

This file represents the first part of  
First Midwest's 2003 Annual Report.

Please see other file.



**2003 annual report**

**First Midwest Bancorp, Inc.**

**First Midwest Bancorp, Inc.**



## Company Profile

First Midwest Bancorp is the premier relationship-based banking franchise in the wealthy and growing suburban Chicago banking markets. As the largest independent bank holding company and one of the overall largest banking companies in the Chicago metropolitan area, First Midwest provides the full range of both business and retail banking and trust and investment management services through approximately 70 offices located in 49 communities, primarily in northern Illinois, a network of 100 ATMs and its on-line full service electronic banking center, [www.firstmidwest.com](http://www.firstmidwest.com).

First Midwest Bank, First Midwest Bancorp's sole banking subsidiary, has approximately \$7 billion in assets, and its Trust Investment Management Division has over \$2 billion in assets under management. Collectively, First Midwest has more than 600,000 relationships serving nearly a quarter of a million households and approximately 23,000 businesses. First Midwest is rooted deeply in the local communities it serves and its sales team is intensely focused on providing value enhancing and needs satisfying financial services to its expanding client base.

## Additional Information

Visit the Investor Relations section of our website, [www.firstmidwest.com](http://www.firstmidwest.com), for stock and dividend information, quarterly earnings and news releases, on-line annual report, links to SEC filings and other Company information.



## Consolidated Financial Highlights

(\$ in thousands, except per share data)

Years Ended December 31,	2003	2002
<b>Net Income</b>	\$ 92,778	\$ 90,150
<b>Per Common Share</b>		
Diluted earnings per share	\$ 1.97	\$ 1.86
Dividends declared	0.79	0.70
Book value at year end	11.22	10.42
Market price at year end	32.43	26.71
<b>Performance Ratios</b>		
Return on average equity	18.28%	18.82%
Return on average assets	1.50%	1.53%
Net interest margin	3.99%	4.28%
Efficiency ratio	48.32%	48.20%
December 31,	2003	2002
<b>Balance Sheet Highlights</b>		
Total assets	\$ 6,906,658	\$ 5,980,533
Loans	4,059,782	3,406,846
Deposits	4,815,108	4,172,954
Stockholders' equity	522,540	491,953

## Stock Performance and Dividend Information

Quarter Ended	2003				2002			
	High	Low	Close	Dividends Declared	High	Low	Close	Dividends Declared
March 31	\$28.12	\$24.89	\$25.81	\$0.19	\$29.81	\$27.01	\$29.04	\$0.17
June 30	29.87	25.55	28.81	0.19	32.16	26.24	27.78	0.17
September 30	31.45	28.53	29.71	0.19	30.13	23.34	26.86	0.17
December 31	32.80	29.61	32.43	0.22	28.79	23.80	26.71	0.19
				\$0.79				\$0.70

**4.12.2004**

**John M. O'Meara**  
President and CEO  
First Midwest Bancorp, Inc.

**Dear Stockholders:**

In 2003, First Midwest Bancorp faced the combination of the lowest interest rates the domestic economy has witnessed in 45 years, continued slow economic growth and increasingly intense competition in the Chicagoland area for bank and trust customers. As a result of the dedication and talent of our employees and Board of Directors, we responded to these challenges by delivering another year of record performance.

## **Who We Are**

### **Consistent Financial Performance and Stockholder Returns for 12 Years**

First Midwest's impressive financial performance are results that our stockholders and customers have come to expect from the premier relationship-based banking franchise in the Chicago area. Since 1992, our compound annual growth rate of earnings per share, market capitalization and dividends has been 10.3%, 16.5% and 11.2%, respectively. Over that same time period, First Midwest's assets have more than tripled, while its return on assets has almost doubled. We have achieved these hard won results while still maintaining a disciplined approach to the way we run our businesses, as demonstrated by the reduction of the nonperforming asset ratio by almost 75% and the efficiency ratio by almost 25% over this period.

First Midwest generates these results by dedicating itself to understanding the individuals, businesses and communities it serves. We keep in mind that we are a full service financial institution for 49 distinct communities, dedicated to serving all of the financial needs of all of our retail, commercial and trust customers on an individualized basis.

### **Retail Banking**

With all of the noise surrounding the expansion in banking in the Chicago area, some may forget that First Midwest has served the communities in Illinois for over seven decades. As a result of this tradition, we know how to tailor our products and services to each of the communities we serve.

