FIRST MIDWEST BANCORP INC
Form 10-Q
May 06, 2011

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 March 31, 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	36-3161078
(State or other jurisdiction of incorporation or organization)	(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

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 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 [X] 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 [X] 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 [X].

As of May 6, 2011, there were 74,537,461 shares of $.01 par value common stock outstanding.

FIRST MIDWEST BANCORP, INC.

FORM 10-Q

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First Midwest Bancorp, Inc. (the "Company") 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. While liquidity has improved and market volatility has generally lessened, 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 item 1A, “Risk Factors,” in its 2010 Annual Report on Form 10-K and consider 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.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Amounts in thousands, except per share data)

	March 31, 2011 (Unaudited)	December 31, 2010
Assets		
Cash and due from banks	$ 104,982	$ 102,495
Interest-bearing deposits in other banks	421,478	483,281
Trading securities, at fair value	16,227	15,282
Securities available-for-sale, at fair value	1,057,758	1,057,802
Securities held-to-maturity, at amortized cost	81,218	81,320
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	61,338	61,338
Loans, excluding covered loans	5,095,543	5,100,560
Covered loans	352,357	374,640
Allowance for loan losses	(142,503)	(142,572)
Net loans	5,305,397	5,332,628
Other real estate owned (“OREO”), excluding covered OREO	33,863	31,069
Covered OREO	28,871	29,698
Federal Deposit Insurance Corporation (“FDIC”) indemnification asset	78,468	88,981
Premises, furniture, and equipment	138,119	140,907
Accrued interest receivable	30,721	29,953
Investment in bank owned life insurance (“BOLI”)	197,889	197,644
Goodwill and other intangible assets	290,135	291,383
Other assets	198,524	203,192
Total assets	$ 8,044,988	$ 8,146,973
Liabilities		
Demand deposits	$ 1,346,698	$ 1,329,505
Savings deposits	935,452	871,166
NOW accounts	1,036,941	1,073,211
Money market deposits	1,226,579	1,245,610
Time deposits	1,874,224	1,991,984
Total deposits	6,419,894	6,511,476
Borrowed funds	273,342	303,974
Subordinated debt	137,746	137,744
Accrued interest payable and other liabilities	90,130	81,734
Total liabilities	6,921,112	7,034,928
Stockholders’ Equity		
Preferred stock	191,050	190,882
Common stock	858	858
Additional paid-in capital	422,405	437,550
Retained earnings	794,569	787,678
Accumulated other comprehensive loss, net of tax	(24,373)	(27,739)
Treasury stock, at cost	(260,633)	(277,184)
Total stockholders’ equity	1,123,876	1,112,045

Total liabilities and stockholders' equity	$ 8,044,988	$ 8,146,973

	March 31, 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	74,543	193	74,096
Treasury shares	-	11,244	-	11,691

See accompanying notes to unaudited consolidated financial statements.

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

	Quarters Ended March 31, 2011		Quarters Ended March 31, 2010	
Interest Income				
Loans	$	62,917	$	64,480
Investment securities		9,865		13,952
Covered loans		7,822		2,962
Federal funds sold and other short-term investments		679		385
Total interest income		81,283		81,779
Interest Expense				
Deposits		7,671		10,545
Borrowed funds		680		1,010
Subordinated debt		2,286		2,286
Total interest expense		10,637		13,841
Net interest income		70,646		67,938
Provision for loan losses		19,492		18,350
Net interest income after provision for loan losses		51,154		49,588
Noninterest Income				
Service charges on deposit accounts		8,144		8,381
Trust and investment advisory fees		4,116		3,593
Other service charges, commissions, and fees		4,914		4,172
Card-based fees		4,529		3,893
BOLI income		252		248
Securities gains, net		540		3,057
Other income		1,722		977
Total noninterest income		24,217		24,321
Noninterest Expense				
Salaries and wages		25,665		22,136
Retirement and other employee benefits		6,858		4,748
OREO expense, net		3,931		10,787
FDIC premiums		2,725		2,532
Net occupancy and equipment expense		9,103		8,168
Technology and related costs		2,623		2,483
Professional services		5,119		6,540
Other expenses		9,099		8,079
Total noninterest expense		65,123		65,473
Income before income tax expense		10,248		8,436
Income tax expense		30		355
Net income		10,218		8,081
Preferred dividends		(2,581)		(2,572)
Net income applicable to non-vested restricted shares		(140)		(81)
Net income applicable to common shares	$	7,497	$	5,428
Per Common Share Data				
Basic earnings per common share	$	0.10	$	0.08
Diluted earnings per common share	$	0.10	$	0.08

Dividends declared per common share	$	0.01	$	0.01
Weighted-average common shares outstanding		73,151		70,469
Weighted-average diluted common shares outstanding		73,151		70,469

See accompanying notes to unaudited consolidated financial statements.

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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 (loss):								
Net income	-	-	-	-	8,081	-	-	8,081
Other comprehensive loss (1):								
Unrealized losses on securities	-	-	-	-	-	(212)	-	(212)
Total comprehensive income								7,869
Common dividends declared ($0.01 per common share)	-	-	-	-	(740)	-	-	(740)
Preferred dividends declared ($12.50 per preferred share)	-	-	-	-	(2,413)	-	-	(2,413)
Accretion on preferred stock	-	159	-	-	(159)	-	-	-
Issuance of common stock	18,818	-	188	196,197	-	-	-	196,385
Share-based compensation expense	-	-	-	1,419	-	-	-	1,419
Restricted stock activity	436	-	-	(15,188)	-	-	14,912	(276)
Treasury stock issued to benefit plans	(1)	-	-	(46)	-	-	49	3
Balance at March 31, 2010	74,046	$ 190,392	$ 858	$ 434,704	$ 815,395	$ (18,878)	$ (278,703)	$ 1,143,768
Balance at January 1, 2011	74,096	$ 190,882	$ 858	$ 437,550	$ 787,678	$ (27,739)	$ (277,184)	$ 1,112,045

Comprehensive income:								
Net income	-	-	-	-	10,218	-	-	10,218
Other comprehensive income (1):								
Unrealized gains on securities	-	-	-	-	-	3,366	-	3,366
Total comprehensive income								13,584
Common dividends declared ($0.01 per common share)	-	-	-	-	(746)	-	-	(746)
Preferred dividends declared ($12.50 per preferred share)	-	-	-	-	(2,413)	-	-	(2,413)
Accretion on preferred stock	-	168	-	-	(168)	-	-	-
Share-based compensation expense	-	-	-	1,625	-	-	-	1,625
Restricted stock activity	449	-	-	(16,760)	-	-	16,552	(208)
Treasury stock purchased for benefit plans	(2)	-	-	(10)	-	-	(1)	(11)
Balance at March 31, 2011	74,543	$ 191,050	$ 858	$ 422,405	$ 794,569	$ (24,373)	$ (260,633)	$ 1,123,876

(1)Net of taxes and reclassification adjustments.

See accompanying notes to unaudited consolidated financial statements.

