

FIRST MIDWEST BANCORP INC

Form DEF 14A

April 14, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

First Midwest Bancorp, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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  - (4 ) Date Filed:

April 14, 2015

Dear Stockholder:

You are cordially invited to attend the 2015 Annual Meeting of Stockholders of First Midwest Bancorp, Inc., which will be held on Wednesday, May 20, 2015 at 9:00 a.m., Central time, at the Westin Chicago Northwest Hotel, 400 Park Boulevard, Itasca, Illinois 60143. Attached and enclosed you will find a Notice setting forth the business to come before the meeting, a Proxy Statement, a Proxy Card and a copy of our 2014 Annual Report.

We are pleased to offer multiple options for voting your shares. As detailed in the Questions and Answers section of the Proxy Statement, you can vote your shares via the Internet, by telephone, by mail or by written ballot at the Annual Meeting.

Your vote is very important to us. Whether or not you plan to attend the meeting in person, your shares should be represented and voted. Please cast your vote via the Internet, by mail or by telephone as instructed on the enclosed Proxy Card. Voting in any of these ways will not prevent you from attending the Annual Meeting.

On behalf of our Board of Directors, I would like to express our appreciation for your continued interest in First Midwest. I hope you will be able to attend the Annual Meeting.

Sincerely,

Michael L. Scudder  
President and Chief Executive Officer

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One Pierce Place, Suite 1500  
Itasca, Illinois 60143

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

Date and Time: May 20, 2015 at 9:00 a.m., Central time.

Place: Westin Chicago Northwest Hotel, 400 Park Boulevard, Itasca, Illinois 60143.

Items of Business: To elect as directors the five nominees identified in the attached Proxy Statement, each to serve for a three-year term expiring at the Company's 2018 annual meeting of stockholders.

To approve an advisory (non-binding) resolution regarding the compensation paid in 2014 to the Company's named executive officers.

To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2015.

To transact such other business as may properly come before the Annual Meeting.

Record Date: You are entitled to vote at the annual meeting of stockholders only if you owned shares of First Midwest Bancorp, Inc. common stock at the close of business on March 27, 2015, which is the record date for the annual meeting.

Proxy Voting: It is important that your shares be represented and voted at the annual meeting of stockholders. You can vote your shares via the Internet, by telephone or by mail as instructed on the enclosed Proxy Card. Voting in any of these ways will not prevent you from attending or voting your shares in person at the annual meeting. For instructions on how to vote your shares, please see the Questions and Answers section of the Proxy Statement.

By Order of the Board of Directors,

Nicholas J. Chulos  
Executive Vice President, Corporate Secretary  
and General Counsel  
First Midwest Bancorp, Inc.

April 14, 2015

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One Pierce Place, Suite 1500  
Itasca, Illinois 60143

PROXY STATEMENT

INTRODUCTION AND SUMMARY

This Proxy Statement is being furnished in connection with a solicitation of proxies by the Board of Directors of First Midwest Bancorp, Inc., a Delaware corporation, to be used at our 2015 Annual Meeting of Stockholders. The approximate date on which this Proxy Statement, the accompanying Proxy Card and our 2014 Annual Report are first being sent to stockholders is April 14, 2015. The following is a summary of items to be voted upon at the Annual Meeting.

Annual Meeting of Stockholders

Time and Date: May 20, 2015 at 9:00 a.m., Central time

Place: Westin Chicago Northwest Hotel, 400 Park Boulevard, Itasca, Illinois 60143

Record Date: March 27, 2015

Items to be Considered	Board of Directors Vote Recommendation
Election of Directors	FOR
Approval of an Advisory (Non-Binding) Resolution Regarding the Compensation Paid in 2014 to the Company's Named Executive Officers	FOR
Ratification of the Appointment of the Company's Independent Registered Public Accounting Firm	FOR

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## Election of Directors

The first item of business at the Annual Meeting will be the election of five directors of the Company to the class of directors whose term expires in 2018. The nominees are Barbara A. Boigegrain, Peter J. Henseler, Patrick J. McDonnell, Robert P. O'Meara and Mark G. Sander, each of whom is currently a director of the Company.

Director Nominees	Age	Director Since	Independent	Board of Directors Vote Recommendation
Barbara A. Boigegrain General Secretary and Chief Executive Officer of the General Board of Pension and Health Benefits of The United Methodist Church	57	2008	Yes	FOR
Peter J. Henseler President of Wise Consulting Group Inc.	56	2011	Yes	FOR
Patrick J. McDonnell President and Chief Executive Officer of The McDonnell Company LLC	71	2002	Yes	FOR
Robert P. O'Meara Chairman of the Board of First Midwest Bancorp, Inc.	77	1982	Yes	FOR
Mark G. Sander Senior Executive Vice President and Chief Operating Officer of First Midwest Bancorp, Inc.	56	2014	No	FOR

## Executive Compensation

We are asking our stockholders to approve, on an advisory (non-binding) basis, a resolution regarding the compensation paid in 2014 to our named executive officers as disclosed in this Proxy Statement.

## Independent Registered Public Accounting Firm

We are asking our stockholders to ratify, on an advisory (non-binding) basis, the selection of Ernst & Young LLP as our independent registered public accounting firm for 2015.

## Certain Terms

Certain terms that we use in this Proxy Statement have particular meanings. For ease of reference, we have set forth below the meanings of these terms.

Term	Meaning
401(k) Plan	First Midwest Bancorp, Inc. Savings and Profit Sharing Plan, as amended
Annual Meeting	2015 Annual Meeting of Stockholders of First Midwest Bancorp, Inc.
Board of Directors or Board	Board of Directors of First Midwest Bancorp, Inc.
By-Laws	Amended and Restated By-Laws of First Midwest Bancorp, Inc., as amended
Certificate of Incorporation	Restated Certificate of Incorporation of First Midwest Bancorp, Inc., as amended

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Common Stock	Common Stock, \$0.01 par value, of First Midwest Bancorp, Inc.
Company, we, us or our	First Midwest Bancorp, Inc.
Deferred Compensation Plan	First Midwest Bancorp, Inc. Nonqualified Retirement Plan, as amended
First Midwest Bank or Bank	First Midwest Bank, which is a wholly-owned subsidiary of First Midwest Bancorp, Inc.
Gain Deferral Plan	First Midwest Bancorp, Inc. Stock Option Gain Deferral Plan, as amended
Internal Revenue Code	Internal Revenue Code of 1986, as amended
Named executive officers	Executive officers named in the Summary Compensation Table contained in this Proxy Statement
Non-Employee Directors Stock Plan	First Midwest Bancorp, Inc. Amended and Restated Non-Employee Directors Stock Plan, as amended
Omnibus Stock and Incentive Plan	First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan, as amended
Pension Plan	First Midwest Bancorp, Inc. Consolidated Pension Plan, as amended
Proxy Card	The form of proxy card that accompanies this Proxy Statement
Proxy Statement	This proxy statement
Record Date	March 27, 2015
SEC	United States Securities and Exchange Commission

QUESTIONS AND ANSWERS

Who can vote at the Annual Meeting?

You are entitled to vote your shares of Common Stock at the Annual Meeting if you were a stockholder of record of the Company at the close of business on March 27, 2015, the Record Date for the Annual Meeting. On that date, there were 78,019,992 shares of Common Stock outstanding, each of which is entitled to one vote for each matter to be voted on at the Annual Meeting. On the Record Date, we had 1,934 stockholders of record.

A proxy is your direction to another person to vote your shares. When you sign the enclosed Proxy Card, you will appoint certain officers of the Company to vote your shares of Common Stock at the Annual Meeting in the manner you instruct. Even if you plan to attend the Annual Meeting, you should complete, sign and return your Proxy Card in advance.

Who is entitled to receive this mailing?

If you hold shares of our Common Stock that are registered in your name through our transfer agent, Computershare Trust Company, N.A., as of the Record Date, you are the stockholder of record with respect to those shares. If you hold shares of our Common Stock indirectly through a bank, broker or similar institution, you are considered a beneficial owner of those shares but are not the stockholder of record. We refer to banks, brokers and similar institutions in this Proxy Statement collectively as “brokers.” In this circumstance, you are a stockholder whose shares are held in “street name” and your broker is considered the stockholder of record. We sent copies of our proxy





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materials directly to all stockholders of record. If you are a beneficial owner whose shares are held in street name, these materials were sent to you by the broker through which you hold your shares. As the beneficial owner, you may direct your broker how to vote your shares at the Annual Meeting, and the broker is obligated to provide you with a voting instruction form for you to use for this purpose.

What does it mean if I receive more than one Proxy Card?

If you receive multiple Proxy Cards, this means you hold your shares in more than one account. To ensure that all your shares are voted, please sign and return each Proxy Card. If you vote via the Internet or by telephone, you will need to vote for each Proxy Card you receive.

How are shares voted and counted?

If you are a stockholder of record on the Record Date and you properly submit your Proxy Card by mail, telephone or the Internet, your shares will be voted in accordance with your instructions. If you sign and return your Proxy Card, but do not give voting instructions, your shares will be voted in the manner recommended by the Board of Directors, as follows: FOR each director nominee named in this Proxy Statement and FOR each of the other items set forth in the Notice of Annual Meeting attached to this Proxy Statement. A Proxy Card also will grant discretionary authority to the named proxies to vote pursuant to the Proxy Card on any other matters that may properly come before the Annual Meeting, or any adjournment or postponement, which will be voted in accordance with the best judgment of the named proxies.

If your shares are held in street name, the shares will be voted by the broker through which you hold your shares on routine matters in accordance with your instructions and, if no instructions are given, your broker is entitled to vote your shares in its discretion. On non-routine matters, your broker will vote your shares only if you have provided the broker with voting instructions. If you do not give your broker voting instructions for non-routine items, your shares will be treated as “broker non-votes.” This means your shares will be counted for the purpose of determining if a quorum is present but, except as provided below, will not be included as votes cast with respect to the non-routine items. The determination of whether a matter is routine or non-routine is made under the rules of the NASDAQ Stock Market. An abstention occurs when a stockholder marks his or her Proxy Card as ABSTAIN and thereby abstains from voting on a matter.

The following chart explains which items to be voted upon at our Annual Meeting are routine and non-routine and the treatment of abstentions and broker non-votes.

Item	Type	Effect of Abstentions and Broker Non-Votes
Election of Directors	Non-Routine	Broker non-votes and votes to ABSTAIN are not treated as a “vote cast” with respect to the election of a director, and thus will have no effect on the outcome of the vote.
Approval of an Advisory (Non-Binding) Resolution Regarding the Compensation Paid in 2014 to the Company’s Named Executive Officers	Non-Routine	Broker non-votes will have no effect on the outcome of the vote on this Item. Votes to ABSTAIN are treated as “votes cast” and will have the effect of a vote AGAINST this Item.
Ratification of the Appointment of the Company’s Independent Registered Public Accounting Firm	Routine	Broker non-votes are not expected to exist because brokers have discretionary authority to vote on this Item. Votes to ABSTAIN are treated as “votes cast” and will have the effect of a vote AGAINST this Item.



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What is the required vote for each item of business to properly come before the Annual Meeting?

A quorum is required to transact business at the Annual Meeting. The holders of a majority of the outstanding shares of Common Stock on the Record Date, present in person or represented by proxy and entitled to vote, will constitute a quorum for the transaction of business at the Annual Meeting. Abstentions and broker non-votes are treated as present for quorum purposes.

Item 1—Election of Directors. You may vote FOR or AGAINST any or all director nominees named in this Proxy Statement, or you may ABSTAIN as to one or more directors. A majority of the votes cast at the Annual Meeting with respect to the election of a director must be voted FOR the director in order for the director to be elected. A director who fails to receive a majority of the votes cast FOR his or her election will tender his or her resignation to the Board of Directors for consideration, and our Nominating and Corporate Governance Committee will recommend to the Board of Directors whether to accept or reject the resignation, or whether other action should be taken. The Board of Directors will consider the recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results.

Item 2—Approval of an Advisory (Non-Binding) Resolution Regarding the Compensation Paid in 2014 to the Company's Named Executive Officers. You may vote FOR or AGAINST the advisory resolution regarding the compensation paid to our named executive officers, or you may ABSTAIN. A majority of the votes cast at the Annual Meeting must be voted FOR this Item in order for it to pass.

Item 3—Ratification of the Appointment of the Company's Independent Registered Public Accounting Firm. You may vote FOR or AGAINST the ratification of our Audit Committee's appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2015, or you may ABSTAIN. A majority of the votes cast at the Annual Meeting must be voted FOR ratification in order for this Item to pass.

How do I vote?

If you are a stockholder of record you may cast your vote in one of four ways:

By Internet. The web address for Internet voting can be found on the enclosed Proxy Card. Internet voting is available 24 hours a day. To be valid, your vote by Internet must be received by the deadline specified on the Proxy Card.

By Telephone. The number for telephone voting can be found on the enclosed Proxy Card. Telephone voting is available 24 hours a day. To be valid, your vote by telephone must be received by the deadline specified on the Proxy Card.

By Mail. Mark the enclosed Proxy Card, sign and date it, and return it in the postage pre-paid envelope we have provided. To be valid, your vote by mail must be received by the deadline specified on the Proxy Card.