We have relationships with over 211,000 retail households, most within a three-mile radius of our 66 branches, and we provide these households with a complete range of banking services. We understand the communities we serve, which are among the wealthiest and fastest growing in the United States. Where some see the intensifying banking competition in these communities, we use our knowledge base and research capability to exploit these areas' substantial opportunities.

### **Commercial Banking**

First Midwest currently provides a full range of commercial banking services to over 23,000 businesses. Given the strength of the markets that we have served for decades, First Midwest perceives significant potential to serve even more clients.

In addition to providing each client with exceptional service, First Midwest is also unique in its unwavering focus to create value for its customers. We do this by first acknowledging the six basic financial needs for all of our commercial customers - cash flow management, financing, accounting, risk management, fiduciary/employee benefits management and financial planning. Then we formulate comprehensive interdisciplinary plans for our customers to address these six basic needs. In 2003 alone, we provided about 850 of our customers with these customized plans; something we firmly believe distinguishes First Midwest from any other financial institution. Although some financial institutions may talk about providing a full range of financial services, First Midwest has consistently demonstrated its ability to coordinate the complete range of its product offerings and services in a way that delivers value to our clients.

### **Wealth Management Services**

Given the affluent and dynamic markets we have historically served so well, it is no surprise that our trust business has grown to \$2.6 billion in assets under management and custody, representing relationships with over 4,800 households. Again, this growth has been driven by First Midwest's personalized service, competitive investment vehicles and customer knowledge. The depth of these wealth management markets combined with First Midwest's comprehensive needs based selling process lead us to believe that future growth can be sustained at the over 30% annual sales growth that we experienced over the last two years.

## **Expansion in Key Markets**

In 2003, First Midwest acquired CoVest Bancshares, which had loans of \$531 million and deposits of \$466 million. After securing investment grade ratings from both Moody's and Standard & Poor's, this transaction was financed by First Midwest's first ever issuance of trust preferred securities in November 2003. We raised \$125 million by issuing these securities, which will mature in December 2033.

All of CoVest's three branches are located in the growing and wealthy northwest suburbs of Chicago. The addition of these branches will enable First Midwest to better serve current and prospective customers in these markets and provide a wider range of product offerings to the former customers of CoVest, especially in the areas of consumer and business lending, cash management and wealth management.

The acquisition of CoVest complemented the purchase by First Midwest of the O'Hare Financial Center from The Northern Trust Company earlier in 2003. This branch is located at the threshold of the expansive O'Hare International Airport corridor with access to more than 6,200 commercial businesses within a three-mile radius. First Midwest also consolidated its Commercial Real Estate Division at the O'Hare Financial Center. This group manages more than \$1.4 billion in outstanding loans.

Also in 2003, First Midwest sold its two branches in rural Streator, Illinois to First National Bank of Ottawa. The sale was a good fit for the customers and employees of those companies and will enable First Midwest to further focus on the vibrant markets it knows best.

## **2003 . . . A Year of Record Operating Results**

In 2003, First Midwest's net income was a record \$92.8 million, or \$1.97 per diluted share, an increase of 5.9% on a per diluted share basis from \$90.2 million in 2002, or \$1.86 per diluted share. In 2003, First Midwest's annualized return on average assets and annualized return on average equity in 2003 was 1.50% and 18.3%, respectively, exceeding peer bank performance in these metrics by more than 20%. Total loans at December 31, 2003 were 19.2% higher than at December 31, 2002, primarily due to loans acquired as part of the CoVest acquisition. Total deposits at December 31, 2003 were \$4.8 billion, an increase of 15.4% from \$4.2 billion in total deposits at December 31, 2002.

## **Continued Emphasis on Controls**

First Midwest achieved these superior earnings results without sacrificing its historical emphasis on controls. Rather, First Midwest redoubled its focus on two things - credit quality and operating efficiency.

### **Credit Quality**

First Midwest's overall credit quality remains extremely sound. Nonperforming loans at December 31, 2003 totaled \$23.1 million, representing 0.57% of total outstanding loans. This "lower is better" ratio compares favorably to First Midwest's peer banks, which average 0.87%. As anticipated in pre-acquisition due diligence, First Midwest's nonperforming loans now include \$4.9 million of nonaccruing loans acquired from CoVest.

Net charge-offs for 2003 were 0.28% of average loans, down from 0.45% for 2002. Provisions for loan losses for 2003 fully covered net charge-offs, resulting in First Midwest maintaining its ratio of the reserve for loan losses to total loans at 1.39% at the close of 2003.