FIRST MIDWEST BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)
(Unaudited)

	Quarters Ended March 31, 2011	Quarters Ended March 31, 2010
Net cash provided by operating activities	$ 52,953	$ 58,668
Investing Activities		
Proceeds from maturities, repayments, and calls of securities available-for-sale	75,166	55,514
Proceeds from sales of securities available-for-sale	44,212	80,983
Purchases of securities available-for-sale	(115,792)	(24,287)
Proceeds from maturities, repayments, and calls of securities held-to-maturity	2,516	14,403
Purchases of securities held-to-maturity	(2,414)	(15,664)
Purchase of Federal Reserve Bank stock	-	(3,000)
Net decrease (increase) in loans	2,019	(47,723)
Proceeds from claims on BOLI	7	9
Proceeds from sales of OREO	8,239	16,914
Purchases of premises, furniture, and equipment, net of proceeds from sales	(476)	(3,655)
Net cash provided by investing activities	13,477	73,494
Financing Activities		
Net decrease in deposit accounts	(91,582)	(21,175)
Net decrease in borrowed funds	(30,632)	(304,013)
Proceeds from the issuance of common stock	-	196,385
Cash dividends paid	(3,155)	(2,962)
Restricted stock activity	(165)	(669)
Excess tax expense related to share-based compensation	(212)	(193)
Net cash used in financing activities	(125,746)	(132,627)
Net decrease in cash and cash equivalents	(59,316)	(465)
Cash and cash equivalents at beginning of period	585,776	127,379
Cash and cash equivalents at end of period	$ 526,460	$ 126,914
Supplemental Disclosures:		
Non-cash transfers of loans to OREO	$ 12,433	$ 36,761
Non-cash transfer of loans held-for-investment to loans held-for-sale	$ 3,800	$ -
Non-cash transfer of OREO to premises, furniture, and equipment	$ -	$ 6,580
Dividends declared but unpaid	$ 746	$ 740

See accompanying notes to unaudited consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying unaudited consolidated interim financial statements of First Midwest Bancorp, Inc. (the "Company"), a Delaware corporation, have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission for quarterly reports on Form 10-Q and do not include certain information and footnote disclosures required by U.S. generally accepted accounting principles ("GAAP") for complete annual financial statements. Accordingly, these financial statements should be read in conjunction with the Company's 2010 Annual Report on Form 10-K ("2010 10-K").

The accompanying unaudited consolidated interim financial statements have been prepared in accordance with GAAP and reflect all adjustments that are, in the opinion of management, necessary for the fair presentation of the financial position and results of operations for the periods presented. All such adjustments are of a normal recurring nature. The results of operations for the quarter ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

Certain reclassifications have been made to prior periods to conform to the current period presentation. GAAP requires management to make certain estimates and assumptions. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Principles of Consolidation - The consolidated financial statements include the accounts and results of operations of the Company and its subsidiaries after elimination of all significant intercompany accounts and transactions.

The Company owns an interest in certain variable interest entities ("VIE"s) as described in Note 22, "Variable Interest Entities," contained in the Company's 2010 10-K. A VIE is a partnership, limited liability company, trust, or other legal entity that does not have sufficient equity to finance its activities without additional subordinated financial support from other parties, or whose investors lack certain characteristics associated with owning a controlling financial interest. The VIEs are not consolidated in the Company's financial statements since the Company is not the primary beneficiary of any of the VIEs.

The accounting policies related to loans and the allowance for credit losses are presented below. For a summary of all other significant accounting policies, please refer to Note 1, "Summary of Significant Accounting Policies," contained in the Company's 2010 10-K.

Loans - Loans are carried at the principal amount outstanding, including certain net deferred loan origination fees. Loans held-for-sale are carried at the lower of aggregate cost or fair value and included in other assets in the Consolidated Statements of Condition. Interest income on loans is accrued based on principal amounts outstanding. Loan and lease origination fees, fees for commitments that are expected to be exercised, and certain direct loan origination costs are deferred and the net amount amortized over the estimated life of the related loans or commitments as a yield adjustment. Fees related to standby letters of credit, whose ultimate exercise is remote, are amortized into fee income over the estimated life of the commitment. Other credit-related fees are recognized as fee income when earned.

Purchased Impaired Loans - Purchased impaired loans are recorded at their estimated fair values on the respective purchase dates and are accounted for prospectively based on expected cash flows in accordance with applicable authoritative accounting guidance. No allowance for credit losses is recorded on these loans at the acquisition date. In determining the acquisition date fair value of purchased impaired loans, and in subsequent accounting, the Company generally aggregates purchased consumer loans and certain smaller balance commercial loans into pools of loans with common risk characteristics such as delinquency status, credit score, and internal risk rating. Larger balance commercial loans are usually accounted for on an individual basis. Expected future cash flows in excess of the fair value of loans at the purchase date ("accretable yield") are recorded as interest income over the life of the loans if the timing and amount of the future cash flows can be reasonably estimated. The non-accretable yield represents estimated losses in the portfolio and is equal to the difference between contractually required payments and the cash flows expected to be collected at acquisition.

Subsequent to the purchase date, increases in cash flows for purchased impaired loans over those expected at the purchase date are recognized as interest income prospectively. The present value of any decreases in expected cash flows after the purchase date is recognized by recording a charge-off through the allowance for loan losses.

Non-accrual loans - Generally, commercial loans and loans secured by real estate are placed on non-accrual status: (a) when either principal or interest payments become 90 days or more past due based on contractual terms unless the loan is sufficiently collateralized such that full repayment of both principal and interest is expected and is in the process of collection within a reasonable period; or (b) when an individual analysis of a borrower's creditworthiness indicates a credit should be placed on non-accrual status whether or not the loan is 90 days or more past due. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed, and unpaid interest accrued in prior years is charged against the allowance for loan losses. Both principal and interest payments are applied to the principal on the loan. Future interest income may only be recorded on a cash basis after recovery of principal is reasonably assured. Non-accrual loans are returned to accrual status when the financial position of the borrower and other relevant factors indicate there is no longer doubt that the Company will collect all principal and interest due.

Commercial loans and loans secured by real estate are generally charged-off when deemed uncollectible. A loss is recorded at that time if the net realizable value can be quantified and it is less than the associated principal and interest outstanding. Consumer loans that are not secured by real estate are subject to mandatory charge-off at a specified delinquency date and are usually not classified as non-accrual prior to being charged-off. Closed-end consumer loans, which include installment, automobile, and single payment loans are generally charged-off in full no later than the end of the month in which the loan becomes 120 days past due.

Generally, purchased impaired loans are considered accruing loans. However, the timing and amount of future cash flows for some loans may not be reasonably estimable. Those loans would be classified as non-accrual loans and interest income would not be recognized until the timing and amount of the future cash flows could be reasonably estimated. As of March 31, 2011, the Company did not have any purchased impaired loans classified as non-accrual loans.

Restructured Loans - In cases where a borrower experiences financial difficulties and the Company makes certain concessions or modifications to contractual terms, the loan is classified as a restructured loan. Restructured loans are loans for which the original contractual terms have been modified, including forgiveness of principal or interest, due to deterioration in the borrower's financial condition. Loans granted concessions or modifications are classified as restructured loans unless the modification is short-term, or results in only an insignificant delay or shortfall in the payments to be received. The Company's restructured loans are determined on a case-by-case basis in connection with ongoing loan collection processes. The allowance for loan losses on restructured loans is determined by discounting the restructured cash flows at the original effective rate of the loan before modification or is based on the underlying collateral value.