• At the Annual Meeting. You can vote your shares in person at the Annual Meeting. You must present an acceptable form of identification (such as a valid driver's license) in order to vote at the meeting.

If you hold your shares in street name, you may vote by following your broker's instructions or, in order to vote in person at the Annual Meeting, you must obtain from the broker through which you hold your shares, both an account statement showing that you owned shares of Common Stock as of the Record Date and a "legal proxy" form, and bring them to the meeting.

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How can I revoke my Proxy Card or change my vote?

You can revoke your Proxy Card or change your vote at any time before your Proxy Card is voted at the Annual Meeting by:

- resubmitting your vote via the Internet or by telephone; or
- executing and mailing a Proxy Card that is dated and received on a later date; or
- giving written notice of revocation to our Corporate Secretary at One Pierce Place, Suite 1500, Itasca, Illinois 60143; or
- voting in person at the Annual Meeting.

If your shares are held in street name, you should contact your broker to change your vote.

How can I obtain an additional Proxy Card?

If you lose, misplace or otherwise need to obtain a Proxy Card, and:

- you are a stockholder of record, contact our Corporate Secretary's office at 630-875-7463; or
- you hold Common Stock in street name through a broker, contact your account representative at that organization.

How will current employees who participate in the Company's benefit plans receive our proxy materials?

Employees who participate in the First Midwest Bancorp, Inc. Savings and Profit Sharing Plan, First Midwest Bancorp, Inc. Nonqualified Retirement Plan, First Midwest Bancorp, Inc. Stock Option Gain Deferral Plan and/or the First Midwest Bancorp, Inc. Dividend Reinvestment Plan, and have a Company e-mail address, will receive an e-mail from Broadridge Financial Solutions, Inc. describing how to access proxy materials and vote via the Internet or by telephone. One e-mail will be sent for all accounts registered in the same employee name. If the employee's accounts are registered in different names, he or she will receive a separate e-mail for each account. This e-mail will be titled: FIRST MIDWEST BANCORP, INC. 2015 ANNUAL MEETING OF STOCKHOLDERS AND PROXY VOTE.

The trustees under these plans are the stockholders of record of all shares of Common Stock held in the plans, and the trustees will vote the shares held for the account of each employee in accordance with the instructions received from the employee. Employees should instruct the trustees how to vote their shares by using the instructions provided in the e-mail and vote via the Internet or by telephone. If the trustees do not receive voting instructions by the specified deadline, the trustees will vote the shares proportionally in the same manner as those shares for which instructions were received. Because the employees are not the record owners of the related shares, the employees may not vote these shares in person at the Annual Meeting. Individual voting instructions to the plan trustees will be kept confidential and will not be disclosed to any of our directors, officers or employees.

Who pays for the expenses of this proxy solicitation?

We will pay the expenses of the preparation of proxy materials and the solicitation of proxies for the Annual Meeting. In addition to the solicitation of proxies by mail, solicitations may be made by certain of our directors, officers or employees or affiliates telephonically, electronically or by other means of communication. Directors, officers and employees will receive no additional compensation for any such solicitation. Although we do not anticipate using a paid proxy solicitor in connection with the Annual Meeting, we may do so if we believe this to be appropriate. We will reimburse brokers for costs incurred by them in mailing proxy materials to beneficial owners in accordance with applicable requirements.

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What do I need to do to attend the Annual Meeting?

All stockholders must bring an acceptable form of identification, such as a valid driver's license, in order to attend the Annual Meeting in person. If you hold shares in street name and would like to attend our Annual Meeting, you also will need to bring an account statement or other acceptable evidence of ownership of Common Stock as of the close of business on the Record Date.

Additional Information

You may obtain additional information regarding the Company, including our corporate governance policies and practices, by visiting our website at [www.firstmidwest.com/investorrelations](http://www.firstmidwest.com/investorrelations), or by making a written request to our Corporate Secretary at First Midwest Bancorp, Inc., One Pierce Place, Suite 1500, Itasca, Illinois 60143.

A list of the stockholders of record as of the Record Date will be available for inspection for purposes germane to the Annual Meeting during ordinary business hours at our offices, One Pierce Place, Suite 1500, Itasca, Illinois 60143, from May 8, 2015 to May 19, 2015, as well as at the Annual Meeting.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting on May 20, 2015

A copy of our Annual Report for the year ended December 31, 2014 is enclosed with this Proxy Statement. The Notice of Annual Meeting of Stockholders, this Proxy Statement and our 2014 Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com) (if you utilize [www.proxyvote.com](http://www.proxyvote.com), you will need the control number included on your Proxy Card or voting instruction form). If you would like to receive, without charge, an additional paper copy of our Annual Report, please contact our Corporate Secretary at First Midwest Bancorp, Inc., One Pierce Place, Suite 1500, Itasca, Illinois 60143.

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ITEM 1—ELECTION OF DIRECTORS

Nominees for Election

Our Board of Directors currently consists of 13 directors and is divided into three classes, with each class serving for three-year terms. As a result, each year, only one class of directors stands for election at our Annual Meeting. Upon the unanimous recommendation of our Nominating and Corporate Governance Committee, our Board of Directors unanimously nominated Barbara A. Boigegrain, Peter J. Henseler, Patrick J. McDonnell, Robert P. O'Meara and Mark G. Sander to stand for election at the Annual Meeting, all of whom are currently directors of the Company. If elected, each nominee will hold office for a three-year term expiring at our annual meeting of stockholders in 2018 and until his or her successor has been elected and qualified. If a nominee fails to receive the required majority vote for election, he or she will tender his or her resignation as a director in accordance with our By-Laws and Corporate Governance Guidelines, and the Board of Directors will determine whether it is in the best interests of the Company to accept any tendered resignation.

Each nominee has informed us that he or she is willing to serve as a director if elected. Should any nominee become unable or refuse to serve as a director upon election, it is intended that the persons named as proxies in the Proxy Card will vote for the election of such other person as the Board of Directors may recommend.

Nomination Process

In identifying, evaluating and recommending nominees for the Board of Directors, our Nominating and Corporate Governance Committee places primary emphasis on the criteria set forth in our Corporate Governance Guidelines, which include:

- the individual's judgment, expertise, character, skills, background, knowledge of matters useful to the oversight of the Company and other relevant experience;
- the individual's ability and willingness to commit adequate time to Board and committee matters; and
- the extent to which the interplay of the individual's expertise, skills, knowledge and personality with that of other Board members will build a Board of Directors that is effective, collegial and responsive to the needs of the Company.

We do not set specific, minimum qualifications that nominees must meet in order to be recommended to the Board of Directors. Each nominee is evaluated based on his or her individual merits, taking into account the needs of the Company and the composition of the Board of Directors. The Nominating and Corporate Governance Committee discusses and evaluates possible candidates in detail and outside consultants are sometimes engaged to help identify potential candidates.

The Board of Directors has not adopted a formal diversity policy for nominees. When making recommendations for nominees to the Board, however, the Nominating and Corporate Governance Committee attempts to include directors who, when taken together with the other nominees and continuing directors, will create a group that offers a diversity of education, professional experience, background, age, perspective, viewpoints and skill. The Nominating and Corporate Governance Committee will consider and evaluate director candidates recommended by stockholders in the same manner as other candidates identified by the Committee. A stockholder who desires to formally nominate a candidate must do so by following the procedures described in the Company's Certificate of Incorporation and By-Laws, as amended from time to time.

Independence of Nominees and Non-Employee Directors

Our Board of Directors determines the independence of all non-employee directors in accordance with the independence requirements of the NASDAQ Stock Market rules. Accordingly, each year the Board affirmatively

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determines whether each non-employee director has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Annually, each non-employee director is required to complete a questionnaire that provides information about relationships that might affect the determination of independence. Management then provides the Nominating and Corporate Governance Committee and Board of Directors with relevant facts and circumstances of any relationship bearing on the independence of a director or nominee that are outside the categories permitted under the NASDAQ Stock Market rules.

Based on the review and recommendation by the Nominating and Corporate Governance Committee, the Board of Directors analyzed the independence of each of the Company's nominees and other current directors, and determined that all of our directors meet the standards of independence under our Corporate Governance Guidelines and the NASDAQ Stock Market rules, other than Michael L. Scudder, the Company's President and Chief Executive Officer, and Mark G. Sander, the Company's Senior Executive Vice President and Chief Operating Officer, who are not considered to be independent under the standards of our Corporate Governance Guidelines and the NASDAQ Stock Market rules. In addition, our Board of Directors determined that:

• Each member of the Audit Committee is financially literate and has accounting or related financial management expertise (as such qualifications are defined under the NASDAQ Stock Market rules).

• Patrick J. McDonnell and John F. Chlebowski, Jr. are "audit committee financial experts" within the meaning of the rules and regulations of the SEC.

• Each member of the Compensation Committee is a "non-employee director" within the meaning of SEC Rule 16b-3, and an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code.

2015 Nominees and Continuing Directors

The evaluation and selection of each member of the Board of Directors is based on a variety of factors, as described above. The Board believes that each of the Company's directors possesses the requisite skills, experience and attributes to qualify him or her to serve as a member of our Board of Directors.

For each of the nominees for election at the Annual Meeting, our Nominating and Corporate Governance Committee and the Board considered, among other factors, the following:

• Barbara A. Boigegrain. Ms. Boigegrain's extensive employee benefits, senior leadership and corporate governance experience.

• Peter J. Henseler. Mr. Henseler's experience as a former president of a global public company, as well as his substantial operational, brand management and marketing expertise.

• Patrick J. McDonnell. Mr. McDonnell's significant finance and accounting background as a senior partner at PricewaterhouseCoopers LLP and his broad experience with a variety of public companies.

• Robert P. O'Meara. Mr. O'Meara's extensive background and experience in banking, management and strategic decision-making, as well as his in-depth knowledge of both the history and the current business of the Company.

• Mark G. Sander. Mr. Sander's significant banking industry and executive experience, his important leadership position with the Company and First Midwest Bank and his involvement with the operations, vision and strategy of the Company and the Bank.



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Set forth below is the name of each member of the Board, along with his or her principal occupation for at least the previous five years and other professional experience.

Nominees Standing for Election at the Annual Meeting

Barbara A. Boige grain (57) Ms. Boige grain has served as the General Secretary and Chief Executive Officer of the General Board of Pension and Health Benefits of The United Methodist Church since 1994 (a pension, health and welfare benefit trustee and administrator that is the largest faith-based pension fund in the United States with \$21 billion of assets under management). Prior to 1994, Ms. Boige grain spent 11 years as a consultant with Towers Perrin and 4 years with KPMG LLP and Dart Industries as a manager and analyst.

Director since 2008

As the CEO and General Secretary of the General Board, Ms. Boige grain has overseen its restructuring, significantly improved its performance and services and increased its assets under management. In her experience as a benefits consultant, she established the San Diego office of Towers Perrin.

Ms. Boige grain also is a member of the board of directors of Church Benefits Association and Chair of the Church Alliance.

Ms. Boige grain is a member of our Compensation Committee.

Ms. Boige grain earned a Bachelor of Science degree in Biology and Psychology from Trinity University in 1979.

Peter J. Henseler (56)

Mr. Henseler is the founder and President of Wise Consulting Group Inc. (a strategy and management consulting firm). He previously held the position of Vice Chairman of TOMY International, a wholly-owned subsidiary of TOMY Company, Ltd. (a global designer and marketer of toys and infant products) until his retirement from TOMY International in October 2012. He held the position of President of TOMY International from April 2011 until April 2012. Mr. Henseler was President of RC2 Corporation from 2002 to 2011, at which time TOMY Company acquired RC2. He served as RC2's Executive Vice President of Sales and Marketing from 1999 to 2002. Mr. Henseler has also served as a director of RC2 and TOMY International.

Director since 2011

Prior to joining RC2, Mr. Henseler held marketing positions at McDonald's Corporation and Hasbro, Inc. He currently serves on the United States Toy Industry Association Board of Directors and is Chairman of the Toy Industry Foundation.

Mr. Henseler is a member of our Compensation Committee.

Mr. Henseler earned a Bachelor of Science degree in Marketing from Xavier University in 1980.