### **Operating Efficiency**

First Midwest's combination of top line revenue growth and continued cost control resulted in a 2003 efficiency ratio of 48.3%, comparing favorably to peer ratios of nearly 60%. This means that similarly situated financial institutions, on the average, need to spend almost 60 cents to generate one dollar of revenue, but First Midwest only needs to spend a little more than 48 cents to generate one dollar of revenue, representing a 20% cost advantage.

## **2004 . . . A Look Ahead**

First Midwest enters 2004 with its focus once again on providing value to its stockholders and customers. Although First Midwest is acutely aware of the continued challenges it confronts, we are encouraged by favorable trends in loan outstandings, fee growth and improved margins. First Midwest also looks forward to expanding the products it provides to the households and businesses it currently serves, exploiting the opportunities presented by its recent acquisitions and evaluating prudent and profitable means of expanding its reach.

### **Chicago Marketplace**

First Midwest remains comfortable in the competitive marketplace it calls home. In the future, we expect to grow as we have always grown; by dedicating ourselves to helping our clients in these communities achieve financial success. We do so by focusing on the broad range of their financial needs and delivering quality services to fulfill those needs. As our Mission Statement says, "We believe that in fulfilling our clients' financial needs, we are creating significant value for them while at the same time creating value for ourselves and ..."

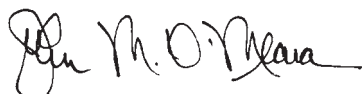
## **Thanks**

In 2003, First Midwest said goodbye to a true friend in William J. Cowlin, who served as a director of First Midwest since its acquisition of McHenry State Bank in 1997. By his participation on the First Midwest Board of Directors, Bill contributed a great deal to First Midwest's ongoing growth and profitability. We will deeply miss his sage counsel and irrepressible wit.

## **Summary**

We have come a long way in the past twelve years. I believe, however, that as a result of the markets we serve, our dedication to providing value for our customers and our client-focused organization, we will make further strides forward in the coming years.

Yours very truly,



John O'Meara, President and Chief Executive Officer



**Report of Independent  
Auditors on Condensed  
Financial Statements  
January 20, 2004**

**To The Board of Directors  
and Stockholders of First Midwest Bancorp, Inc.**

We have audited, in accordance with auditing standards generally accepted in the United States, the Consolidated Statements of Condition of First Midwest Bancorp, Inc. as of December 31, 2003 and 2002, and the related Consolidated Statements of Income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003 (not presented separately herein) and in our report dated January 20, 2004, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

*Ernst & Young LLP*

Ernst & Young LLP  
Chicago, Illinois

**Condensed Consolidated  
Statements of Condition**

	(\$ in thousands)	
December 31,	<b>2003</b>	2002
<b>Assets</b>		
Cash	\$ 186,900	\$ 195,153
Investment securities and other short-term investments	2,312,505	2,121,865
Commercial loans	2,993,949	2,353,724
Consumer loans	1,065,833	1,053,122
Reserve for loan losses	(56,404)	(47,929)
Net loans	4,003,378	3,358,917
Premises, furniture and equipment	91,535	81,627
Investment in corporate owned life insurance	146,421	141,362
Other assets	165,919	81,609
<b>Total Assets</b>	<b>\$6,906,658</b>	<b>\$ 5,980,533</b>
<b>Liabilities</b>		
Noninterest-bearing deposits	\$ 859,080	\$ 789,392
Interest-bearing deposits	3,956,028	3,383,562
Borrowed funds	1,371,672	1,237,408
Subordinated debt-trust preferred securities	128,716	-
Other liabilities	68,622	78,218
Total liabilities	6,384,118	5,488,580
<b>Stockholders' Equity</b>	<b>522,540</b>	<b>491,953</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$6,906,658</b>	<b>\$ 5,980,533</b>