The Company does not accrue interest on any restructured loan unless and until it believes collection of all principal and interest under the modified terms is reasonably assured. Generally, six months of consecutive payment performance by the borrower under the restructured terms is required before a restructured loan is returned to accrual status assuming the loan is restructured at reasonable market terms (e.g., not at below market terms). However, the period could vary depending upon the individual facts and circumstances of the loan.

For a restructured loan to begin accruing interest, the borrower must demonstrate both some level of performance and the capacity to perform under the modified terms. A history of timely payments and adherence to financial covenants generally serve as sufficient evidence of the borrower's performance. An evaluation of the borrower's current creditworthiness is used to assess whether the borrower has the capacity to repay the loan under the modified terms. This evaluation includes an estimate of expected cash flows, evidence of strong financial position, and estimates of the value of collateral, if applicable. In accordance with industry regulation, restructured loans that have been returned to accrual status continue to be separately reported as restructured until after the calendar year in which the restructuring occurred if the loan was restructured at market rates and terms.

On occasion, the Company may also restructure a loan into two separate notes, and charge-off one of the restructured notes. If the borrower demonstrates an ongoing ability to comply with the restructured terms of the remaining loan, the restructured loan may be classified as an accruing loan. Otherwise, the remaining restructured loan would be placed on non-accrual status.

Impaired Loans - Impaired loans consist of corporate non-accrual loans and restructured loans in accordance with applicable authoritative accounting guidance.

With the exception of loans that were restructured and still accruing interest, a loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all contractual principal and interest due according to the terms of the loan agreement. Loans deemed to be impaired are classified as non-accrual and are exclusive of smaller homogeneous loans, such as home equity, installment, and 1-4 family mortgages. When a loan is designated as impaired, any subsequent principal and interest payments received are applied to the principal on the loan. Future interest income may only be recorded on a cash basis after recovery of principal is reasonably assured.

Certain impaired loans with balances under a specified threshold are not individually evaluated for impairment. For all other impaired loans, impairment is measured by estimating the value of the loan based on the present value of expected future cash flows discounted at the loan's initial effective interest rate or the fair value of the underlying collateral less costs to sell, if repayment of the loan is collateral-dependent. The Company evaluates the collectability of both principal and interest when assessing the need for loss accrual. All impaired loans are included in non-performing assets. Purchased credit impaired loans are not reported as impaired loans provided that they continue to perform in accordance with expected cash flows.

90-Day Past Due Loans - 90 days or more past due loans are loans for which principal or interest payments become 90 days or more past due, but that still accrue interest. The Company continues to accrue interest if it determines these loans are well secured and in the process of collection.

Allowance for Credit Losses - The allowance for credit losses includes the allowance for loan losses and the reserve for unfunded commitments and is maintained by management at a level believed adequate to absorb estimated losses inherent in the existing loan portfolio. Determination of the allowance for credit losses is inherently subjective, as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, consideration of current economic trends, and other factors, all of which may be susceptible to significant change.

The allowance for loan losses takes into consideration such internal and external qualitative factors as changes in the nature, volume, size, and current risk characteristics of the loan portfolio; an assessment of individual problem loans; actual and anticipated loss experience; current economic conditions that affect the borrower's ability to pay; and other pertinent factors. Credit exposures deemed to be uncollectible are charged-off against the allowance for loan losses, while recoveries of amounts previously charged-off are credited to the allowance for loan losses. Additions to the allowance for loan losses are established through the provision for loan losses charged to expense. The amount charged to operating expense in any given period is dependent upon a number of factors including historic loan growth, changes in the composition of the loan portfolio, net charge-off levels, and the Company's assessment of the allowance for loan losses based on the methodology discussed below.

The allowance for loan losses consists of (i) specific reserves established for probable losses on individual loans for which the recorded investment in the loan exceeds the value of the loan, (ii) reserves based on historical credit loss experience for each loan category, and (iii) the impact of other internal and external qualitative factors.

The specific reserves component of the allowance for loan losses is based on a periodic analysis of impaired loans exceeding a fixed dollar amount where the internal credit rating is at or below a predetermined classification, as well as other loans regardless of internal credit rating that management believes are subject to a higher risk of loss. The value of the loan is measured based on the present value of expected future cash flows, discounted at the loan's initial effective interest rate, or the fair value of the underlying collateral less costs to sell, if repayment of the loan is collateral-dependent. If the resulting amount is less than the recorded book value, the Company either establishes a valuation allowance (i.e., a specific reserve) as a component of the allowance for loan losses or charges-off the impaired balance if it determines that such amount is a confirmed loss.

The component of the allowance for loan losses based on historical credit loss experience is determined using a loss migration analysis that examines actual loss experience over a rolling 8-quarter period and, for corporate loans, the related internal rating of loans charged-off. The loss migration analysis is performed quarterly and loss factors are updated regularly based on actual experience. The loss component based upon historical loss experience is then adjusted for management's estimate of those losses inherent in the loan portfolio that have yet to be manifested in historical charge-off experience. Management takes into consideration many internal and external qualitative factors when estimating this adjustment, including:

- Changes in the composition of the loan portfolio and trends in volume and terms of loans, as well as trends in delinquent and non-accrual loans that could indicate historical averages do not reflect current conditions;
- Changes in credit policies and procedures, including underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
- Changes in the experience, ability, and depth of the credit management and other relevant staff;
- Changes in the quality of the Company's loan review system and its Board oversight;
- The existence and effect of any concentration of credit, and changes in the level of concentrations, whether it is by market, loan type, or risk taking;
- Changes in the value of underlying collateral for collateral-dependent loans;
- Changes in the national and local economy that affect the collectability of the portfolio, including the condition of various market segments; and

- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the Company's existing portfolio.

The Company also maintains a reserve for unfunded credit commitments to provide for the risk of loss inherent in these arrangements. The reserve for unfunded credit commitments is computed based on a loss migration analysis similar to that used to determine the allowance for loan losses, taking into consideration probabilities of future funding requirements. This reserve for unfunded commitments is included in other liabilities in the Consolidated Statements of Financial Condition.

The establishment of the allowance for credit losses involves a high degree of judgment and includes a level of imprecision given the difficulty of identifying all of the factors impacting loan repayment and the timing of when losses actually occur. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance for credit losses is dependent upon a variety of factors beyond the Company's control, including the performance of its loan portfolio, the economy, changes in interest rates and property values, and the interpretation by regulatory authorities of loan classifications. While each component of the allowance for credit losses is determined separately, the entire balance is available for the entire loan portfolio.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Credit Quality and Allowance for Credit Losses Disclosures: In July 2010, the Financial Accounting Standards Board ("FASB") issued guidance that requires companies to provide more information about the credit risks inherent in its loan and lease portfolios and how management considers those credit risks in determining the allowance for credit losses. A company is required to disclose its accounting policies, the methods it uses to determine the components of the allowance for credit losses, and qualitative and quantitative information about the credit quality of its loan portfolio, such as aging information and credit quality indicators. Both new and existing disclosures are required, either by portfolio segment or class, based on how a company develops its allowance for credit losses and how it manages its credit exposure. The guidance is effective for all financing receivables, including loans and trade accounts receivables. However, short-term trade accounts receivables, receivables measured at fair value or lower of cost or fair value, and debt securities are exempt from these disclosure requirements. For public companies, any period-end disclosure requirements were effective for periods ending on or after December 15, 2010. This disclosure is presented in Note 1, "Summary of Significant Accounting Policies," and Note 6, "Past Due Loans, Allowance for Credit Losses, and Impaired Loans." Any disclosures about activity that occurs during a reporting period, excluding disclosures related to troubled debt restructurings ("TDRs"), were effective for the Company beginning January 1, 2011 and included in Note 6, "Past Due Loans, Allowance for Credit Losses, and Impaired Loans." Disclosures related to TDRs will be effective for the Company beginning with second quarter 2011. As this guidance affects only disclosures, the adoption of this guidance on December 31, 2010 for period-end disclosures, and on January 1, 2011 for intra-period activity did not impact the Company's financial position, results of operations, or liquidity.