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Patrick J. McDonnell (71)  Director since 2002	<p>Since July 2000, Mr. McDonnell has served as the President and Chief Executive Officer of The McDonnell Company LLC (a business consulting company). In this position, he works with public and privately-held companies in a wide variety of industries to help define organizational opportunities to improve performance and achieve results. Previously, he served as a partner and Director of Global Assurance for PricewaterhouseCoopers LLP, an international public accounting firm, and Vice Chairman of Business Assurance for its predecessor, Coopers &amp; Lybrand, LLP. Mr. McDonnell is a certified public accountant.</p> <p>Mr. McDonnell served as a member of the board of directors of Material Sciences Corporation from 2006 to 2014. He also served as President and COO of LAI Worldwide, Inc., an executive recruiting firm, prior to its sale to TMP Worldwide, Inc. in 1999. He is a former Adjunct Professor at the Lake Forest Graduate School of Management where he taught Leading Organizational Change.</p> <p>Mr. McDonnell is a member of our Audit Committee (serving as its Chair), Nominating and Corporate Governance Committee and Advisory Committee.</p> <p>Mr. McDonnell earned a Bachelor of Business Administration degree with a major in Management from the University of Notre Dame in 1965 and a Master of Business Administration from the University of Michigan in 1970.</p>
Robert P. O'Meara (77)  Director since 1982	<p>Mr. O'Meara is currently the Chairman of the Board of the Company. He has over 40 years of experience in the banking and financial services industry. Mr. O'Meara previously served as Chairman of the Board of the Company from 1998 through 2007 and was re-appointed to this position in September 2008. Mr. O'Meara also is a member of the Board of Directors of First Midwest Bank and previously served as Chairman of the Board of the Bank from 2008 through 2011, and Vice Chair from 2011 through 2014.</p> <p>Mr. O'Meara served as the Company's Chief Executive Officer from 1987 through 2002 and as its Chief Operating Officer from 1983 to 1987. Prior to his tenure with the Company, Mr. O'Meara served as President and Chief Executive Officer of Citizens National Bank of Waukegan from 1970 to 1983. Prior thereto, he was in private legal practice in Lake County, Illinois, and he remains a licensed lawyer in the State of Illinois. Mr. O'Meara also has served in various leadership positions with several civic and charitable organizations in the metropolitan Chicago area.</p> <p>Mr. O'Meara serves as a member and the Chair of the Advisory Committee but is not a member of any other Board committee.</p> <p>Mr. O'Meara earned a Bachelor of Science degree in Finance from the University of Notre Dame in 1959 and a Juris Doctor degree from Loyola University of Chicago in 1962.</p>
Mark G. Sander (56) Director since 2014	<p>Mr. Sander is the Senior Executive Vice President and Chief Operating Officer of the Company and the President and Chief Operating Officer of First Midwest</p>

Bank. Mr. Sander also serves as a director of First Midwest Bank.

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Prior to joining the Company in 2011, Mr. Sander served as Executive Vice President, Director of Commercial Banking at Associated Banc-Corp where he oversaw Associated's commercial banking, treasury management, insurance brokerage and capital markets businesses. He also served as a member of Associated's Executive and ALCO Committees. Previously, he served as a commercial banking executive at Bank of America and in numerous leadership positions in commercial banking at LaSalle Bank. Mr. Sander has more than 30 years of experience in the financial services industry.

Mr. Sander earned a Bachelor of Science degree in Finance from the University of Illinois in 1980 and a Master of Business Administration with a concentration in Finance and International Economics from the University of Chicago in 1983.

Continuing Directors Serving a Term Expiring in 2016

Br. James Gaffney, FSC (72)  
Director since 1998

Br. Gaffney has served as the President of Lewis University (a leading Catholic and Lasallian university) in Romeoville, Illinois since 1988.

Br. Gaffney serves as a director, trustee or board member of more than 10 educational, religious, civic, corporate and community organizations and agencies. As a member and former chair of the Federation of Independent Illinois Colleges and Universities, he serves on the Executive Council of Chicago Metropolitan Strategies. He is the Chairman of the Will County Community Foundation, and is an active board member for the Will County Center for Economic Development. As a member of the De La Salle Christian Brothers, he chairs the Lasallian Association of College and University Presidents.

Br. Gaffney has been the recipient of numerous honors, including the Pro Ecclesiae et Pontifice Medallion from the Vatican in 2013, the Roger Osman Award for Distinguished Volunteer Service from the United Way of Will County, a Lifetime Achievement Award from the Joliet Region Chamber of Commerce and Industry, the De La Salle Award from Bethlehem University, the Provena St. Joseph Medical Center Founder's Award, the Saint Patrick High School President's Council Counsellor II Award, and honorary Doctoral Degrees from Saint Mary's University of Minnesota and Bethlehem University.

Br. Gaffney is a member of our Nominating and Corporate Governance Committee (serving as its Chair), Compensation Committee and Advisory Committee.

Br. Gaffney obtained a Bachelor of Arts degree in Theology and a Master of Education from Saint Mary's University of Minnesota, a Master of Theology from Manhattan College in New York and a Doctor of Ministry in Pastoral Theology from the University of Saint Mary of the Lake in Mundelein, Illinois.

Br. Gaffney's extensive background in executive administration enables him to bring valuable leadership, institutional management and consensus-building skills to our Board of Directors. His civic and charitable activities in the metropolitan Chicago area also give him unique insight into the markets and communities in which the Company operates.



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Michael L. Scudder (54)  
Director since 2008

Mr. Scudder is the President and Chief Executive Officer of the Company and Chairman of the Board and Chief Executive Officer of First Midwest Bank.

Prior to his current appointment in September 2008, Mr. Scudder served as the Company's President and Chief Operating Officer beginning in May 2007, and as its Chief Financial Officer from January 2002 to May 2007. He previously served as the Group Executive Vice President and Chief Financial Officer of First Midwest Bank from May 1995 to December 2001. He also has served in various other management capacities in his over 25 years of service to the Company. Mr. Scudder began his professional career at KPMG LLP, an international public accounting firm. He is a certified public accountant.

Mr. Scudder serves as a member of our Advisory Committee but is not a member of any other Board committee.

Mr. Scudder earned a Bachelor of Science degree in Accounting from Illinois Wesleyan University in 1982, and a Master of Business Administration with a concentration in Finance from DePaul University in 1993.

Mr. Scudder brings extensive executive management, financial and banking experience to our Board of Directors and has important institutional knowledge of the Company and its business and clients. His day-to-day management of the Company provides the Board with Company-specific experience and expertise, including a complete understanding of the Company's vision and strategy.

John L. Sterling (71)  
Director since 1998

Mr. Sterling has been a director of Sterling Lumber Company (a hardwood lumber supplier and distributor) headquartered in Phoenix, Illinois for over 46 years.

Mr. Sterling earned a Bachelor of Science degree in Business Administration from Michigan State University in 1967. He serves in various leadership positions with several civic and charitable organizations in the Chicago metropolitan area, including the Boy Scouts of America, and he is the recipient of their council's highest award.

Mr. Sterling is a member of our Compensation Committee.

Mr. Sterling's extensive background as a business owner allows him to bring valuable leadership, business development, customer service and strategic management experience to our Board. His business, civic and charitable activities in the metropolitan Chicago area also give him unique insight into the markets and communities in which the Company operates.

J. Stephen Vanderwoude (71)  
Director since 1991

Mr. Vanderwoude is currently a private investor. From 1996 until April 2007, he served as Chairman and Chief Executive Officer of Madison River Communications Corp., a company that acquired and operated rural telephone companies. Prior to his service to Madison River, he served as the President, Chief Executive Officer and a director of Powerhouse Technologies, Inc., and President, Chief Operating Officer and a director of Centel Corporation. From

1999 to 2009, Mr. Vanderwoude served as a member of the board of directors of Centennial Communications Corp. and as its Chairman from 2007 to 2009.

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Mr. Vanderwoude earned a Bachelor of Science degree in Engineering from the University of Pennsylvania in 1967 and a Master of Business Administration with concentrations in Economics and Marketing from the University of Chicago in 1977.

Mr. Vanderwoude is a member of our Compensation Committee (serving as its Chair), Nominating and Corporate Governance Committee and Advisory Committee.

Through his chief executive officer and director experience at other public companies, professional background and considerable business accomplishments and achievements, Mr. Vanderwoude brings valuable skills and experience in leadership, business management, strategic planning, finance, mergers and acquisitions and public company matters to our Board of Directors.

Continuing Directors Serving a Term Expiring in 2017

John F. Chlebowski, Jr. (69)

Mr. Chlebowski served as the President and Chief Executive Officer of Lakeshore Operating Partners, LLC (a bulk liquid distribution firm) from March 2000 until his retirement in December 2004. Previously, Mr. Chlebowski was a senior executive and co-founder of Lakeshore Liquids Operating Partners, LLC, a private venture firm, and from January 1998 until July 1999, he was a private investor and consultant in bulk liquid distribution. Mr. Chlebowski served as President and Chief Executive Officer of GATX Terminals Corporation, a subsidiary of GATX Corporation, from 1994 until 1998. He also served as Vice President of Finance and Chief Financial Officer of GATX Corporation, a specialized finance and leasing company, from 1986 to 1994.

Director since 2007

Mr. Chlebowski is the Chairman of the Board of SemGroup Corporation (since 2009) and is a member of the board of directors and Lead Independent Director of NRG Yield, Inc. (since 2013). He is a former Board member of NRG Energy, Inc. (2003 to 2013), Laidlaw International, Inc. (2003 to 2007), Phosphate Resource Partners LP (2003 to 2004) and SpectraSite, Inc. (2004 to 2005).

Mr. Chlebowski is a member of our Audit Committee and Advisory Committee.

Mr. Chlebowski earned a Bachelor of Science degree in Business Administration from the University of Delaware in 1970 and a Master of Business Administration with a concentration in Finance (Beta Gamma Sigma) from Pennsylvania State University in 1971. He is active in community affairs and is the past President of the board of directors of Heartland Alliance. He has also served on the boards of the Chicago Heart Association, Chicago City Ballet and Merit Music Program.

Through his board and executive management experience and extensive professional background, Mr. Chlebowski brings important public company, leadership, business, risk management, finance and accounting experience to our Board of Directors, as well as valuable experience and perspective relating to corporate strategy and board governance.





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Phupinder S. Gill (54)  
Director since 2010

Mr. Gill is the Chief Executive Officer of CME Group Inc. (a global derivatives marketplace and exchange). He served as President from 2007 until 2012, and previously served as President and Chief Operating Officer of CME Holdings and of CME from 2004 until 2007. From 2000 to 2003, he served as Managing Director and President of CME Clearing. Mr. Gill was the President of GFX Corp., a wholly owned subsidiary of CME Group that provides liquidity in foreign exchange futures, from 1998 until 2012.

Mr. Gill serves on the board of directors of CME Group as well as the board of the World Federation of Exchanges. Mr. Gill is a member of CME Group's Competitive Markets Advisory Council and sits on the boards of The Alexander Maxwell Grant Foundation, CME Group Foundation and CME Group Community Foundation. He previously served on the boards of CME Clearing Europe (CME Group's UK Clearing House), Bursa Malaysia Derivatives Berhad, and Bolsa Mexicana de Valores, S.A.B. de C.V.

Mr. Gill is a member of our Audit Committee.

Mr. Gill earned a Bachelor of Science degree in Finance in 1985 and a Master of Business Administration with a concentration in Finance in 1987 from Washington State University.

Through his board and executive management experience, Mr. Gill brings important public company, technology, leadership, operating and senior management experience to our Board of Directors, as well as experience with mergers and acquisitions and global affairs. He also provides the perspective of a current chief executive officer of a public company.

Ellen A. Rudnick (64)  
Director since 2005

Since 1999, Ms. Rudnick has served as the Executive Director of the Polsky Center for Entrepreneurship and Innovation at the University of Chicago Booth School of Business. Prior to joining the University of Chicago, Ms. Rudnick served as President and CEO of Healthcare Knowledge Resources, President of HCIA, Chairman of Pacific Biometrics and Corporate Vice President of Baxter Healthcare Corporation.

Ms. Rudnick currently serves on the boards of directors of Patterson Companies (since 2003) and HMS Holdings, Corp. (since 1997), both of which are public companies, and Liberty Mutual Insurance Company (since 2001).

Ms. Rudnick is a member of our Audit Committee, Nominating and Corporate Governance Committee and Advisory Committee.

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Ms. Rudnick earned a Bachelor of Arts degree in Italian (with a minor in Economics) from Vassar College in 1972 and a Master of Business Administration with a concentration in Finance from the University of Chicago in 1973. She has spent over 25 years in business management and entrepreneurial activities, primarily in the health care and information services industries. She serves in various leadership positions with several civic and nonprofit organizations in the Chicago metropolitan area, including having served on the Northshore University Health System board of directors for over 20 years, and currently is on the boards of directors of Hyde Park Angels and CEC-Chicagoland Entrepreneurship Center. She is the recipient of several honors, including the Today's Chicago Woman 20th Anniversary Hall of Fame Award and the YWCA Leadership Award.

With her extensive business background and her public company board experience, Ms. Rudnick brings important leadership, corporate and entrepreneurial experience to our Board of Directors, as well as valuable experience in business management.

Michael J. Small (57)

Mr. Small is the President and Chief Executive Officer of Gogo, Inc. (an airborne communications service provider) and has served in this capacity since 2010. Prior to joining Gogo, Mr. Small served as the Chief Executive Officer and Director of Centennial Communications Corp. from 1999 to 2009. From 1995 to 1998, Mr. Small was the Executive Vice President and Chief Financial Officer of 360 Degrees Communications Company. Prior to 1995, he held the position of President of Lynch Corporation, a diversified acquisition-oriented company with operations in telecommunications, manufacturing and transportation services.

Director since 2010

Mr. Small is a member of our Audit Committee and Nominating and Corporate Governance Committee.

Mr. Small earned a Bachelor of Arts degree in History from Colgate University in 1979 and a Master of Business Administration with a concentration in Finance from the University of Chicago in 1981.

