

FIRST MIDWEST BANCORP INC
Form 10-Q
November 09, 2012

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, 2012

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

36-3161078
(IRS Employer Identification No.)

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

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 .

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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 (as defined in Rule 12b-2 of the Exchange Act). 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 9, 2012, there were 74,843,350 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 the 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 (the Company's wholly owned and principal operating subsidiary)
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.
CSV	cash surrender value
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
LIBOR	London Interbank Offered Rate
MBSs	mortgage-backed securities
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
SEC	U.S. Securities and Exchange Commission
TDR	troubled debt restructurings
Treasury	U.S. Department of the Treasury
TRUPS	trust preferred junior subordinated debentures
VIE	variable interest entity

INTRODUCTION

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 northwest Indiana, central and western Illinois, and eastern Iowa. Our principal subsidiary is First Midwest Bank (the “Bank”), which provides a broad range of commercial and retail banking and wealth management services to consumer, commercial and industrial, commercial real estate, 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.

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 the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Results of Operations” in this report and in our Annual Report on Form 10-K for the year ended December 31, 2011 as well as our subsequent periodic and current reports filed with the U.S. Securities and Exchange Commission (“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.

PART I. FINANCIAL INFORMATION (Unaudited)

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2012	December 31, 2011
	(Unaudited)	
Assets		
Cash and due from banks	\$ 124,447	\$ 123,354
Interest-bearing deposits in other banks	393,927	518,176
Trading securities, at fair value	15,512	14,469
Securities available-for-sale, at fair value	1,191,582	1,013,006
Securities held-to-maturity, at amortized cost	41,944	60,458
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	47,232	58,187
Loans held-for-sale	90,011	4,200
Loans, excluding covered loans	5,218,345	5,088,113
Covered loans	216,610	260,502
Allowance for loan and covered loan losses	(102,445)	(119,462)
Net loans	5,332,510	5,229,153
Other real estate owned ("OREO"), excluding covered OREO	36,487	33,975
Covered OREO	8,729	23,455
Federal Deposit Insurance Corporation ("FDIC") indemnification asset	47,191	65,609
Premises, furniture, and equipment	132,005	134,977
Accrued interest receivable	30,688	29,826
Investment in bank-owned life insurance ("BOLI")	206,043	206,235
Goodwill and other intangible assets	281,914	283,650
Other assets	186,954	174,864
Total assets	\$ 8,167,176	\$ 7,973,594
Liabilities		
Noninterest-bearing deposits	\$ 1,773,928	\$ 1,593,773
Interest-bearing deposits	4,975,127	4,885,402
Total deposits	6,749,055	6,479,175
Borrowed funds	183,691	205,371
Senior and subordinated debt	231,171	252,153
Accrued interest payable and other liabilities	69,824	74,308
Total liabilities	7,233,741	7,011,007
Stockholders' Equity		
Common stock	858	858
Additional paid-in capital	417,245	428,001
Retained earnings	773,976	810,487
Accumulated other comprehensive loss, net of tax	(9,248)	(13,276)
Treasury stock, at cost	(249,396)	(263,483)
Total stockholders' equity	933,435	962,587
Total liabilities and stockholders' equity	\$ 8,167,176	\$ 7,973,594

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	September 30, 2012		December 31, 2011	
	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	-	85,787	-	85,787
Shares outstanding	-	74,831	-	74,435
Treasury shares	-	10,956	-	11,352

See accompanying notes to the 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,	
	2012	2011	2012	2011
Interest Income				
Loans	\$ 63,672	\$ 64,085	\$ 187,156	\$ 190,091
Investment securities	8,058	8,633	25,406	28,346
Covered loans	3,223	6,640	11,898	22,117
Federal funds sold and other short-term investments	631	817	1,910	2,200
Total interest income	75,584	80,175	226,370	242,754
Interest Expense				
Deposits	4,126	6,654	14,317	21,294
Borrowed funds	507	706	1,512	2,073
Senior and subordinated debt	3,691	2,280	11,395	6,845
Total interest expense	8,324	9,640	27,224	30,212
Net interest income	67,260	70,535	199,146	212,542
Provision for loan and covered loan losses	111,791	20,425	152,459	58,680
Net interest income after provision for loan and covered losses	(44,531)	50,110	46,687	153,862
Noninterest Income				
Service charges on deposit accounts	9,502	10,215	27,010	27,922
Wealth management fees	5,415	4,982	16,201	15,272
Other service charges, commissions, and fees	4,187	4,289	11,804	12,509
Card-based fees	5,246	4,931	15,578	14,622
Total fee-based revenues	24,350	24,417	70,593	70,325
Net securities (losses) gains (reclassified from other comprehensive (loss) income)	(217)	449	(1,009)	2,520
Gain on FDIC-assisted transaction	3,289	-	3,289	-
Net trading gains (losses)	685	(2,352)	1,511	(1,610)
Other	1,027	2,077	3,476	4,067
Total noninterest income	29,134	24,591	77,860	75,302
Noninterest Expense				
Salaries and wages	26,881	22,957	77,990	74,115
Retirement and other employee benefits	6,230	6,225	18,737	19,439
Net occupancy and equipment expense	8,108	8,157	23,952	25,272
Technology and related costs	2,906	2,709	8,615	8,029
Professional services	6,665	7,571	19,199	18,330
Net OREO expense	3,208	4,174	9,196	13,328

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FDIC premiums	1,785	1,799	5,163	6,232
Other expenses	14,340	10,584	31,041	30,568
Total noninterest expense	70,123	64,176	193,893	195,313
(Loss) income before income tax				
(benefit) expense	(85,520)	10,525	(69,346)	33,851
Income tax (benefit) expense	(36,993)	1,583	(35,076)	4,212
Net (loss) income	(48,527)	8,942	(34,270)	29,639
Preferred dividends and accretion on preferred stock	-	(2,586)	-	(7,749)
Net loss (income) applicable to non-vested restricted shares	715	(93)	500	(330)
Net (loss) income applicable to common shares	\$ (47,812)	\$ 6,263	\$ (33,770)	\$ 21,560
Per Common Share Data				
Basic (loss) earnings per common share	\$ (0.65)	\$ 0.09	\$ (0.46)	\$ 0.29
Diluted (loss) earnings per common share	\$ (0.65)	\$ 0.09	\$ (0.46)	\$ 0.29
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03
Weighted-average common shares outstanding	73,742	73,361	73,636	73,258
Weighted-average diluted common shares outstanding	73,742	73,361	73,636	73,258
See accompanying notes to the 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,	
	2012	2011	2012	2011
Net (loss) income	\$ (48,527)	\$ 8,942	\$ (34,270)	\$ 29,639
Available-for-sale securities				
Unrealized holding gains:				
Before tax	4,065	6,902	5,555	29,288
Tax effect	(1,574)	(2,711)	(2,123)	(11,473)
&				