Clarification to Accounting for Troubled Debt Restructurings: In April 2011, the FASB issued guidance to clarify the accounting for TDRs. Given the recent economic downturn, many banks have seen an increase in the number of loan modifications. Diversity in practice exists in terms of identifying whether a loan modification qualifies as a TDR, such that the FASB was asked to provide guidance. This new guidance was developed to assist creditors in determining whether a loan modification meets the criteria to be considered a TDR, both for purposes of recording an impairment and for disclosure of TDRs. The guidance is effective for the Company beginning in second quarter 2011, and prior periods presented will be restated to apply this guidance to restructurings occurring on or after January 1, 2011. Since the new guidance applies primarily to disclosures, it is not expected to impact the Company's financial position, results of operations, or liquidity.

Statement of Comprehensive Income: In April 2011, the FASB issued accounting guidance requiring companies to include a statement of comprehensive income as part of its interim and annual financial statements. The new guidance gives companies the option to present net income and comprehensive income either in one continuous statement or in two separate but consecutive statements. This approach represents a change from current GAAP, which allows companies to report other comprehensive income (“OCI”) and its components in the statement of shareholder’s equity. The guidance also allows companies to present OCI either net of tax with details in the notes or shown gross of tax (with tax effects shown parenthetically). The Company’s disclosure of OCI for the quarters ended March 31, 2011 and March 31, 2010 is presented in Note 8, “Comprehensive Income.” Under the new guidance, the information set forth in Note 8 would be shown in the new statement of comprehensive income. This guidance is effective for fiscal years beginning after December 15, 2011. Since the new guidance impacts disclosures only, it will not have an impact on the Company’s financial position, results of operations, or liquidity.

3. SECURITIES

Securities available-for-sale are carried at fair value with unrealized gains and losses, net of related deferred income taxes, recorded in stockholders' equity as a separate component of other comprehensive loss. Securities classified as held-to-maturity are securities management has the positive intent and ability to hold to maturity and are stated at cost. Trading securities are reported at fair value. Trading gains, net, represents changes in the fair value of the trading securities portfolio and are included as a component of noninterest income in the Consolidated Statements of Income.

Securities Portfolio
(Dollar amounts in thousands)

	March 31, 2011				December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale								
U.S. agency securities	$ 12,929	$ 6	$ (139)	$ 12,796	$ 18,000	$ 7	$ (121)	$ 17,886
Collateralized residential mortgage obligations ("CMOs")	403,010	2,885	(2,743)	403,152	377,692	4,261	(2,364)	379,589
Other residential mortgage-backed securities	96,523	5,479	(95)	101,907	100,780	5,732	(61)	106,451
Municipal securities	490,501	5,546	(8,097)	487,950	512,063	4,728	(12,800)	503,991
Collateralized debt obligations ("CDOs")	49,695	-	(33,502)	16,193	49,695	-	(34,837)	14,858
Corporate debt securities	29,958	2,852	-	32,810	29,936	2,409	-	32,345
Equity securities:								
Hedge fund investment	1,245	708	-	1,953	1,245	438	-	1,683
Other equity securities	895	108	(6)	997	889	110	-	999
Total equity securities	2,140	816	(6)	2,950	2,134	548	-	2,682
Total	$ 1,084,756	$ 17,584	$ (44,582)	$ 1,057,758	$ 1,090,300	$ 17,685	$ (50,183)	$ 1,057,802
Securities Held-to-Maturity								
Municipal securities	$ 81,218	$ 698	$ -	$ 81,916	$ 81,320	$ 1,205	$ -	$ 82,525
Trading Securities (1)				$ 16,227				$ 15,282

(1) Trading securities held by the Company represent diversified investment securities held in a grantor trust under deferred compensation arrangements in which plan participants may direct amounts earned to be invested in securities other than Company stock.

Remaining Contractual Maturity of Securities
(Dollar amounts in thousands)

	March 31, 2011			
	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$ 10,697	$ 10,086	$ 8,756	$ 8,831
One year to five years	139,177	131,220	25,281	25,498
Five years to ten years	121,270	114,337	14,446	14,571
After ten years	311,939	294,106	32,735	33,016
Collateralized residential mortgage obligations	403,010	403,152	-	-
Other residential mortgage-backed securities	96,523	101,907	-	-
Equity securities	2,140	2,950	-	-
Total	$ 1,084,756	$ 1,057,758	$ 81,218	$ 81,916

Purchases and sales of securities are recognized on a trade date basis. Realized securities gains or losses are reported in securities gains, net in the Consolidated Statements of Income. The cost of securities sold is based on the specific identification method.

Securities Gains (Losses)
(Dollar amounts in thousands)

	Quarters Ended March 31, 2011	Quarters Ended March 31, 2010
Proceeds from sales	$ 44,212	$ 80,983
Gains (losses) on sales of securities:		
Gross realized gains	$ 808	$ 5,820
Gross realized losses	(268)	-
Net realized gains on securities sales	540	5,820
Non-cash impairment charges (1)	-	(2,763)
Net realized gains	$ 540	$ 3,057
Income tax expense on net realized gains	$ 221	$ 1,192
Trading gains, net (2)	$ 744	$ 461

(1) No portion of the other-than-temporary impairment charge was recognized in other comprehensive income during the periods presented.
(2) All trading gains relate to trading securities still held as of March 31, 2011.

The non-cash impairment charges in the table above relate to other-than-temporary ("OTTI") charges on CDOs. Accounting guidance requires that only the credit portion of an OTTI charge be recognized through income. In deriving the credit component of the impairment on the CDOs, projected cash flows were discounted at the contractual rate ranging from the London Interbank Offered Rate ("LIBOR") plus 125 basis points to LIBOR plus 160 basis points. Fair values are computed by discounting future projected cash flows at higher rates, ranging from LIBOR plus 1,200 basis points to LIBOR plus 1,300 basis points. The higher rates are used to account for other market factors such as liquidity. If a decline in fair value below carrying value is not attributable to credit loss and the Company does not intend to sell the security or believe it would not be more likely than not required to sell the security prior to recovery, the Company records the decline in fair value in other comprehensive loss.

Changes in the amount of credit losses recognized in earnings on CDOs and other securities are summarized in the following table.

Changes in Credit Losses Recognized in Earnings
(Dollar amounts in thousands)

	Quarters Ended March 31, 2011	Quarters Ended March 31, 2010
Balance at beginning of period	$ 35,756	$ 30,946
Credit losses included in earnings (1)		
Losses recognized on securities that previously had credit losses	-	2,520
Losses recognized on securities that did not previously have credit losses	-	243
Balance at end of period	$ 35,756	$ 33,709

(1)Included in securities gains, net in the Consolidated Statements of Income.

