	\$ 0.15
Diluted earnings per common share	\$ 0.09	\$ 0.00	\$ 0.30	\$ 0.15
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03
Weighted-average common shares outstanding	73,361	73,072	73,258	72,199
Weighted-average diluted common shares outstanding	73,361	73,072	73,258	72,199

See accompanying notes to unaudited condensed consolidated financial statements.

FIRST MIDWEST BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands)
(Unaudited)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income	\$ 9,116	\$ 2,585	\$ 30,162	\$ 18,475
Available-for-sale securities				
Unrealized holding gains:				
Before tax	6,902	12,290	29,288	26,053
Tax effect	(2,711)	(4,801)	(11,473)	(10,152)
Net of tax	4,191	7,489	17,815	15,901
Less: reclassification of net gains included in net income:				
Before tax	449	6,376	2,520	10,554
Tax effect	(184)	(2,487)	(1,031)	(4,116)
Net of tax	265	3,889	1,489	6,438
Net unrealized holding gains	3,926	3,600	16,326	9,463
Total other comprehensive income	3,926	3,600	16,326	9,463
Comprehensive income	\$ 13,042	\$ 6,185	\$ 46,488	\$ 27,938

See accompanying notes to unaudited condensed consolidated financial statements.

FIRST MIDWEST BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Amounts in thousands, except per share data)
(Unaudited)

	Common Shares Outstanding	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at January 1, 2010	54,793	\$ 190,233	\$ 670	\$ 252,322	\$ 810,626	\$ (18,666)	\$ (293,664)	\$ 941,521
Comprehensive income					18,475	9,463		27,938
Common dividends declared (\$0.03 per common share)	-	-	-	-	(2,224)	-	-	(2,224)
Preferred dividends declared (\$37.50 per preferred share)	-	-	-	-	(7,237)	-	-	(7,237)
Accretion on preferred stock	-	483	-	-	(483)	-	-	-
Issuance of common stock	18,818	-	188	195,847	-	-	-	196,035
Share-based compensation expense	-	-	-	4,248	-	-	-	4,248
Restricted stock activity	451	-	-	(15,574)	-	-	15,357	(217)
Treasury stock purchased for benefit plans	(5)	-	-	(69)	-	-	64	(5)
Balance at September 30, 2010	74,057	\$ 190,716	\$ 858	\$ 436,774	\$ 819,157	\$ (9,203)	\$ (278,243)	\$ 1,160,059
Balance at January 1, 2011	74,096	\$ 190,882	\$ 858	\$ 437,550	\$ 787,678	\$ (27,739)	\$ (277,184)	\$ 1,112,045
Comprehensive income					30,162	16,326		46,488
Common dividends declared (\$0.03 per common share)	-	-	-	-	(2,234)	-	-	(2,234)
Preferred dividends declared	-	-	-	-	(7,238)	-	-	(7,238)

(\$37.50 per preferred share)

Accretion on preferred stock	-	511	-	-	(511)	-	-	-
Share-based compensation expense	-	-	-	5,138	-	-	-	5,138
Restricted stock activity	395	-	-	(16,972)	-	-	15,220	(1,752)
Treasury stock purchased for benefit plans	(6)	-	-	(69)	-	-	55	(14)
Balance at September 30, 2011	74,485	\$ 191,393	\$ 858	\$ 425,647	\$			