## Condensed Consolidated Statements of Income

	(\$ in thousands, except per share data)		
Years Ended December 31,	2003	2002	2001
<b>Interest Income</b>			
Loans	\$ 200,013	\$ 223,393	\$ 265,191
Investment securities	91,054	106,271	120,027
<b>Total Interest Income</b>	<b>291,067</b>	<b>329,664</b>	<b>385,218</b>
<b>Interest Expense</b>			
Deposits	56,272	81,616	134,497
Borrowed funds	23,962	29,294	46,341
Subordinated debt-trust preferred securities	1,079	-	-
<b>Total Interest Expense</b>	<b>81,313</b>	<b>110,910</b>	<b>180,838</b>
<b>Net Interest Income</b>	<b>209,754</b>	<b>218,754</b>	<b>204,380</b>
<b>Provision for Loan Losses</b>	<b>10,805</b>	<b>15,410</b>	<b>19,084</b>
Net interest income after provision for loan losses	198,949	203,344	185,296
<b>Noninterest Income</b>			
Service charges and commissions	43,696	39,385	39,274
Trust and investment management fees	10,810	10,309	10,445
Card-based fees	8,336	7,895	7,452
Security gains, net	2,988	460	790
(Losses) on early extinguishment of debt	(6,025)	-	-
Other	14,365	8,942	10,905
<b>Total Noninterest Income</b>	<b>74,170</b>	<b>66,991</b>	<b>68,866</b>
<b>Noninterest Expense</b>			
Salaries and employee benefits	84,284	80,626	76,780
Occupancy and equipment	22,487	22,067	21,997
Other	42,681	45,359	46,579
<b>Total Noninterest Expense</b>	<b>149,452</b>	<b>148,052</b>	<b>145,356</b>
<b>Income Before Income Tax Expense</b>	<b>123,667</b>	<b>122,283</b>	<b>108,806</b>
Income tax expense	30,889	32,133	26,668
<b>Net Income</b>	<b>\$ 92,778</b>	<b>\$ 90,150</b>	<b>\$ 82,138</b>
<b>Basic Earnings Per Share</b>	<b>\$ 1.99</b>	<b>\$ 1.88</b>	<b>\$ 1.64</b>
<b>Diluted Earnings Per Share</b>	<b>\$ 1.97</b>	<b>\$ 1.86</b>	<b>\$ 1.63</b>
<b>Dividends Declared Per Share</b>	<b>\$ 0.79</b>	<b>\$ 0.70</b>	<b>\$ 0.65</b>



## Five Year Performance Summary

(\$ in thousands, except per share data)					
Years Ended December 31,	2003	2002	2001	2000	1999
<b>Operating Results</b>					
Net interest income	\$ 209,754	\$ 218,754	\$ 204,380	\$ 189,611	\$ 192,664
Provision for loan losses	10,805	15,410	19,084	9,094	5,760
Noninterest income	74,170	66,991	68,866	63,198	58,334
Noninterest expense	149,452	148,052	145,356	144,416	149,809
Income tax expense	30,889	32,133	26,668	23,759	24,520
<b>Net Income</b>	<b>92,778</b>	<b>90,150</b>	<b>82,138</b>	<b>75,540</b>	<b>70,909</b>
<b>Per Common Share</b>					
<b>Diluted earnings per share</b>	<b>\$ 1.97</b>	<b>\$ 1.86</b>	<b>\$ 1.63</b>	<b>\$ 1.46</b>	<b>\$ 1.34</b>
Dividends declared	0.790	0.700	0.650	0.592	0.528
Book value at year end	11.22	10.42	9.18	8.75	7.19
Market price at year end	32.43	26.71	29.19	23.00	21.20
<b>Performance Ratios</b>					
Return on average equity	18.28%	18.82%	17.89%	19.17%	17.39%
Return on average assets	1.50%	1.53%	1.43%	1.30%	1.34%
Net interest margin	3.99%	4.28%	4.10%	3.76%	4.24%
Efficiency ratio	48.32%	48.20%	49.65%	53.09%	55.66%
December 31,	2003	2002	2001	2000	1999
<b>Balance Sheet Highlights</b>					
Total assets	\$ 6,906,658	\$ 5,980,533	\$ 5,667,919	\$ 5,906,484	\$ 5,511,588
Loans	4,059,782	3,406,846	3,372,306	3,233,196	2,962,487
Deposits	4,815,108	4,172,954	4,193,921	4,252,205	4,001,183
Stockholders' equity	522,540	491,953	447,267	446,723	369,261
Average equity to average assets	8.19%	8.12%	7.99%	6.79%	7.71%

**First Midwest Bancorp, Inc.**

## Board of Directors

**Vernon A. Brunner** <sup>(2, 3)</sup>  
President and CEO  
Brunner Marketing Solutions, LLC  
(Consumer Products Marketing Consultant)

**Bruce S. Chelberg** <sup>(1, 3)</sup>  
Former Chairman and CEO  
Whitman Corporation  
(Diversified, Multinational Holding Co.)