Securities in an Unrealized Loss Position

(Dollar amounts in thousands)

	Number of Securities	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or Longer Fair Value	12 Months or Longer Unrealized Losses	Total Fair Value	Total Unrealized Losses
As of March 31, 2011							
U.S. agency securities	3	$ 7,031	$ 139	$ -	$ -	$ 7,031	$ 139
CMOs	22	156,854	2,386	10,850	357	167,704	2,743
Other residential mortgage-backed securities	8	5,798	64	477	31	6,275	95
Municipal securities	365	45,693	1,305	159,777	6,792	205,470	8,097
CDOs	6	-	-	16,193	33,502	16,193	33,502
Equity security	1	-	-	25	6	25	6
Total	405	$ 215,376	$ 3,894	$ 187,322	$ 40,688	$ 402,698	$ 44,582
As of December 31, 2010							
U.S. agency securities	4	$ 9,096	$ 120	$ -	$ 1	$ 9,096	$ 121
CMOs	19	131,056	1,727	7,843	637	138,899	2,364
Other residential mortgage-backed securities	5	6,084	51	159	10	6,243	61
Municipal securities	479	99,537	3,142	166,403	9,658	265,940	12,800
CDOs	6	-	-	14,858	34,837	14,858	34,837
Total	513	$ 245,773	$ 5,040	$ 189,263	$ 45,143	$ 435,036	$ 50,183

Approximately 98% of CMOs and other mortgage-backed securities are either backed by U.S. government-owned agencies or issued by U.S. government-sponsored enterprises. Municipal securities are issued by municipal authorities, and the majority is supported by third-party insurance or some other form of credit enhancement. Management does not believe any individual unrealized loss as of March 31, 2011 represents an other-than-temporary impairment. The unrealized losses associated with these securities are not believed to be attributed to credit quality, but rather to changes in interest rates and temporary market movements. In addition, the Company does not intend to sell the securities with unrealized losses, and it is not more likely than not that the Company will be required to sell them before recovery of their amortized cost bases, which may be at maturity.

The unrealized losses on CDOs as of March 31, 2011 reflect the market's unfavorable bias toward structured investment vehicles given the current interest rate and liquidity environment. Management does not believe the unrealized losses on the CDOs represent an other-than-temporary impairment. In addition, the Company does not intend to sell the CDOs with unrealized losses, and it is not more likely than not that the Company will be required to sell them before recovery of their amortized cost bases, which may be at maturity.

Significant judgment is required to calculate the fair value of the CDOs, all of which are pooled. Generally, fair value determinations are based on several factors regarding current market and economic conditions relating to such securities and the underlying collateral. For these reasons and due to the illiquidity in the secondary market for these CDOs, the Company estimates the fair value of these securities using discounted cash flow analyses with the assistance of a structured credit valuation firm.

Prepayment assumptions are a key factor in estimating the cash flows. Prepayments may occur on the collateral underlying the Company's CDOs based on call options or other factors. Most of the collateral underlying the CDOs have a 5-year call option (on the fifth anniversary of issuance, the issuer has the right to call the security at par). In addition, most underlying indentures trigger an issuer call right if a capital treatment event occurs, such as a regulatory change that affects its status as Tier 1 capital (as defined in federal regulations). The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") constituted such an event for certain holding companies. Specifically, companies with $15 billion or more in consolidated assets can no longer include hybrid capital instruments, such as trust-preferred securities, in Tier 1 capital beginning January 1, 2013. As of March 31, 2011, the Company has assumed a 15% prepayment rate for those banks with greater than $15 billion in assets in year 3 (the start of the phase out period for Tier 1 capital treatment), followed by an annual prepayment rate of 1%.

For additional discussion of the CDO valuation methodology, refer to Note 12, "Fair Value."

Certain Characteristics and Metrics of the CDOs as of March 31, 2011
(Dollar amounts in thousands)

Number	Class	Original Par	Amortized Cost	Fair Value	Lowest Credit Rating Assigned to the Security Moody's	Fitch	Number of Banks/ Insurers	% of Banks/ Insurers Currently Performing	Actual Deferrals and Defaults as a % of the Original Collateral (1)	Expected Deferrals and Defaults as a % of the Remaining Performing Collateral (1)	Excess Subordination as a % of the Remaining Performing Collateral (2)
1	C-1	$ 17,500	$ 7,140	$ 3,208	Ca	C	47	78.7%	11.9%	21.0%	-
2	C-1	15,000	7,657	2,800	Ca	C	58	87.9%	6.1%	19.1%	-
3	C-1	15,000	13,480	3,702	Ca	C	73	69.9%	18.4%	16.8%	3.8%
4	B1	15,000	13,922	4,305	Ca	C	64	59.4%	35.0%	24.2%	-
5	C	10,000	1,317	146	Ca	C	56	62.5%	40.3%	29.8%	-
6	C	6,500	6,179	2,032	Ca	C	77	68.8%	22.8%	14.2%	10.2%
7 (3)	N/A	6,750	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		$ 85,750	$ 49,695	$ 16,193							

(1) Deferrals and defaults are provided net of recoveries. No recovery is assumed for collateral that has already defaulted. For deferring collateral, the Company assumes a recovery rate of 10% of par for banks, thrifts, and other depository institutions and 15% of par for insurance companies.
(2) Excess subordination represents additional defaults in excess of current defaults that the CDO can absorb before the security experiences any credit impairment. The excess subordination percentage is calculated by dividing the amount of potential additional loss that can be absorbed (before the receipt of all expected future principal and interest payments is affected) by the total balance of performing collateral. Even with excess subordination, the CDO could experience an OTTI charge if future deterioration of underlying collateral in excess of current excess subordination is anticipated.
(3) Characteristics and metrics are not reported for this CDO since the security had an amortized cost and fair value of zero as of March 31, 2011.

Credit-Related CDO Impairment Losses
(Dollar amounts in thousands)

Number	Quarters Ended March 31, 2011	2010	Life-to-Date
1	$ -	$ -	$ 10,360
2	-	-	7,343
3	-	-	1,159
4	-	684	1,078
5	-	1,836	8,570
6	-	243	243
7	-	-	6,750
	$ -	$ 2,763	$ 35,503

For the equity security with an unrealized loss, the Company has evaluated the near-term prospects of the investment in relation to the severity and duration of the impairment and, based on that evaluation, has the ability and intent to hold this investment until a recovery of fair value.

For additional details of the securities available-for-sale portfolio and the related impact of unrealized gains (losses) thereon, see Note 8, “Comprehensive Income.”

The carrying value of securities available-for-sale that were pledged to secure deposits and for other purposes as permitted or required by law totaled $692.5 million at March 31, 2011 and $808.3 million at December 31, 2010. No securities held-to-maturity were pledged as of March 31, 2011 or December 31, 2010.