Through his board, executive and financial experience, Mr. Small brings extensive public company, operating and management experience to our Board of Directors as well as strategic, financial and merger and acquisition experience. He also provides the perspective of a current chief executive officer of a public company.

For more information regarding our Board of Directors, its members, its committees and our corporate governance practices, please see the section of this Proxy Statement entitled Corporate Governance at First Midwest or visit the Investor Relations section of our website at [www.firstmidwest.com/officersdirectors](http://www.firstmidwest.com/officersdirectors).

Directors' Recommendation

The Board of Directors unanimously recommends that stockholders vote FOR the election of each of Barbara A. Bojegrain, Peter J. Henseler, Patrick J. McDonnell, Robert P. O'Meara and Mark G. Sander as directors of the Company as set forth above.



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**ITEM 2—APPROVAL OF AN ADVISORY (NON-BINDING) RESOLUTION REGARDING THE COMPENSATION PAID IN 2014 TO THE COMPANY’S NAMED EXECUTIVE OFFICERS**

In accordance with applicable SEC rules, we are required to provide stockholders with an opportunity to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement. We refer to this proposal as the “say-on-pay” proposal. Our executive compensation programs, including detailed information regarding the compensation paid to our named executive officers for 2014, are described in the Compensation Discussion and Analysis and Executive Compensation Tables sections of this Proxy Statement, which begin on pages 29 and 43, respectively.

Our Board of Directors views it as a good corporate governance practice to present the say-on-pay proposal to our stockholders annually. The Board made this recommendation to our stockholders at our 2012 annual meeting, and our stockholders overwhelmingly voted in favor of holding a say-on-pay vote every year, as opposed to every other year or every third year. Our stockholders will next have the opportunity to indicate their preference for the frequency of the say-on-pay vote at our 2018 annual meeting.

At our 2014 annual meeting of stockholders, approximately 93% of the votes cast were voted in favor of the compensation paid to our named executive officers. We believe these results confirmed our approach to executive compensation. Our Compensation Committee intends to consider the say-on-pay vote results from this year, and future advisory votes, with respect to the design of and amounts paid under our executive compensation programs. We are asking our stockholders to indicate their support for our executive compensation program as described in this Proxy Statement. This proposal gives our stockholders the opportunity to express their views on executive compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers described in this Proxy Statement. Accordingly, we will ask our stockholders to vote on the following resolution at the Annual Meeting:

RESOLVED, that the compensation paid to the Company’s named executive officers, as disclosed pursuant to the executive compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and related narrative discussion set forth in the 2015 annual meeting proxy statement is hereby approved by the Company’s stockholders on an advisory basis.

The say-on-pay vote is advisory and is therefore not binding on the Company, the Compensation Committee or our Board of Directors. We value the opinions of our stockholders, and the Compensation Committee will consider the results of the vote on our say-on-pay proposal when establishing the design of and amounts paid under our future executive compensation programs.

**Directors’ Recommendation**

The Board of Directors unanimously recommends that stockholders vote FOR approval of the advisory (non-binding) resolution regarding the compensation paid to the Company’s named executive officers set forth in this Proxy Statement.

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## ITEM 3—RATIFICATION OF THE APPOINTMENT OF THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

## Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors is responsible for appointing the Company's independent registered public accounting firm, and the Audit Committee has selected Ernst & Young LLP to serve as our independent registered public accounting firm for the year ending December 31, 2015. We are submitting this selection for stockholder ratification at the Annual Meeting. We expect a representative of Ernst & Young LLP to be present at the Annual Meeting and to have an opportunity to make a statement if he or she desires to do so and to be available to respond to appropriate questions from stockholders. Ernst & Young LLP also served as our independent registered public accounting firm for the year ended December 31, 2014.

Although we are not required to have our stockholders ratify the selection of our independent registered public accounting firm, our Board of Directors has determined to seek this ratification from stockholders. The ratification of the selection of our independent registered public accounting firm is advisory and is therefore not binding on the Audit Committee. If our stockholders do not ratify the selection, the Audit Committee will reconsider whether to retain Ernst & Young LLP, but may retain them nonetheless. Even if the selection is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in the best interests of the Company.

## Fees Paid to Independent Registered Public Accounting Firm

The Audit Committee, or a designated member of the Audit Committee, approves in advance all audit and any non-audit services rendered by Ernst & Young LLP on behalf of the Company. The following table shows information about fees paid by the Company to Ernst & Young LLP for services related to the fiscal years indicated below.

	2014		Percent of 2014 Services Approved by Audit Committee	2013	Percent of 2013 Services Approved by Audit Committee
Audit fees <sup>(1)</sup>	\$1,425,656	(2)	100%	\$1,232,231	100%
Audit-related fees <sup>(3)</sup>	134,840		100%	135,388	100%
Tax fees <sup>(4)</sup>	215,950		100%	203,975	100%
All other fees	—		N/A	—	N/A
Total fees	\$1,776,446	(2)		\$1,571,594	

Includes fees and expenses for the audit of the Company's annual financial statements, internal control over financial reporting and review of financial statements included in the Company's quarterly reports filed with the SEC and other services normally provided by an independent auditor in connection with statutory and regulatory filings or engagements.

(1) Includes \$182,600 attributable to work performed by Ernst & Young LLP for the Company's annual audit related to the Company's three acquisitions completed in 2014.

(2) Includes fees related to the audits of the Company's benefit plans.

(4) Includes fees related to assistance with routine audits and tax planning, consulting and compliance services.

For audit, audit-related services, tax-related services and all other services, our Audit Committee has determined specific services and dollar thresholds under which such services would be considered pre-approved. To the extent management requests services other than these pre-approved services, or beyond the dollar thresholds, our Audit Committee must specifically approve the services. Further, under our fee policy, our independent registered public accounting firm may not perform the non-audit services identified by the SEC as prohibited. Our fee policy requires management to provide to our Audit Committee on a quarterly basis a summary of all services performed by the independent registered public accounting firm.



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Directors' Recommendation

The Board of Directors unanimously recommends that stockholders vote FOR ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2015.

CORPORATE GOVERNANCE AT FIRST MIDWEST

Our Board of Directors is committed to maintaining strong corporate governance principles and practices. If you would like additional information about our corporate governance practices, you may view the following documents on our website at [www.firstmidwest.com/corporategovernance](http://www.firstmidwest.com/corporategovernance) or request them in print by sending a written request to the Corporate Secretary at First Midwest Bancorp, Inc., One Pierce Place, Suite 1500, Itasca, Illinois 60143:

• Corporate Governance Guidelines;

• Code of Ethics and Standards of Conduct (applicable to all directors, officers and employees);

• Code of Ethics for Senior Financial Officers;

• Audit Committee Charter;

• Compensation Committee Charter;

• Nominating and Corporate Governance Committee Charter; and

• Related Person Transaction Policies and Procedures.

Corporate Governance Guidelines and Committee Charters

The Corporate Governance Guidelines and the charters of the Audit, Compensation and Nominating and Corporate Governance Committees of our Board of Directors describe our corporate governance practices. The Corporate Governance Guidelines and charters are intended to ensure that our Board of Directors has practices in place relating to oversight of management and various components of our business operations and to make decisions that are independent of management.

Code of Ethics and Standards of Conduct

We have adopted a Code of Ethics and Standards of Conduct, which applies to all of our directors, officers and employees, as well as a Code of Ethics for Senior Financial Officers, which applies to our senior financial officers. Our Code of Ethics and Standards of Conduct meets the requirements of a "code of ethics" as defined by applicable SEC rules, and also meets the requirements of a "code of conduct" under the applicable NASDAQ Stock Market rules. Annually, all employees are required to certify that they have reviewed and are familiar with the Code of Ethics and Standards of Conduct, and all officers are required to certify compliance with this code. Waivers of the Code of Ethics and Standards of Conduct for executive officers are required to be disclosed to the Chair of the Nominating and Corporate Governance Committee of the Board. Similarly, our senior financial officers must certify annually that they have reviewed, are familiar with and are in compliance with the Code of Ethics for Senior Financial Officers. Waivers of the Code of Ethics for Senior Financial Officers must be submitted to and approved by the Board.

Board Leadership and Structure

As provided in the Corporate Governance Guidelines, our Board of Directors does not have a fixed policy regarding the separation of the offices of Chairman and Chief Executive Officer and believes that it should maintain the flexibility to select the Chairman and its Board leadership structure, from time to time, based on the criteria that it deems to be in the best interests of the Company and its stockholders.

The position of Chairman of the Board is held by Robert P. O'Meara and the position of President and Chief Executive Officer is held by Michael L. Scudder. The Board of Directors believes that, at this time, the separation of



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the offices of Chairman of the Board and of President and Chief Executive Officer is appropriate for the Company. This separation presently allows Mr. Scudder to focus on his responsibilities of running the day-to-day affairs of the Company, enhancing stockholder value and expanding and strengthening the Company's business. Concurrently, Mr. O'Meara, as Chairman of the Board, can utilize his intimate knowledge of the Company and significant industry experience to focus on leadership for the Board as it provides advice to and independent oversight of management. As the independent Chairman, Mr. O'Meara also serves as lead independent director and the presiding director at Board meetings, and has final approval of Board meeting agendas.

### Risk Oversight

Risk is inherent with every business and we face a number of risks, including, for example, credit, interest rate, liquidity, operational, strategic, cyber and reputation risks, as well as risks related to general economic conditions. We do not view risk in isolation, but rather consider risk as part of our ongoing consideration of business strategy and business decisions.

Management is responsible for the day-to-day management of the risks the Company faces. It establishes and maintains risk management processes and policies designed to balance our operations and business opportunities with risk mitigation in order to create stockholder value. It is management's responsibility to anticipate, identify and communicate risks to the Board of Directors and its committees. The Company also has a Chief Risk Officer. The Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors has the responsibility to satisfy itself that the risk management processes, policies and levels designed and implemented by management are appropriate and functioning as designed. The Board performs its risk oversight function primarily through its committees and the operation of the Bank's Board of Directors. Each of the Board's committees is chaired by an independent director and supports the Board's oversight functions by regularly addressing various risks in their respective areas of oversight. Specifically, each committee assists the Board in fulfilling its risk management oversight responsibilities in the following areas:

- **Audit Committee.** Assists the Board with risk oversight in the areas of financial reporting, internal controls, tax and compliance with public reporting requirements.

- **Compensation Committee.** Assists the Board with risk oversight associated with our compensation policies and programs, including maintaining an executive compensation program that is designed to encourage the achievement of corporate objectives and strategies, enhance stockholder value and incent and retain our executive officers, and discourage unnecessary or excessive risk taking.

- **Nominating and Corporate Governance Committee.** Assists the Board with risk oversight associated with corporate governance and director selection and succession.

Each committee reports to the full Board of Directors at regular meetings concerning the activities of the committee, the significant matters it has discussed and the actions taken by the committee. The Board also receives reports directly from the President and Chief Executive Officer and other members of management regarding the Company's risk management functions. In addition, the Chairman of the Board meets regularly with the President and Chief Executive Officer to discuss strategy and risks facing the Company. Key members of senior management attend Board meetings and are available to address any questions or concerns raised by the Board of Directors.

### Meetings

Our Board of Directors holds regularly scheduled quarterly meetings and special meetings as needed. In 2014, the Board held four regularly scheduled meetings and two special meetings. Our directors also communicate with each other between meetings. Further, the Board of Directors devotes additional time outside of its regular meetings to presentations and discussions with senior management about the Company's long-term strategy, corporate objectives and initiatives and financial operating plans, which are then discussed further at the Board's quarterly meetings.

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We expect our directors to attend all Board and committee meetings for those committees on which they serve. Directors are also expected to attend each annual meeting of stockholders. All of our current directors, including the current nominees for director, attended last year's annual meeting of stockholders. Each director attended at least 75% of the total number of meetings of the Board of Directors and Board committees on which he or she served during 2014.

**Board Committees**

Our Board of Directors has three standing committees, our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Each standing committee has a written charter and the Board of Directors has determined that each of the members of our standing committees is "independent" under the provisions of our Corporate Governance Guidelines and the NASDAQ Stock Market rules. The Board has also established an Advisory Committee for the purpose of providing general advice to management with respect to general business matters as needed between regular meetings of the Board.

Under our Corporate Governance Guidelines, the members of each Board committee (including each committee chair) are appointed by the Board of Directors upon the recommendation of the Nominating and Corporate Governance Committee, and a member may only serve as the chair of one committee of the Board at any given time. The table below provides membership and meeting information for each Board committee for the 2014 fiscal year.

Name	Advisory	Audit	Compensation	Nominating and Corporate Governance
Barbara A. Boigegrain			ü	
John F. Chlebowski Jr.	ü	ü		
Br. James Gaffney	ü		ü	ü*
Phupinder S. Gill		ü		
Peter J. Henseler			ü	
Patrick J. McDonnell	ü	ü*		ü
Robert P. O'Meara	ü*			
Ellen A. Rudnick	ü	ü		ü
Mark G. Sander				
Michael L. Scudder	ü			
Michael J. Small		ü		ü
John L. Sterling			ü	
J. Stephen Vanderwoude	ü		ü*	ü
Total committee meetings in fiscal year 2014	2	8	5	4

\*Designates Chair of this Committee.