**O. Ralph Edwards** <sup>(2, 3)</sup>  
Former Corporate Vice President  
Abbott Laboratories  
(Health Care Products Manufacturer)

**Joseph W. England** <sup>(1)</sup>  
Former Senior Vice President  
Deere & Company  
(Mobile Power Equipment Manufacturer)

**Brother James Gaffney, F.S.C.** <sup>(3)</sup>  
President  
Lewis University  
(Private University)

**Thomas M. Garvin** <sup>(1)</sup>  
Former Chairman and CEO  
G.G. Products Company  
(Food Business Acquirer)

**John M. O'Meara**  
President and CEO  
First Midwest Bancorp, Inc.

**Robert P. O'Meara**  
Chairman of the Board  
First Midwest Bancorp, Inc.

**Patrick J. McDonnell** <sup>(1)</sup>  
Chief Executive Officer  
McDonnell Company, LLC  
(Business Consultants)

**John L. Sterling** <sup>(2)</sup>  
President  
Sterling Lumber Company  
(Lumber Distributor)

**J. Stephen Vanderwoude** <sup>(1)</sup>  
Chairman and CEO  
Madison River Communications  
(Operator of Rural Telephone Companies)

## Executive Management Group

### First Midwest Bancorp, Inc.

**Robert P. O'Meara**  
Chairman of the Board

**John M. O'Meara**  
President and CEO

**Michael L. Scudder**  
Executive Vice President and CFO

**Steven H. Shapiro**  
Executive Vice President and  
Corporate Secretary

### First Midwest Bank

**John M. O'Meara**  
Chairman and CEO

**Terry G. Beaudry**  
President, Trust Division

**Kent S. Belasco**  
Executive Vice President  
and Chief Information Officer

**Mark M. Dietrich**  
Group Executive Vice President

**Michael J. Kozak**  
Executive Vice President  
and Chief Credit Officer

**Thomas J. Schwartz**  
Group President, Commercial Banking

**Michael L. Scudder**  
Group Executive Vice President  
and Chief Financial Officer

**Janet M. Viano**  
Group President, Retail Banking

**Stephanie R. Wise**  
Executive Vice President, Business  
and Institutional Services

### Board Committees:

- (1) Audit Committee
- (2) Compensation Committee
- (3) Nominating & Corporate  
Governance Committee



**Form 10K**

**First Midwest Bancorp, Inc.**



## Stockholder Information

### Common Stock



First Midwest Bancorp, Inc. common stock is traded in the Nasdaq National Market tier of the NASDAQ Stock Market under the symbol **FMBI**. The stock abbreviation appears as "**FstMdWBcp**" in the Wall Street Journal and in other leading daily newspapers as "**FMidBe**".

### Annual Meeting

The 2004 Annual Meeting of Stockholders of First Midwest Bancorp, Inc. will be held on Thursday, May 20, 2004 commencing at 9:30 a.m. at the Sheraton Suites Hotel, 121 Northwest Point Blvd., Elk Grove Village, IL. The Notice of Meeting and Proxy Statement will be sent to all Stockholders on or about April 12, 2004.

### Dividend Payments

Anticipated dividend payable dates are April 20, 2004; July 20, 2004; October 19, 2004; and January 18, 2005.

### Direct Deposit

Stockholders may have their dividends deposited directly to their savings, checking or money market account at any financial institution. Information concerning Dividend Direct Deposit may be obtained from the Company or its transfer agent.

### Dividend Reinvestment/ Stock Purchase

Stockholders may fully or partially reinvest dividends and invest up to \$5,000 quarterly in First Midwest common stock without incurring any brokerage fees. Information concerning Dividend Reinvestment may be obtained from the Company or its transfer agent.

### Transfer Agent/ Stockholder Services

Stockholders with inquiries regarding stock accounts, dividends, change of ownership or address, lost certificates or consolidation of accounts should contact the transfer agent:

Mellon Investor Services  
85 Challenger Road, Ridgefield Park, NJ 07660  
(888) 581-9376 [www.melloninvestor.com](http://www.melloninvestor.com)

### Investor and Stockholder Contact

Steven H. Shapiro  
Executive Vice President and Corporate Secretary  
First Midwest Bancorp, Inc.  
300 Park Boulevard, Suite 400, Itasca, Illinois 60143-9768  
(630) 875-7345 [investor.relations@firstmidwest.com](mailto:investor.relations@firstmidwest.com)

### SEC Reports and General Information

First Midwest files an annual report to the Securities and Exchange Commission on Form 10-K and three quarterly reports on Form 10-Q. Requests for such reports and general inquiries may be directed to Mr. Shapiro at the above address or can be obtained through the Investor Relations section of the Company's website, **[www.firstmidwest.com](http://www.firstmidwest.com)**.

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