4. LOANS

Loan Portfolio
(Dollar amounts in thousands)

	March 31, 2011	December 31, 2010
Commercial and industrial	$ 1,493,465	$ 1,465,903
Agricultural	234,898	227,756
Commercial real estate:		
Office, retail, and industrial	1,205,880	1,203,613
Multi-family	344,645	349,862
Residential construction	151,887	174,690
Commercial construction	153,392	164,472
Other commercial real estate	850,334	856,357
Total commercial real estate	2,706,138	2,748,994
Total corporate loans	4,434,501	4,442,653
Home equity	434,138	445,243
1-4 family mortgages	178,538	160,890
Installment loans	48,366	51,774
Total consumer loans	661,042	657,907
Total loans, excluding covered loans	5,095,543	5,100,560
Covered loans (1)	352,357	374,640
Total loans	$ 5,447,900	$ 5,475,200
Deferred loan fees included in total loans	$ 8,021	$ 8,042
Overdrawn demand deposits included in total loans	$ 2,240	$ 4,281

(1)For information on covered loans, refer to Note 5, "Covered Assets."

The Company primarily lends to small and mid-sized businesses, commercial real estate customers, and consumers in the markets in which the Company operates. Within these areas, the Company diversifies its loan portfolio by loan type, industry, and borrower.

It is the Company's policy to review each prospective credit in order to determine the appropriateness and the adequacy of security or collateral prior to making a loan. In the event of borrower default, the Company seeks recovery in compliance with state lending laws, the Company's lending standards, and credit monitoring and remediation procedures.

5. COVERED ASSETS

In 2009 and 2010, the Company acquired the majority of the assets of three financial institutions in Federal Deposit Insurance Corporation ("FDIC")-assisted transactions. Most loans and other real estate owned ("OREO") acquired in the acquisitions are covered by loss sharing agreements with the FDIC (the "Agreements"), whereby the FDIC will reimburse the Company for the majority of the losses incurred on these assets. A detailed discussion of these transactions is presented in Note 5, "Covered Assets" contained in the Company's 2010 10-K.

Covered Assets
(Dollar amounts in thousands)

	March 31, 2011	December 31, 2010
Covered impaired loans	$ 311,606	$ 337,784
Other covered loans (1)	40,751	36,856
Total covered loans	352,357	374,640
FDIC indemnification asset	78,468	88,981
Covered OREO	28,871	29,698
Total covered assets	$ 459,696	$ 493,319
Covered loans past due 90 days or more and still accruing interest	$ 91,165	$ 86,910

(1)These loans are open-end consumer loans that are not categorized as impaired loans.

The loans purchased in the three FDIC-assisted transactions were recorded at their estimated fair values on the respective purchase dates and are accounted for prospectively based on expected cash flows. An allowance for loan losses was not recorded on these loans at the acquisition date. Except for leases and revolving loans, including lines of credit and credit card loans, management determined that a significant portion of the acquired loans ("purchased impaired loans") had evidence of credit deterioration since origination, and it was probable at the date of acquisition that the Company would not collect all contractually required principal and interest payments. Evidence of credit quality deterioration included factors such as past due and non-accrual status. Other key considerations and indicators include the past performance of the troubled institutions' credit underwriting standards, completeness and accuracy of credit files, maintenance of risk ratings, and age of appraisals.

Although some loans were contractually 90 days or more past due at the acquisition date, none of the purchased impaired loans at March 31, 2011 or December 31, 2010 were classified as non-performing loans since the loans continued to perform substantially in accordance with the Company's expectations of cash flows. Interest income is being recognized on all purchased loans through accretion of the difference between the carrying amount of the loans and the expected cash flows.

The Company has also modified certain loans according to provisions in the Agreements. Losses associated with modifications on these loans are generally eligible for reimbursement under the Agreements. Acquired loans restructured after acquisition date are not considered troubled debt restructurings for purposes of the Company's accounting and disclosure since the loans evidenced credit deterioration as of the acquisition date.

In connection with the Agreements, the Company recorded an indemnification asset. To maintain eligibility for the loss share reimbursement, the Company is required to follow certain servicing procedures as specified in the Agreements.

The accounting policies related to purchased impaired loans are presented in Note 1, "Summary of Significant Accounting Policies." Accounting for the related FDIC indemnification assets is presented in Note 1, "Summary of Significant Accounting Policies" contained in the Company's 2010 10-K.

Changes in FDIC Indemnification Asset
(Dollar amounts in thousands)

	Quarters Ended March 31, 2011	Quarters Ended March 31, 2010
Balance at beginning of period	$ 88,981	$ 67,945
(Amortization) accretion	(2,242)	1,437
Expected reimbursements from the FDIC for changes in expected credit losses	2,513	(240)
Payments received from the FDIC	(10,784)	(14,551)
Balance at end of period	$ 78,468	$ 54,591

Changes in the accretable balance for purchased impaired loans were as follows.

Changes in Accretable Yield
(Dollar amounts in thousands)

	Quarters Ended March 31, 2011	Quarters Ended March 31, 2010
Balance at beginning of period	$ 63,837	$ 9,298
Accretion	(8,424)	(1,503)
Reclassifications to non-accretable difference, net (1)	(4,182)	-
Balance at end of period	$ 51,231	$ 7,795

(1) Amount represents a decrease in the estimated cash flows to be collected on the underlying portfolio.

6. PAST DUE LOANS, ALLOWANCE FOR CREDIT LOSSES, AND IMPAIRED LOANS

The following table presents an aging analysis of the Company's past due loans as of March 31, 2011 and December 31, 2010. The aging is determined without regard to accrual status. The table also presents non-performing loans, consisting of non-accrual loans (most of which are past due) and loans 90 days or more past due and still accruing interest, as of each balance sheet date.

Aging Analysis of Past Due Loans and Non-Performing Loans by Class
(Dollar amounts in thousands)

	Aging Analysis					Non-performing Loans	
	Current	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Loans	Non-accrual Loans	90 Days Past Due Loans, Still Accruing Interest
March 31, 2011							
Commercial and industrial	$ 1,449,701	$ 12,420	$ 31,344	$ 43,764	$ 1,493,465	$ 54,561	$ 1,629
Agricultural	233,716	11	1,171	1,182	234,898	1,171	-
Commercial real estate:							
Office, retail, and industrial	1,183,746	5,488	16,646	22,134	1,205,880	16,753	1,666
Multi-family	337,747	2,720	4,178	6,898	344,645	6,787	-
Residential construction	123,265	3,075	25,547	28,622	151,887	36,326	-
Commercial construction	132,412	-	20,980	20,980	153,392	20,980	-
Other commercial real estate	812,944	9,042	28,348	37,390	850,334	38,732	565
Total commercial real estate	2,590,114	20,325	95,699	116,024	2,706,138	119,578	2,231
Total corporate loans	4,273,531	32,756	128,214	160,970	4,434,501	175,310	3,860
Home equity	419,940	5,779	8,419	14,198	434,138	7,854	744
1-4 family mortgages	172,380	2,475	3,683	6,158	178,538	3,362	511
Installment loans	47,902	311	153	464	48,366	37	116
Total consumer loans	640,222	8,565	12,255	20,820	661,042	11,253	1,371
Total loans, excluding covered loans	4,913,753	41,321	140,469	181,790	5,095,543	186,563	5,231
Covered loans	250,793	10,399	91,165	101,564	352,357	-	91,165
Total loans	$ 5,164,546	$ 51,720	$ 231,634	$ 283,354	$ 5,447,900	$186,563	$ 96,396
December 31, 2010							
Commercial and industrial	$ 1,428,841	$ 7,706	$ 29,356	$ 37,062	$ 1,465,903	$ 50,088	$ 1,552
Agricultural	225,007	65	2,684	2,749	227,756	2,497	187