Below is a brief description of each standing committee of our Board of Directors, as well as our Advisory Committee. Each standing committee has the authority to engage, at the Company's expense, legal counsel or other advisors or consultants as it deems appropriate to carry out its responsibilities. The charter of each standing committee describes the specific responsibilities and functions of such committee. You may view a current copy of each charter by visiting our website at [www.firstmidwest.com/corporategovernance](http://www.firstmidwest.com/corporategovernance).

Advisory Committee. The primary responsibility of the Advisory Committee is to advise and consult with management with respect to general business matters as needed between regular meetings of the Board of Directors.

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Audit Committee. The responsibilities of the Audit Committee include, among others:

• Retention and termination of our independent registered public accounting firm and pre-approval of all services performed by this firm.

• Oversight of the external reporting process and the adequacy of the Company's internal controls.

• Oversight of the scope of the audit activities of the independent registered public accounting firm and the Company's internal auditors.

• Oversight of the process for determining the independence of the independent registered public accounting firm.

• Oversight of the procedures for the receipt, retention and resolution of complaints regarding accounting, internal controls or auditing matters.

Compensation Committee. Our Compensation Committee reviews and evaluates our general compensation philosophy and oversees the development, implementation and any revisions to our compensation policies and programs. The responsibilities of the Compensation Committee include, among others:

• Reviewing and approving the Company's general compensation philosophy.

• Oversight of the development and implementation of our compensation policies and programs.

• Recommending to our Board of Directors goals and objectives relating to the compensation of our Chief Executive Officer.

• Assisting our Board of Directors in evaluating our Chief Executive Officer and recommending to our Board the Chief Executive Officer's compensation.

• Reviewing and recommending to our Board of Directors the annual compensation of senior management.

• Reviewing and monitoring the Company's incentive and other compensation programs.

• Administering our Omnibus Stock and Incentive Plan and Non-Employee Directors Stock Plan.

• Oversight of the Company's health and welfare programs.

• Oversight of the Company's retirement plans.

Nominating and Corporate Governance Committee. The responsibilities of the Nominating and Corporate Governance Committee include, among others:

• Recommending to the Board of Directors the director nominees for election at any meeting of stockholders at which directors are elected.

• Identifying, interviewing and recruiting individuals for Board membership.

• Overseeing matters of corporate governance, including reviewing the Company's Corporate Governance Guidelines and Code of Ethics and Standards of Conduct.

• Advising the Board of Directors on Board and committee organization, membership, function, performance and effectiveness.

• Reviewing director independence standards and qualifications and making recommendations to the Board of Directors with respect to the determination of the independence and qualifications of directors.

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Reviewing related person transactions, if and when they arise.

Overseeing the annual self-evaluation process of the Board of Directors and each of its committees.

Reviewing stockholder proposals and considering responses or actions regarding such proposals.

### Board and Committee Self-Evaluations

The Board and the Audit, Compensation and Nominating and Corporate Governance Committees conduct an annual self-evaluation, which includes both a qualitative and quantitative assessment by each director of the performance of the Board and the committees on which the director sits. The Nominating and Corporate Governance Committee oversees these evaluations. As part of this process, each director completes an annual self-evaluation of the Board and the committees on which the director sits and has a one-on-one meeting with the Chair of the Nominating and Corporate Governance Committee. The results of the self-evaluations are reported to the Board of Directors.

### Related Person Transactions

We maintain a written policy for reviewing, approving and monitoring transactions involving the Company and related persons (generally, directors and executive officers or their immediate family members, or stockholders owning 5% or more of our Common Stock).

Our Nominating and Corporate Governance Committee is responsible for reviewing and approving (or ratifying) all transactions with related persons. The Nominating and Corporate Governance Committee will take into account all relevant factors in its analysis, including whether the transaction is on terms comparable to those available to third parties. The Nominating and Corporate Governance Committee will also determine whether any transaction with a related person impairs the independence of a director, or presents a conflict of interest on the part of a director or executive officer. The Chair of the Nominating and Corporate Governance Committee may pre-approve or ratify any transaction with a related person involving an amount up to \$500,000. The policy also provides that transactions involving competitive bids, the rendering of services by a regulated entity and certain ordinary course banking transactions, including loans made by First Midwest Bank, will be deemed to be pre-approved by the Nominating and Corporate Governance Committee.

During 2014, First Midwest Bank engaged in transactions in the ordinary course of business with some of our executive officers, directors and entities with which they are associated. These transactions involved loans and other banking services that were in the ordinary course of business and on substantially the same terms, including current interest rates and collateral, as those prevailing at the time for comparable transactions with others not related to the Company and did not involve more than the normal risk of collectability or present other unfavorable features.

### Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee has served as one of our executive officers or employees. None of our executive officers serves as a member of the board of directors or compensation committee of any other company that has an executive officer serving on our Board of Directors or our Compensation Committee.

### Stockholder Communication with Directors

Stockholders may contact the Chairman of the Board, an individual director, the Board of Directors as a group or a specific Board committee or group, including our independent directors as a group, by submitting written correspondence to First Midwest Bancorp, Inc., Attn: Board of Directors, One Pierce Place, Suite 1500, Itasca, Illinois 60143. Each communication should specify the applicable addressee(s) to be contacted as well as the general topic of the communication. The Company will initially receive and process communications before forwarding them to the addressee(s). Communications also may be referred to other departments within the Company. The Company generally will not forward to the directors a stockholder communication that involves routine business matters of the Company or First Midwest Bank, an irrelevant topic or a request for general information about the Company. Matters regarding accounting or auditing matters should be reported in writing to the Board's Audit Committee Chair or the Company's Chief Risk Officer at First Midwest Bancorp, Inc., One Pierce Place, Suite 1500, Itasca, Illinois 60143.

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## INFORMATION REGARDING BENEFICIAL OWNERSHIP OF PRINCIPAL STOCKHOLDERS, DIRECTORS, AND MANAGEMENT

The following table sets forth, as of March 1, 2015, information about the beneficial ownership of our Common Stock by all directors, our named executive officers and our directors and all executive officers as a group. Unless indicated in the notes to the table, each stockholder has sole voting and investment power for all shares shown, subject to applicable community property laws that may apply to create shared voting and investment power. Moreover, unless otherwise indicated, the address of each beneficial owner is c/o First Midwest Bancorp, Inc., One Pierce Place, Suite 1500, Itasca, Illinois 60143.

We calculated the percent of class based on 78,021,053 shares of Common Stock outstanding on March 1, 2015. We include shares of restricted stock subject to future vesting conditions for which an individual has voting but not dispositive power. We also include shares underlying restricted stock units that could vest, and shares subject to options that are currently exercisable or will become exercisable, within 60 days of March 1, 2015. Those shares are deemed to be outstanding and beneficially owned by the person holding such options for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Beneficial Owner	Number of Shares/Units <sup>(1)(2)(3)(4)</sup>	Percent of Class
Directors		
Barbara A. Boigegrain	24,168	*
John F. Chlebowski, Jr.	27,979	*
Br. James Gaffney <sup>(5)</sup>	9,384	*
Phupinder S. Gill	29,339	*
Peter J. Henseler	14,463	*
Patrick J. McDonnell	36,179	*
Robert P. O'Meara	519,767	*
Ellen A. Rudnick	37,046	*
Mark G. Sander	188,725	*
Michael L. Scudder	356,108	*
Michael J. Small	20,129	*
John L. Sterling	120,847	*
J. Stephen Vanderwoude	83,333	*
Named Executive Officers (other than Messrs. Sander and Scudder)		
Paul F. Clemens	94,949	*
Victor P. Carapella	207,035	*
Thomas M. Prame	38,498	*
All directors and executive officers (including named executive officers) as a group (24 persons) <sup>(6)</sup>	2,235,322	2.85%

\*Less than 1%.

Includes the following shares of Common Stock subject to options exercisable within 60 days after March 1, 2015:

John F. Chlebowski, Jr., 6,586 shares; Br. James Gaffney, 9,286 shares; Patrick J. McDonnell, 9,286 shares;

(1) Robert P. O'Meara, 9,174 shares; Ellen A. Rudnick, 10,653 shares; John L. Sterling, 9,286 shares; J. Stephen Vanderwoude, 9,286 shares; Michael L. Scudder, 63,548 shares; Mark G. Sander, 42,328 shares; Paul F. Clemens, 24,746 shares; and Victor P. Carapella, 40,651 shares.

Some of our directors and officers have deferred cash compensation (in the form of phantom Common Stock) or (2) stock option gains (in the form of Common Stock equivalents) under our deferred compensation plans. Some of these deferred amounts will be paid in



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shares of our Common Stock upon the directors' or officers' retirement or other termination of employment or service with the Company. The number of shares of Common Stock to which our directors and officers would be entitled had their employment or service with the Company terminated as of March 1, 2015 is as follows: Phupinder S. Gill, 14,210 shares; Peter J. Henseler, 1,451 shares; J. Stephen Vanderwoude, 19,160 shares; Michael L. Scudder, 9,245 shares; Paul F. Clemens, 1,939 shares; Victor P. Carapella, 50,871 shares; and Thomas M. Prame, 1,930 shares. The directors and officers have voting and investment power for the shares of phantom Common Stock and voting power but no dispositive power for the Common Stock equivalent shares.

Includes the following shares of Common Stock held through the Company's 401(k) Plan: Michael L. Scudder, (3)7,959 shares; Mark G. Sander, 346 shares; Paul F. Clemens, 1,099 shares; Victor P. Carapella, 26,472 shares; and Thomas M. Prame, 79 shares.

Includes the following shares of restricted stock subject to future vesting conditions for which the individual has voting but not dispositive power: Michael L. Scudder, 84,744 shares; Mark G. Sander, 61,385 shares; Paul F. (4)Clemens, 14,795 shares; and Thomas M. Prame, 27,103 shares. For Victor P. Carapella, also includes 29,043 restricted stock units that could vest within 60 days after March 1, 2015 under the terms of the applicable award agreements.

(5) Includes 98 shares of Common Stock owned by Lewis University to which Br. James Gaffney disclaims beneficial ownership.

Includes: 70,814 shares of Common Stock held in our 401(k) Plan for the accounts of certain executive officers; 292,720 shares of restricted stock and 29,043 restricted stock units which are subject to future vesting conditions; (6) 131,600 shares of Common Stock payable to certain directors and executive officers pursuant to our deferred compensation plans; and 343,008 shares of Common Stock subject to options exercisable within 60 days after March 1, 2015.

**Other Security Ownership**

The following table identifies each person known to us as of March 1, 2015 to beneficially own more than 5% of our outstanding Common Stock.

Name and Address of Beneficial Owner	Number of Shares	Percent of Class
BlackRock, Inc. <sup>(1)</sup> 55 East 52nd Street New York, NY 10022	6,454,522	8.6 %
Dimensional Fund Advisors LP <sup>(2)</sup> Building One 6300 Bee Cave Road Austin, TX 78746	5,045,147	6.7 %
The Vanguard Group <sup>(3)</sup> 100 Vanguard Blvd. Malvern, PA 19355	4,901,190	6.5 %
Wellington Management Group LLP <sup>(4)</sup> c/o Wellington Management Company LLP 280 Congress Street Boston, MA 02210	4,263,146	5.7%

This information is based solely on a Schedule 13G/A filed with the SEC on January 22, 2015 by BlackRock, Inc., (1) which reported sole voting power as to 6,278,572 shares and sole dispositive power as to 6,454,522 shares as of December 31, 2014.

(2) This information is based solely on a Schedule 13G/A filed with the SEC on February 5, 2015 by Dimensional Fund Advisors LP, which reported sole voting power as to 4,813,414 shares and sole dispositive power as to 5,045,147 shares as of December 31, 2014. Dimensional Fund Advisors LP and its subsidiaries disclaim beneficial ownership of all securities reported on the Schedule 13G/A.

(3) This information is based solely on a Schedule 13G/A filed with the SEC on February 10, 2015 by The Vanguard Group, which reported sole voting power as to 108,305 shares, sole dispositive power as to 4,799,285 shares and shared dispositive power as to 101,905 shares as of December 31, 2014.

(4) This information is based solely on a Schedule 13G/A filed with the SEC on February 12, 2015 by Wellington Management Group LLP, which reported shared voting power as to 3,247,920 shares and shared dispositive power as to 4,263,146 shares as of December 31, 2014.



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## DIRECTOR COMPENSATION

We use a combination of cash and equity-based compensation set at levels we believe will allow us to attract and retain qualified individuals to serve on our Board of Directors. In setting director compensation, we consider the significant amount of time that directors devote to fulfilling their duties, advice that we receive from our compensation consultant and comparative data regarding director compensation of our peers. Michael L. Scudder, our President and Chief Executive Officer, and Mark G. Sander, our Senior Executive Vice President and Chief Operating Officer, do not receive compensation for serving as a member of the Board. In addition, Br. James Gaffney has elected not to receive any director compensation. The following summarizes our annual compensation for non-employee directors for the 2014 fiscal year:

2014 Cash Component Description	Amount	2014 Equity Component
An annual fixed retainer for each non-employee director	\$40,000	The aggregate dollar value of the equity component of our non-employee director compensation was \$42,000 for each director. The number of shares issued was calculated by taking that dollar value and then dividing by \$16.078, the average of the high and low price of our Common Stock on the date of grant in 2014 as reported by the NASDAQ Stock Market. These awards were issued under the Non-Employee Directors Stock Plan. This equity component consists of restricted Common Stock that has a one-year vesting requirement.
An additional annual fixed retainer for the Committee Chairs (excluding the Advisory Committee Chair)	\$ 10,000	
An additional annual fixed retainer for each member of the Audit Committee (excluding the Audit Committee Chair)	\$4,000	
An additional annual fixed retainer for the Board Chair	\$ 100,000	

Each director's annual cash retainer is paid in equal quarterly installments in arrears. Payment of each retainer installment is contingent upon the director's service during the preceding quarter. We do not pay separate fees for attendance at Board or Board committee meetings. We also reimburse our directors for their reasonable Board and committee attendance-related expenses.

The compensation of our directors is determined each year based upon a recommendation by the Compensation Committee that is submitted to the Board of Directors for approval.

## 2014 Equity Compensation

Barbara A. Boigegrain, John F. Chlebowski, Jr., Phupinder S. Gill, Peter J. Henseler, Patrick J. McDonnell, Ellen A. Rudnick, Michael J. Small, John L. Sterling and J. Stephen Vanderwoude each received a restricted stock award in 2014 of 2,612 shares. These awards had a vesting period of one year from the date of grant and were nontransferable prior to vesting except in certain limited circumstances. In the event of a change-in-control, as defined in the Non-Employee Directors Stock Plan, all unvested shares of restricted stock vest in full, the restrictions lapse and the shares become freely transferable. Since 2012, Robert P. O'Meara has received a cash payment of \$42,000 in lieu of the equity component of his director compensation in light of his significant holdings of our Common Stock. As previously indicated, Br. James Gaffney has elected not to receive a director restricted stock award.

The following table and explanatory footnotes provide information regarding the cash and restricted stock awarded to each non-employee director during 2014.

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Name	Fees Earned or Paid in Cash <sup>(1)</sup>	Stock Awards <sup>(2)</sup>	Option Awards <sup>(3)</sup>	Non-Equity Incentive Plan Compensation <sup>(4)</sup>	Change in Pension Value <sup>(4)</sup> and Nonqualified Deferred Compensation Earnings	All Other Compensation <sup>(5)</sup>	Total
Barbara A. Boigegrain	\$40,000	\$42,000	—	—	\$ —	\$ 2,500	\$84,500
John F. Chlebowski, Jr.	44,000	42,000	—	—	—	—	86,000
Br. James Gaffney <sup>(6)</sup>	—	—	—	—	—	—	—
Phupinder S. Gill	44,000	42,000	—	—	3,495	—	89,495
Peter J. Henseler	40,000	42,000	—	—	3,900	—	85,900
Patrick J. McDonnell	50,000	42,000	—	—	—	—	92,000
Robert P. O'Meara <sup>(7)</sup>	222,000	—	—	—	25,434	9,775	257,209
Ellen A. Rudnick	44,000	42,000	—	—	—	2,500	88,500
Michael J. Small	44,000	42,000	—	—	—	—	86,000
John L. Sterling	40,000	42,000	—	—	—	—	82,000
J. Stephen Vanderwoude	50,000	42,000	—	—	5,664	—	97,664

(1) Includes amounts deferred at the election of the directors pursuant to our Deferred Compensation Plan.

Amounts represent the aggregate grant-date fair value of restricted stock awards granted under our Non-Employee Directors Stock Plan during the period, calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC 718"). Assumptions used in the calculation of these amounts

(2) are described in Note 17 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014. The aggregate number of shares of restricted stock granted by the Company to each non-employee director during the 2014 fiscal year and outstanding at December 31, 2014 is as follows: 2,612 shares to each of Barbara A. Boigegrain, John F. Chlebowski, Jr., Phupinder S. Gill, Peter J. Henseler, Patrick J. McDonnell, Ellen A. Rudnick, Michael J. Small, John L. Sterling and J. Stephen Vanderwoude.

The aggregate number of unexercised stock options outstanding as of December 31, 2014 issued to non-employee (3) directors is as follows: John F. Chlebowski, Jr., 6,586; Br. James Gaffney, 9,286; Patrick J. McDonnell, 9,286; Robert P. O'Meara, 9,174; Ellen A. Rudnick, 10,653; John L. Sterling, 9,286; and J. Stephen Vanderwoude, 9,286.

(4) The Company does not maintain a non-equity incentive plan or pension plan for directors.

Amounts for Barbara A. Boigegrain and Ellen A. Rudnick represent the amounts paid under our matching gift donation program to eligible educational institutions designated by the applicable director. The amount for

(5) Robert P. O'Meara includes payments made on his behalf under a Retirement and Consulting Agreement between the Company and Mr. O'Meara. Under this agreement, Mr. O'Meara also pays 17% of the premium for health coverage under the Company's group health program for retirees and the Company pays the balance.

(6) Br. James Gaffney has elected not to receive any compensation for his service on the Board of Directors.

Robert P. O'Meara receives a cash payment of \$42,000 in lieu of the equity component of his director compensation

(7) because of his significant existing holdings of our Common Stock. Included in Mr. O'Meara's director compensation are director fees paid to him as a non-employee director of First Midwest Bank.

#### 2015 Director Compensation

Each year, the Compensation Committee reviews and makes a recommendation to our Board of Directors regarding the compensation that we pay to our directors, including the annual retainers paid to our Chairman of the Board and our Board committee chairs. Beginning in late 2014, the Compensation Committee began a review of the amount and mix of compensation paid to our directors.

In connection with its review of our director compensation program, the Compensation Committee held discussions with its independent compensation consultant, Deloitte Consulting LLP, and considered publicly available director compensation data from the companies in our peer group (with particular emphasis on the peer group companies located in the Chicago metropolitan area) and non-banking companies headquartered in the Chicago metropolitan area, as well as other information. The Compensation Committee also considered the significant amount of time devoted by Board members to their duties and responsibilities as directors and that the Company's director compensation had not been adjusted since 2009. Upon the conclusion of this process, the Compensation Committee determined that

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director compensation should be increased modestly, both because the Compensation Committee believed that the Company's director compensation was below the levels prevalent in the Chicago market and, in addition, to allow the Company to continue to remain competitive in its ability to retain and attract qualified directors.

Specifically, the Compensation Committee determined that it was appropriate to, and recommended that our Board of Directors, (1) increase the total base director compensation from \$82,000 to \$100,000 per year, representing a 3% annual increase since 2009, and (2) change the mix of director compensation to 50% paid as an annual cash retainer and 50% paid in shares of Common Stock, provided that a director may elect to receive 100% of his or her director compensation in cash. Under the new mix of compensation, the stock component will be paid in fully vested shares of Common Stock rather than in shares of restricted stock. The Compensation Committee also recommended to our Board of Directors that the retainer for the Chair of the Audit Committee be increased from \$10,000 to \$15,000 per year due to the substantial additional amount of time that the chair devotes to the activities of this committee.

Our Board of Directors approved the recommended changes to the compensation paid to our directors and the Audit Committee Chair consistent with the Compensation Committee's recommendation, effective as of January 1, 2015. In addition, the Nominating and Corporate Governance Committee approved an increase in the stock ownership guidelines applicable to our directors, described below, to be reflective of the increase in director compensation and the fact that the guidelines had not been increased since 2009.

**Director Stock Ownership Guidelines**

We believe that each director should have a meaningful equity investment in our Company. Effective January 1, 2015, the Nominating and Corporate Governance Committee increased our director stock ownership guidelines to provide that directors are encouraged to own Common Stock equal in value to three times the total annual base compensation for non-employee directors, or \$300,000. This represents an increase from the previous guidelines of owning Common Stock equal in value to \$200,000. Directors are expected to acquire and maintain this share ownership threshold within five years of joining the Board of Directors.

All of our directors own a sufficient number of shares of Common Stock under our revised stock ownership guidelines, with the exception of one director who became a director within the five year stock acquisition period described above and who currently owns approximately \$250,000 of our Common Stock.

**Deferred Compensation Plan for Non-Employee Directors**

Our Deferred Compensation Plan allows non-employee directors to defer receipt of either 50% or 100% of their director fees and retainers. Deferral elections are made in December of each year for amounts to be earned in the following year. Accounts are deemed to be invested in separate investment accounts under the plan, with the various investment alternatives available under our Deferred Compensation Plan, including an investment account for shares of our Common Stock.

Directors are able to modify their investment elections at any time. Deferred director fees and retainers are payable at the director's election, either as a lump sum or in installments over a period not to exceed fifteen years. Payments under the Deferred Compensation Plan begin at the date specified by the director or upon cessation of service as a director.

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COMPENSATION DISCUSSION AND ANALYSIS

This section provides information and perspective regarding our executive compensation program and decisions for our executive officers generally and, more specifically, for our named executive officers identified below.

Name	Title
Michael L. Scudder	President and Chief Executive Officer of the Company and Chairman and Chief Executive Officer of First Midwest Bank
Mark G. Sander	Senior Executive Vice President and Chief Operating Officer of the Company and President and Chief Operating Officer of First Midwest Bank
Paul F. Clemens	Executive Vice President and Chief Financial Officer of the Company and First Midwest Bank
Victor P. Carapella	Executive Vice President and Director of Commercial Banking of First Midwest Bank
Thomas M. Prame	Executive Vice President and Director of Retail Banking of First Midwest Bank

Executive Summary

We believe it is important to incent and reward our executives for corporate and individual performance, with a clear emphasis on corporate performance. We maintain a pay-for-performance environment with an executive compensation program that includes both short-term and long-term performance-based awards and a significant equity component.

Our executive compensation program is designed to accomplish the following goals:

- (1) Encourage the achievement of corporate financial objectives that create value for our stockholders.
- (2) Align the interests of our executives with our stockholders.
- (3) Serve as a retention incentive for our executives.

Our Compensation Committee also annually reviews the risks and rewards associated with each element of our executive compensation program to assure that the program does not encourage our executive officers to take excessive risks to enhance their compensation.

2014 Achievements

The Company and the banking industry in general have been navigating some of the most challenging economic conditions since the Great Depression. During 2014, we believe management continued to lead the Company effectively through the challenges of our economy, a prolonged low interest rate environment and the complexities of a heightened bank regulatory and supervisory regime. The Company posted strong results in 2014, reflecting balanced execution across our business lines, significantly improved credit metrics and the successful completion of three acquisitions. We built long-term stockholder value in 2014 by continuing to attract and retain the highest quality team, diversify and grow loans and revenue and maintain an acceptable risk profile. Among our successes in 2014 were the following:

• **Earnings Growth.** Increased earnings per share by 14% over 2013, after excluding acquisition and integration related expenses and other uncommon events from both periods.

• **Loan Growth and Diversification.** Grew total loans (excluding covered loans) by \$1.1 billion, or 19%, corporate loans by \$915 million, or 19%, and consumer loans by \$163 million, or 22%, from

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December 31, 2013 levels, while at the same time continuing to diversify the asset and geographical mix of our loan portfolio.

- **Growth of Assets Under Management.** Increased assets under management by \$544 million, or 8%, to approximately \$7.2 billion, making our wealth management group the third largest in terms of trust fees generated and fourth largest in terms of trust assets under management among banks headquartered in Illinois.

- **Increased Fee-Based Revenue.** Grew fee-based revenue by 4.5% to \$111 million, including 10% and 12% growth in wealth management and card-based fees, respectively, from 2013.

- **Continued Improvement of Asset Quality.** Significantly improved our asset quality, with nonperforming assets decreasing by 26% to \$89 million, or 1.5% of total loans plus OREO, the lowest level since 2007.

- **Completed Three Acquisitions.** Completed two bank acquisitions, adding \$1.2 billion in deposits, \$800 million in loans, 20 locations and over 27,000 households as new clients. We also acquired a leasing company, which added equipment leasing to our commercial product offerings and thereby expanded our commercial lending and fee generation opportunities for the future. We had total assets of approximately \$9.4 billion at December 31, 2014.

- **Increased Dividends.** Paid dividends of \$0.31 per share, almost doubling the \$0.16 per share that we paid in 2013, while increasing stockholders equity by 10% to \$1.1 billion.

- **Well Capitalized.** Maintained regulatory capital ratios significantly above the minimums for “well capitalized” institutions. For example, Tier 1 capital to risk-weighted assets of First Midwest Bank was 11.32% at December 31, 2014 (regulatory minimum for being well-capitalized is 6.0%).

- **National Recognition.** Recognized by J.D. Power as having the “Highest Customer Satisfaction with Retail Banking in the Midwest”<sup>\*</sup> according to the 2014 Retail Banking Satisfaction Study<sup>SM</sup>.

For a reconciliation of GAAP and non-GAAP financial measures, see our Current Report on Form 8-K filed with the SEC on January 21, 2015.