Commercial real estate:							
Office, retail, and industrial	1,183,952	4,009	15,652	19,661	1,203,613	19,573	-
Multi-family	345,018	2,811	2,033	4,844	349,862	6,203	-
Residential construction	139,499	1,320	33,871	35,191	174,690	52,122	200
Commercial construction	140,044	4,000	20,428	24,428	164,472	28,685	-
Other commercial real estate	813,333	9,091	33,933	43,024	856,357	40,605	345
Total commercial real estate	2,621,846	21,231	105,917	127,148	2,748,994	147,188	545
Total corporate loans	4,275,694	29,002	137,957	166,959	4,442,653	199,773	2,284
Home equity	431,446	4,715	9,082	13,797	445,243	7,948	1,870
1-4 family mortgages	154,999	2,523	3,368	5,891	160,890	3,902	4
Installment loans	50,899	742	133	875	51,774	159	86
Total consumer loans	637,344	7,980	12,583	20,563	657,907	12,009	1,960
Total loans, excluding covered loans	4,913,038	36,982	150,540	187,522	5,100,560	211,782	4,244
Covered loans	269,285	18,445	86,910	105,355	374,640	-	86,910
Total loans	$ 5,182,323	$ 55,427	$ 237,450	$ 292,877	$ 5,475,200	$211,782	$ 91,154

The Company maintains an allowance for credit losses at a level believed adequate by management to absorb probable losses inherent in the loan portfolio.

Allowance for Credit Losses
(Dollar amounts in thousands)

	Commercial, Industrial, and Agricultural	Office, Retail, and Industrial	Multi-Family	Residential Construction	Other Commercial Real Estate	Consumer	Covered Loans	Total Allowance
Quarter ended March 31, 2011								
Balance at beginning of period	$ 49,545	$ 20,758	$ 3,996	$ 27,933	$ 29,869	$ 12,971	$ -	$ 145,072
Loans charged-off	(4,974)	(1,199)	(549)	(5,422)	(5,662)	(2,671)	(1,104)	(21,581)
Recoveries of loans previously charged-off	1,837	16	-	4	43	108	12	2,020
Net loans charged-off	(3,137)	(1,183)	(549)	(5,418)	(5,619)	(2,563)	(1,092)	(19,561)
Provision for loan losses	4,181	57	1,205	4,873	5,795	2,289	1,092	19,492
Balance at end of period	$ 50,589	$ 19,632	$ 4,652	$ 27,388	$ 30,045	$ 12,697	$ -	$ 145,003
Allowance for loan losses	$ 50,589	$ 19,632	$ 4,652	$ 27,036	$ 28,484	$ 12,110	$ -	$ 142,503
Reserve for unfunded commitments	-	-	-	352	1,561	587	-	2,500
Total allowance for credit losses	$ 50,589	$ 19,632	$ 4,652	$ 27,388	$ 30,045	$ 12,697	$ -	$ 145,003
Quarter ended March 31, 2010								
Balance at beginning of period	$ 54,452	$ 20,164	$ 4,555	$ 33,078	$ 21,084	$ 11,475	$ -	$ 144,808
Loans charged-off	(5,477)	(1,852)	(627)	(4,557)	(4,808)	(2,676)	-	(19,997)
Recoveries of loans previously charged-off	873	208	115	105	89	273	-	1,663
Net loans charged-off	(4,604)	(1,644)	(512)	(4,452)	(4,719)	(2,403)	-	(18,334)
Provision for loan losses	7,554	1,256	636	416	4,639	3,849	-	18,350
Balance at end of period	$ 57,402	$ 19,776	$ 4,679	$ 29,042	$ 21,004	$ 12,921	$ -	$ 144,824
Allowance for loan losses	$ 57,402	$ 19,776	$ 4,679	$ 29,042	$ 21,004	$ 12,921	$ -	$ 144,824
Reserve for unfunded commitments	-	-	-	-	-	-	-	-
Total allowance for credit losses	$ 57,402	$ 19,776	$ 4,679	$ 29,042	$ 21,004	$ 12,921	$ -	$ 144,824

A portion of the Company's allowance for credit losses is allocated to loans deemed impaired. Impaired loans consist of corporate non-accrual loans and restructured loans. Smaller homogeneous loans such as home equity, installment, and 1-4 family mortgages are not individually assessed for impairment.

Impaired Loans
(Dollar amounts in thousands)

	March 31, 2011	December 31, 2010
Impaired loans individually evaluated for impairment:		
Impaired loans with a related allowance for credit losses (1)	$ 29,588	$ 13,790
Impaired loans with no specific related allowance (2)	132,231	173,534
Total impaired loans individually evaluated for impairment	161,819	187,324
Corporate non-accrual loans not individually evaluated for impairment (3)	13,491	12,449
Total corporate non-accrual loans	175,310	199,773
Restructured loans, still accruing interest	14,120	22,371
Total impaired loans	$ 189,430	$ 222,144
Valuation allowance related to impaired loans	$ 7,541	$ 6,343

(1) These impaired loans require a valuation allowance because the present value of expected future cash flows or related collateral less estimated selling costs is less than the recorded investment in the loans.

(2) No specific allowance for credit losses is allocated to these loans since they are deemed to be sufficiently collateralized or had charge-offs. However, while each component of the allowance for credit losses is determined separately, the entire balance is available for the entire loan portfolio.

(3) These are loans with balances under a specified threshold.

The table below provides a break-down of loans and the related allowance for credit losses by portfolio segment. Loans individually evaluated for impairment include corporate non-accrual loans with the exception of certain loans with balances under a specified threshold.

The present value of any decreases in expected cash flows of covered loans after the purchase date is recognized by recording a charge-off through the allowance for credit losses. Since covered loans are accounted for as purchased impaired loans and the carrying values of those loans are periodically adjusted for any changes in expected future cash flows, the covered loans are not included in the calculation of the allowance for credit losses and are not displayed in this table.

Loans and Related Allowance for Credit Losses by Portfolio Segment
(Dollar amounts in thousands)

	Loans			Allowance For Credit Losses		
	Individually Evaluated For Impairment	Collectively Evaluated For Impairment	Total	Individually Evaluated For Impairment	Collectively Evaluated For Impairment	Total
March 31, 2011						
Commercial, industrial, and agricultural	$ 47,372	$ 1,680,991	$ 1,728,363	$ 3,306	$ 47,283	$ 50,589
Commercial real estate:						
Office, retail, and industrial	15,840	1,190,040	1,205,880	867	18,765	19,632
Multi-family	6,126	338,519	344,645	519	4,133	4,652
Residential construction	35,261	116,626	151,887	1,261	26,127	27,388
Other commercial real estate	57,220	946,506	1,003,726	1,588	28,457	30,045
Total commercial real estate	114,447	2,591,691	2,706,138	4,235	77,482	81,717
Total corporate loans	161,819	4,272,682	4,434,501	7,541	124,765	132,306
Consumer	-	661,042	661,042	-	12,697	12,697
Total	$ 161,819	$ 4,933,724	$ 5,095,543	$ 7,541	$ 137,462	$ 145,003
December 31, 2010						
Commercial, industrial, and agricultural	$ 43,365	$ 1,650,294	$ 1,693,659	$ 2,650	$ 46,895	$ 49,545
Commercial real estate:						
Office, retail, and industrial	18,076	1,185,537	1,203,613	-	20,758	20,758
Multi-family	5,696	344,166	349,862	497	3,499	3,996
Residential construction	51,269	123,421	174,690	-	27,933	27,933
Other commercial real estate	68,918	951,911	1,020,829	3,196	26,673	29,869

Total commercial real estate	143,959	2,605,035	2,748,994	3,693	78,863	82,556
Total corporate loans	187,324	4,255,329	4,442,653	6,343	125,758	132,101
Consumer	-	657,907	657,907	-	12,971	12,971
Total	$ 187,324	$ 4,913,236	$ 5,100,560	$ 6,343	$ 138,729	$ 145,072

The following table presents loans individually evaluated for impairment by class of loan as of March 31, 2011 and December 31, 2010.