<sup>\*</sup> First Midwest Bank received the highest numerical score among retail banks in the Midwest region in the proprietary J.D. Power 2014 Retail Banking Satisfaction Study<sup>SM</sup>. The Study is based on 80,445 total responses measuring 21 providers in the Midwest region (Iowa, Illinois, Kansas, Missouri, Minnesota, and Wisconsin) and measures opinions of consumers with their primary banking provider. Proprietary study results are based on experiences and perceptions of consumers surveyed January 2014. Individual experiences may vary. Visit [JDPower.com](http://JDPower.com).

### Our Compensation Philosophy

Our Compensation Committee has designed a compensation program that promotes a pay-for-performance environment that encourages and rewards our short-term and long-term financial success and the achievement of performance goals established by the Compensation Committee at the beginning of each performance period. As such, a significant portion of the compensation of our executive officers (including our named executive officers) is at-risk compensation, with the amount of compensation that can be earned tied to the attainment of pre-determined performance goals and the long-term value of our Common Stock. Our Compensation Committee also believes that our compensation program must be market competitive to attract and retain skilled and motivated executives who can successfully manage and grow our business. Adherence to this philosophy forms the overall premise for our executive compensation program and is based on the compensation principles set forth below.

Executive compensation should be performance-based and reward achievement of corporate objectives. Our compensation program for our named executive officers (and our other executive officers) should motivate and reward superior performance. Our executive compensation program should be weighted toward achievement of corporate financial metrics that further our strategic priorities and that we believe will build stockholder value.

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A significant portion of executive compensation should be in the form of equity awards that encourage long-term value creation for stockholders. Equity compensation tied to long-term performance further aligns senior management and stockholder interests. Equity compensation also focuses management on long-term value creation rather than taking risks to increase short-term compensation.

Executive compensation should reflect an appropriate balance between fixed, incentive and equity compensation. Our Compensation Committee believes that executive compensation should be comprised of base salary, incentive compensation (both cash and stock) and long-term equity. This composition mix results in appropriate levels of fixed and incentive compensation and encourages achievement of both short-term and long-term performance objectives.

Executive compensation should be market-competitive. Vital to our continued success and growth is an experienced and dedicated management team. All elements of our compensation program should be competitive within the markets in which we compete for talent. Our Compensation Committee strives to provide compensation at levels that will enable us to attract and retain qualified, committed and high-performing executives who are able to successfully manage our Company now and as it continues to grow.

Executive compensation should have a retention effect. Our executive compensation program should be structured to enable us to retain high-performing executives and avoid undesirable management turnover. To encourage retention, a significant component of our compensation consists of long-term equity compensation, a portion of which is tied to a three-year performance period followed by a two-year continued service vesting period and a portion of which is subject to a three-year continued service vesting schedule.

Executive compensation should not encourage excessive risk-taking. Our Compensation Committee annually reviews the risks and rewards associated with our compensation program to assure that our program appropriately incents our named executive officers to attain corporate financial objectives without encouraging excessive risk-taking.

### Compensation Best Practices

The Compensation Committee considers various compensation and corporate governance best practices when making executive compensation decisions, including the following:

**Pay for Performance.** Performance-based cash and equity awards constitute a significant portion of the compensation package of our named executive officers. In 2014, approximately two-thirds of the total direct compensation (base salary, annual cash incentive and long-term incentive) paid to each of our Chief Executive Officer and our Chief Operating Officer was performance-based or tied to the value of our Common Stock.

**Performance Goals Support Strategic Objectives.** Our short-term and long-term performance goals require superior corporate performance to receive target payout levels and are in furtherance of strategic and operating objectives that we believe will create long-term value for our stockholders. In addition, our performance goals are centered around our business and financial plans, which we believe will not encourage undue risk taking or imprudent actions by our executive officers outside of the risk contemplated by these plans.

**Stockholder Say-on-Pay Vote in 2014.** Our Compensation Committee reviews the annual advisory vote on executive compensation when designing our executive compensation program and setting executive compensation levels. With respect to compensation decisions in 2014 (and in 2015), the Compensation Committee considered the say-on-pay approval by 93% of the votes cast at our 2014 annual meeting of stockholders. This represents an increase from the 92% of the votes cast in favor of our say-on-pay proposal at the 2013 annual meeting and 88% of the votes cast in favor in 2012. The Compensation Committee believes that these vote results confirmed that our stockholders are in agreement with our approach to executive compensation. Our Compensation Committee intends to consider the results from

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this year, and future advisory votes, when determining the design and amounts provided under our executive compensation program.

**Double Trigger for Severance Upon a Change-in-Control.** The employment agreements with our named executive officers include a “double trigger” provision that requires a change-in-control of the Company and an involuntary termination of the named executive officer’s employment (including a resignation for good reason) before the executive is entitled to receive enhanced severance benefits.

**Use of Total Stockholder Return as External Metric.** We believe it is desirable to use both external and internal metrics to measure our corporate performance. For the performance share awards that we granted in 2014 (and again in 2015), one half of these awards utilize relative total stockholder return as the external metric to determine if these awards will be earned during the three-year performance period. To balance risk and enhance retention, a two-year continued service vesting period follows the three-year performance period.

**No Dividends Paid on Equity Awards Prior to Vesting.** We do not pay dividends on any performance shares or restricted stock awards to our executive officers (including our named executive officers) before the awards have been earned and vested.

**Anti-Pledging and Anti-Hedging Policy.** We have a policy that prohibits all of our employees, including our named executive officers, from pledging, hedging or selling short shares of our Common Stock.

**Stock Ownership Guidelines.** We maintain robust stock ownership guidelines for our executive officers to further align the interests of our executive officers and our stockholders.

**Independent Compensation Consultant.** The Compensation Committee meets with and regularly obtains advice from an independent compensation consultant on our executive compensation program.

**No Tax Gross-ups.** Our employment agreements with our named executive officers do not require the Company to pay the executive a tax gross-up in the event the officer incurs an excise tax from severance benefits paid following a change-in-control.

**Clawback of Compensation.** We have clawback provisions in the employment agreements with our executive officers (including our named executive officers) that allow us to recover cash bonuses and other incentive compensation under certain circumstances.

**Limited Perquisites.** Perquisites represent an immaterial portion of our executive compensation.

**Protective Covenants.** Our executive and other senior officers must sign agreements requiring them to comply with confidentiality and non-solicitation covenants with the Company as a condition to receiving equity and short-term incentive cash awards.

**Compensation Risk Assessment.** Our Compensation Committee conducts an annual risk assessment of our executive compensation program to confirm that our program does not encourage our executive officers to take excessive or imprudent risks to enhance their compensation.

**No Share Recycling.** Our Omnibus Stock and Incentive Plan does not permit recycling of shares tendered in payment of an option exercise price or the recycling of shares withheld to satisfy tax withholding obligations. As such, these shares are not available for future awards under the plan.

**No Stock Option Repricing.** Our Omnibus Stock and Incentive Plan prohibits repricing of stock options and stock appreciation rights, as well as cash buyouts of underwater stock options and exchanges of underwater stock options for new stock options having a lower exercise price, without stockholder approval.



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**Minimum Vesting Periods.** To reinforce the long-term focus of equity awards, our Omnibus Stock and Incentive Plan provides that awards of stock options, stock appreciation rights and restricted stock must have a period of not less than three years for full vesting to occur, subject to certain limited exceptions set forth in the plan. Our performance share awards have three-year performance periods and, if earned, are followed by two-year full vesting periods.

### Compensation Procedures

**Role of Management.** In February of each year, our Chief Executive Officer makes recommendations to the Compensation Committee with respect to the base salaries for the current year for our Chief Operating Officer and our other executive officers. Our Chief Executive Officer and our Chief Operating Officer also review annually the performance of their respective direct reports and determine their individual performance ratings for a particular year. Our Compensation Committee reviews our Chief Executive Officer's performance and determines his individual performance rating and base salary. The individual performance ratings impact the amount of annual cash incentive compensation earned by, and the restricted stock awards granted to, our executive officers. The remaining elements of our executive compensation program are set by the Compensation Committee.

**Role of the Compensation Committee.** Each year, our Compensation Committee reviews and approves the compensation philosophy of the Company. The Compensation Committee also reviews and approves each year, subject to the approval of our Board of Directors, the principal elements and the amounts of the compensation paid to our Chief Executive Officer, our Chief Operating Officer and our other executive officers. Our Compensation Committee considers the recommendations of our Chief Executive Officer when determining the base salary, annual cash incentive compensation and equity awards for our executive officers other than himself. In determining executive compensation, our Compensation Committee considers information from the Committee's compensation consultant, management and publicly available information about the companies in our peer group.

**Role of Compensation Consultant.** The Compensation Committee has retained Deloitte Consulting LLP to serve as its independent compensation consultant. Deloitte Consulting assists the Compensation Committee with executive compensation program design, ongoing review of our executive compensation program, guidance relating to the amounts and mix of cash, equity and incentive compensation to be paid to our executive officers, analysis of market practices for companies in our industry and of our size, assessment of the market competitiveness of our executive compensation program, say-on-pay analysis and peer group composition. Deloitte Consulting participates in Compensation Committee meetings on request, regularly provides input for Committee meetings and attended one meeting in 2014. The Chairman of our Compensation Committee also consults with Deloitte Consulting outside of Committee meetings. Deloitte Consulting reports directly to the Compensation Committee, and the Committee must approve all services performed by Deloitte Consulting. The Compensation Committee has assessed the independence of Deloitte Consulting and has concluded that Deloitte Consulting is independent under applicable NASDAQ requirements.

### How We Measure Company Performance

At the beginning of the year, our Compensation Committee establishes and the Board of Directors approves corporate-wide financial performance goals against which actual performance of the Company is measured for the current year for our annual cash incentive compensation program and for a three-year period for our performance share awards. The dominant metric has historically been an earnings-based performance measure. In 2014, core net income was weighted at 75% of the short-term award opportunity, with the remaining 25% tied to asset quality (levels of nonperforming assets and performing potential problem loans). Payouts of short-term compensation are made only if minimum financial performance is attained and are based on the degree to which the corporate performance goals are achieved. This amount may be increased for individual executive officers based on their performance.

For the performance share component of our executive compensation program in 2014 (2014-2016 performance period), our Compensation Committee selected, and our Board of Directors approved, an external metric (relative total stockholder return) and an internal metric (core return on average tangible common equity) and weighted these metrics equally. With regard to the external metric, the Company's total stockholder return during a three-year performance



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period will be compared to total stockholder returns of our peer group for the same period. With respect to the internal metric, the Company's core return on average tangible common equity for a three-year performance period will be measured against predetermined return on tangible common equity goals for the same period. Performance shares may be earned based on the level that the metrics are achieved and, if earned, the shares will vest in full following an additional two-year vesting period.

The Compensation Committee must certify the level of achievement of the performance goals for both annual cash incentive compensation and performance shares before awards may be earned.

Peer Group

Our Compensation Committee reviews publicly-available information about a group of regional bank holding companies whose size, business lines or geographical markets are generally similar to ours and uses this information as a reference point when evaluating the elements and amounts of the compensation paid to our Chief Executive Officer and our other named executive officers. We refer to these institutions as our peer group. The Committee does not establish the compensation of our named executive officers using direct comparisons to our peer group, but instead uses peer group data as a competitive market check on named executive officer compensation. Peer group data is one of several factors used by the Compensation Committee when setting the compensation of our Chief Executive Officer and other named executive officers.

Our peer group is developed with input from Deloitte Consulting and management, and is approved annually by the Compensation Committee. The peer group may be changed from year to year when a company in the peer group has been acquired or if a company's size or other factors have changed such that the Compensation Committee believes that a particular company no longer continues to be representative of the peer group.

For 2014, our peer group consisted of 21 companies:

Name of Institution	Asset Size as of 12/31/2013 (Dollars in Billions)	Location
First Midwest Bancorp. Inc.	\$8.3	Itasca, IL
1st Source Corporation	4.7	South Bend, IN
Chemical Financial Corporation	6.2	Midland, MI
Community Bank System, Inc.	7.1	DeWitt, NY
First Commonwealth Financial Corporation	6.2	Indiana, PA
First Financial Bancorp	6.4	Cincinnati, OH
First Merchants Corporation	5.3	Muncie, IN
F.N.B. Corporation	13.6	Pittsburgh, PA
MB Financial, Inc.	9.6	Chicago, IL
Old National Bancorp	9.6	Evansville, IN
Park National Corporation	6.6	Newark, OH
Pinnacle Financial Partners, Inc.	5.6	Nashville, TN
PrivateBancorp, Inc.	14.1	Chicago, IL
Provident Financial Services	7.5	Jersey City, NJ
Texas Capital Bancshares Inc.	11.7	Dallas, TX
Trustmark Corporation	11.8	Jackson, MS
UMB Financial Corporation	16.9	Kansas City, MO
Umpqua Holdings Corporation	11.6	Portland, OR
United Bankshares, Inc.	8.7	Charleston, WV
Valley National Bancorp	16.2	Wayne, NJ
WesBanco Inc.	6.1	Wheeling, WV
Wintrust Financial Corporation	18.1	Chicago, IL
Median	\$8.7	



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### How We Measure Individual Performance

A portion of the annual cash incentive compensation awards that may be earned by our named executive officers is tied to each officer's individual performance rating for the year. In addition, the number of shares of restricted stock awarded in a given year is based on a percentage of the named executive officer's base salary and his or her individual performance rating.