Impaired Loans Individually Evaluated by Class
(Dollar amounts in thousands)

	March 31, 2011				December 31, 2010			
	Recorded Investment In				Recorded Investment In			
	Loans with No Specific Related Allowance (1)	Loans with a Related Allowance for Credit Losses	Unpaid Principal Balance	Allowance for Credit Losses Allocated	Loans with No Specific Related Allowance (1)	Loans with a Related Allowance for Credit Losses	Unpaid Principal Balance	Allowance for Credit Losses Allocated
Commercial and industrial	$ 40,556	$ 6,104	$ 58,088	$ 3,306	$ 40,715	$ 2,650	$ 53,353	$ 2,650
Agricultural	712	-	910	-	2,447	-	2,982	-
Commercial real estate:								
Office, retail, and industrial	14,766	1,074	24,396	867	18,076	-	26,193	-
Multi-family	5,001	1,125	7,847	519	4,565	1,131	7,322	497
Residential construction	25,943	9,318	96,246	1,261	51,269	-	129,698	-
Commercial construction	18,900	2,080	27,498	401	28,685	-	38,404	-
Other commercial real estate	26,353	9,887	58,770	1,187	27,777	10,009	60,465	3,196
Total commercial real estate	90,963	23,484	214,757	4,235	130,372	11,140	262,082	3,693
Total impaired loans individually evaluated for impairment	$ 132,231	$ 29,588	$ 273,755	$ 7,541	$ 173,534	$ 13,790	$ 318,417	$ 6,343

	Quarter Ended March 31, 2011		Quarter Ended March 31, 2010	
	Average Recorded Investment Balance	Interest Income Recognized (2)	Average Recorded Investment Balance	Interest Income Recognized (2)
Commercial and industrial	$ 51,024	$ 6	$ 37,502	$ 9
Agricultural	2,515	-	2,098	-
Commercial real estate:				
Office, retail, and industrial	17,910	12	20,426	7

Multi-family	6,650	2	8,068	-
Residential construction	49,823	-	83,189	
Commercial construction	25,391	-	20,118	-
Other commercial real estate	44,339	17	31,717	3
Total commercial real estate	144,113	31	163,518	10
Total impaired loans individually evaluated for impairment	$ 197,652	$ 37	$ 203,118	$ 19

(1)No specific allowance for credit losses is allocated to these loans since they are deemed to be sufficiently collateralized or had charge-offs. However, while each component of the allowance for credit losses is determined separately, the entire balance is available for the entire loan portfolio.

(2)Recorded using the cash basis of accounting.

Corporate loans and commitments are assessed for risk and assigned ratings based on various characteristics such as the borrower's cash flow, leverage, collateral, management characteristics, and other factors. Ratings for commercial credits are reviewed periodically. Consumer loans are assessed for credit quality based on the aging status of the loan and payment activity. The assessment of consumer loans is completed at the end of each reporting period. Loans are analyzed on an individual basis when the internal credit rating is at or below a predetermined classification and the loan exceeds a fixed dollar amount.

Credit Quality Indicators by Class, Excluding Covered Loans
(Dollar amounts in thousands)

	Pass	Special Mention (1)	Substandard / Accrual (2)	Substandard / Non-accrual (3)	Total
March 31, 2011					
Commercial and industrial	$ 1,304,999	$ 87,017	$ 46,888	$ 54,561	$ 1,493,465
Agricultural	217,900	15,570	257	1,171	234,898
Commercial real estate:					
Office, retail, and industrial	1,031,263	115,959	41,905	16,753	1,205,880
Multi-family	293,947	21,324	22,587	6,787	344,645
Residential construction	57,466	30,966	27,129	36,326	151,887
Commercial construction	72,181	41,086	19,145	20,980	153,392
Other commercial real estate	699,116	87,555	24,931	38,732	850,334
Total commercial real estate	2,153,973	296,890	135,697	119,578	2,706,138
Total corporate loans	$ 3,676,872	$ 399,477	$ 182,842	$ 175,310	$ 4,434,501
December 31, 2010					
Commercial and industrial	$ 1,303,142	$ 83,259	$ 29,414	$ 50,088	$ 1,465,903
Agricultural	209,317	15,667	275	2,497	227,756
Commercial real estate:					
Office, retail, and industrial	1,026,124	123,800	34,116	19,573	1,203,613
Multi-family	307,845	20,643	15,171	6,203	349,862
Residential construction	57,209	35,950	29,409	52,122	174,690
Commercial construction	85,305	35,750	14,732	28,685	164,472
Other commercial real estate	697,971	89,247	28,534	40,605	856,357
Total commercial real estate	2,174,454	305,390	121,962	147,188	2,748,994
Total corporate loans	$ 3,686,913	$ 404,316	$ 151,651	$ 199,773	$ 4,442,653

	Performing	Non-accrual	Total
March 31, 2011			
Home equity	$ 426,284	$ 7,854	$ 434,138
1-4 family mortgages	175,176	3,362	178,538
Installment loans	48,329	37	48,366
Total consumer loans	$ 649,789	$ 11,253	$ 661,042
December 31, 2010			
Home equity	$ 437,295	$ 7,948	$ 445,243
1-4 family mortgages	156,988	3,902	160,890
Installment loans	51,615	159	51,774
Total consumer loans	$ 645,898	$ 12,009	$ 657,907

(1) Loans categorized as special mention have potential weaknesses that deserve the close attention of management. If left uncorrected, these potential weaknesses may result in the deterioration of repayment prospects or in the credit position of the Company at some future date.

(2)

Loans categorized as substandard/accrual continue to accrue interest, but exhibit a well-defined weakness or weaknesses that may jeopardize the liquidation of the debt. These loans continue to accrue interest because they are well secured and collection of principal and interest is expected within a reasonable time.

(3)Loans categorized as substandard/non-accrual exhibit a well-defined weakness or weaknesses that may jeopardize the liquidation of the debt and are characterized by the distinct possibility that the Company could sustain some loss if the deficiencies are not corrected. These loans have been placed on non-accrual status.

7. EARNINGS PER COMMON SHARE

Basic and Diluted Earnings per Common Share
(Amounts in thousands, except per share data)

	Quarters Ended March 31, 2011	Quarters Ended March 31, 2010
Net income	$ 10,218	$ 8,081
Preferred dividends	(2,413)	(2,413)
Accretion on preferred stock	(168)	(159)
Net income applicable to non-vested restricted shares	(140)	(81)
Net income applicable to common shares	$ 7,497	$ 5,428
Weighted-average common shares outstanding:		