The determination of a named executive officer's individual performance rating is based on a review of actions taken or results achieved by the executive and how these actions and results impacted overall corporate performance and achievement of the corporate financial goals under our annual cash incentive compensation and performance share programs. A subjective assessment of an executive officer's leadership and contributions to the Company also may be factored into his or her individual performance rating. Our Compensation Committee determines our Chief Executive Officer's individual performance rating, which is approved by our Board of Directors. Our Chief Executive Officer approves the individual performance ratings of the other named executive officers.

### Internal Pay Considerations

Our Compensation Committee believes that our executive compensation programs must be internally consistent and equitable in order for the Company to be able to attract and retain the executive officers necessary to achieve our business and financial objectives and to create a cohesive team atmosphere within the Company. As such, the Committee reviews total compensation and various elements of compensation paid to our Chief Executive Officer in relation to our Chief Operating Officer and to our other named executive officers as a group, as well as the median of the relationship of CEO compensation to executive officers within our peer group. The Committee uses this information as another point of reference in its compensation decisions.

### Principal Elements of Our Executive Compensation Program in 2014

The Compensation Committee approves, subject to approval by our full Board of Directors, the compensation of our Chief Executive Officer and other named executive officers each year. In determining the compensation of our named executive officers other than our Chief Executive Officer, the Compensation Committee considers the recommendations of the Chief Executive Officer. Compensation is determined based on a consideration of overall corporate financial performance relative to strategic and financial objectives, each named executive officer's individual performance, market factors and our views regarding a named executive officer's scope of job responsibilities, demonstrated leadership abilities and management experience and effectiveness.

The principal elements of our executive compensation program are:

• Base Salary

• Performance-Based Annual Cash Incentive Compensation

• Performance Shares

- Restricted Stock or Restricted Stock Units

When setting the total compensation opportunity for our named executive officers, our Compensation Committee uses data available from various sources, including peer group information, publicly available data and advice from Deloitte Consulting. We also consider other relevant factors, such as Company and individual performance, internal equity and our compensation philosophy.

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In 2014, the percentages of total direct compensation (excluding the supplemental merger and acquisition award described below) paid to our named executive officers were as follows:

Base Salary

We pay our named executive officers a base salary as part of a competitive compensation package. Base salary is not directly subject to the achievement of any corporate or individual performance goals. In setting base salary levels, we consider the median base salary paid for positions of similar responsibility at the institutions in our peer group as well as the executive's performance and tenure in their role.

Annually, our Chief Executive Officer recommends to the Compensation Committee changes in base salaries for our named executive officers, other than himself. Chief Executive Officer pay is set directly by the Compensation Committee, and the base salaries of all named executive officers, including the Chief Executive Officer, are approved by our Compensation Committee and Board of Directors.

Annual Cash Incentive Compensation

Our annual cash incentive compensation program constituted between 20% and 22% of the total compensation paid to our named executive officers in 2014. It is a performance-based program with one-year performance goals and is our vehicle for awarding annual cash bonuses to our named executive officers and other eligible employees. Executives may earn a cash bonus based on the achievement of corporate financial objectives and their individual performance for that year. The annual cash incentive compensation element of our compensation program encourages

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our named executive officers to attain corporate financial performance goals that the Compensation Committee believes are consistent with the strategies established for the Company.

Cash bonus opportunities under our annual cash incentive compensation program are awarded under our Omnibus Stock and Incentive Plan approved by our stockholders and are expressed as a percentage of a named executive officer's base salary. Our Compensation Committee establishes corporate metrics at the beginning of the fiscal year, and threshold performance for at least one of the corporate performance metrics must be achieved in order for cash bonuses to be earned and paid.

**Company Performance.** Annually, the Compensation Committee selects the corporate financial performance goals for the fiscal year and the weighting for the goals selected. Awards for our named executive officers and our other executive officers are weighted heavier toward Company financial performance than individual performance.

**Individual Performance.** Individual performance is based on the achievement of objectives that were established for the named executive officer at the beginning of the year and that are specific to the individual's responsibilities and position within the Company. An annual assessment of each named executive officer's performance results in an individual performance rating for the officer for the year.

The allocation between Company performance and individual performance and the target award expressed as a percentage of base salary for our named executive officers in 2014 was as follows:

Named Executive Officer	Target Bonus Opportunity (Expressed as a Percentage of Base Salary)	Performance Weighting	
		Company Performance	Individual Performance
Michael L. Scudder	60%	85%	15%
Mark G. Sander	50%	70%	30%
Paul F. Clemens	40%	70%	30%
Victor P. Carapella	40%	70%	30%
Thomas M. Prame	40%	60%	40%

For the 2014 fiscal year, our annual cash incentive compensation program included three corporate-wide performance metrics: core net income (weighted at 75%), non-performing assets (weighted at 17%) and performing potential problem loans (weighted at 8%).

The Compensation Committee selected core net income (net income excluding extraordinary items such as gains or losses on securities, acquisition and integration related expenses and operating income attributed to completed acquisitions in the current year) as the dominant performance metric because it encouraged senior management to continue to focus on our operating performance and because this metric is frequently used to assess short-term corporate performance by stockholders, the investment community and banking regulators. The Compensation Committee chose non-performing assets (excluding accruing troubled debt restructurings, acquired and covered loans and covered OREO) and performing potential problem loans (excluding acquired loans) because of the importance and continued emphasis on asset quality at the Company.

The Compensation Committee utilized annual cash incentive compensation in 2014 in furtherance of the following strategic priorities:

• Emphasize profitability of the Company.

• Continue to profitably increase our loans and diversify our loan portfolio.

• Grow deposits, and maintain our strong core deposit base and low cost of funds.

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Continue to diversify our revenues by increasing fee-based revenues.

Balance investment in our business and risk.

Continue our progress on credit quality.

Control expenses while funding strategic initiatives, such as mobile banking and other delivery channels.

In 2014, the calculation of the annual cash incentive compensation payouts allocated to Company performance for our named executive officers was determined as follows:

Performance Goal	2014 Target	2014 Actual Performance	Payout as a Percentage of Target	Weighted Payout Percentage	
Core Net Income (75%)	\$71.7 million	\$68.1 million	87.36	% 65.52	%
Non-Performing Assets (17%)	2.00%	1.43%	175.00	% 29.75	%
Performing Potential Problem Loans (8%)	4.50%	4.42%	105.83	% 8.47	%
Total Percentage Earned				103.74	%

The Company exceeded target performance with respect to the asset quality performance goals (non-performing loans and performing potential problem loans) for 2014. With respect to core net income, the Company's performance was lower than target due substantially to lower than anticipated interest earned on loans and securities. In setting the target core net income goal at the beginning of the year, it was expected that interest rates would rise in 2014. When rates did not rise during 2014 as anticipated, this resulted in lower yields and spreads on earning assets, as well as an increase in lower yielding floating rate loans. While management could have invested excess cash in higher yielding, longer duration securities, it elected to maintain a more liquid position in order to invest more profitably when interest rates rise.

Based on the Company's performance and individual performance rating of each named executive officer, the Compensation Committee approved the following cash bonus awards under our annual cash incentive compensation program for 2014:

Named Executive Officer	Annual Cash Bonus Earned	Percentage of Target Award
Michael L. Scudder	\$482,400	107%
Mark G. Sander	304,159	112%
Paul F. Clemens	156,593	104%
Victor P. Carapella	147,865	106%
Thomas M. Prame	127,560	106%

#### Supplemental Merger and Acquisition Award

In 2014, the Company successfully completed the acquisitions of Great Lakes Bank and the Chicago area branches of Popular Community Bank, which added approximately \$1.2 billion in deposits, \$800 million in loans and 20 new locations, and the acquisition of National Machine Tool Financial Corporation, an equipment leasing company. In recognition of the significant amount of effort by the Company's management and employees required to successfully complete and integrate these transactions, the speed and efficiency with which the transactions were closed and integrated, and the expected financial and strategic contributions of these transactions to the Company, the Compensation Committee approved, at its February 2015 meeting, a supplemental award to all employees who are eligible to participate in our Short-Term Incentive Compensation Plan. The total amount of this award for all employees was \$1,032,410.

Our named executive officers received the following amounts under this supplemental award: Michael L. Scudder – \$88,000, of which \$47,000 was paid in cash and \$41,000 was paid in restricted stock; Mark G. Sander –



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\$49,652, of which \$20,015 was paid in cash and \$29,637 was paid in restricted stock; Paul F. Clemens – \$25,424, of which \$9,898 was paid in cash and \$15,526 was paid in restricted stock; Victor P. Carapella – \$17,150, of which \$6,856 was paid in cash and \$10,294 was paid in restricted stock units; and Thomas M. Prame – \$24,607, of which \$9,839 was paid in cash and \$14,768 was paid in restricted stock. The restricted stock or restricted stock unit component of the award is subject to a three-year continued service vesting period and was issued under our Omnibus Stock and Incentive Plan.

### Long-Term Incentive Compensation

Our Compensation Committee believes that a significant portion of each named executive officer's compensation should be in the form of long-term equity awards, both performance-based and service-based. By doing so, we further align the interests of our senior management with our stockholders, link pay with performance and enhance the retention of our senior officers. Long-term incentive awards are made under our Omnibus Stock and Incentive Plan approved by our stockholders.

**Performance-Based Equity Compensation.** In 2014, our named executive officers were awarded performance shares that may be earned based on the Company's level of performance over a three-year period. If the performance objectives are achieved, the performance shares will be earned. Once earned, one-third of the performance shares will vest at the completion of the three-year performance period, one-third will vest the following year and the remaining one-third will vest at the end of the next year, assuming continued employment with the Company during the performance period and the subsequent two-year continued service vesting period. We accrue cash dividends that otherwise would be paid on the performance shares, but the accrued, unpaid dividends are not paid to the named executive officer unless the underlying performance shares are earned and subsequently vest.

The number of performance shares granted is based upon a percentage of each participant's base salary. The determination of the number of performance shares earned for each participant is based solely upon the Company achieving certain performance objectives without reference to individual performance ratings.

Based upon a review of peer practices and input from management and the Compensation Committee's compensation consultant, our Compensation Committee selected both external and internal performance metrics for our performance share program for the 2014-2016 performance period, with each metric weighted at 50% of the total award opportunity. For the external metric, the Compensation Committee selected total stockholder return relative to the Company's peer group. For the internal metric, the Compensation Committee chose core return on average tangible common equity of the Company.

Our Compensation Committee selected these metrics to encourage our named executive officers to pursue corporate strategies that will enhance long-term stockholder value and build the value of our Common Stock while at the same time deploying our capital prudently. The Compensation Committee also believed that comparing our total stockholder return to an external metric would reward superior corporate performance relative to our peer group. For purposes of the external metric, total stockholder return of the Company and the peer group will be calculated for a three-year performance period. Performance shares will be earned based on the total stockholder return of the Company as compared to that of the peer group. Total stockholder return is defined as price appreciation on our Common Stock and the common stock of each company in the peer group during the relevant three-year performance period, plus dividends and distributions made or declared (assuming the dividends or distributions are reinvested in our Common Stock and each peer group company's common stock during that period), expressed as a percentage return. For the internal metric, the Company's average core return on average tangible common equity for the three-year period will be calculated and compared to predetermined return on tangible common equity goals approved by the Compensation Committee.

Our Compensation Committee awarded performance shares in 2014 in furtherance of the following strategic objectives:

Emphasize the Company's long-term strategies and growth objectives.

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• Encourage achievement of business goals that will enhance the long-term value of our Common Stock.

• Create a long-term focus based on sustainable results.

• Link pay with corporate performance.

• Provide additional stock ownership opportunities for our named executive officers, which further align the interests of our named executive officers with those of our stockholders.

• Foster retention of our named executive officers and avoid management turnover.

In February 2014, our Compensation Committee granted performance share award opportunities to our named executive officers as follows:

Named Executive Officer	Target Performance Share Award Opportunity (Expressed as a Percentage of Base Salary)	Number of Performance Shares Awarded for 2014-2016 Performance Period (Based on Target Award Level)	Grant Date Fair Value of Performance Share Award Opportunity (Based on Target Award Level)
Michael L. Scudder	65%	36,541	\$587,488
Mark G. Sander	60%	20,338	326,984
Paul F. Clemens	25%	5,846	93,989
Victor P. Carapella	25%	5,442	87,494
Thomas M. Prame	20%	3,734	60,033

**Restricted Stock Awards.** In 2014, our named executive officers were awarded restricted stock or, for those age 65 or older, restricted stock units that fully vest over a three-year period in equal installments on the second and third anniversaries of the grant date. For 2014, only Mr. Carapella had attained age 65 and was awarded restricted stock units. The named executive officer must continue to be employed with the Company or one of its subsidiaries on the applicable vesting date for the award to vest.

The number of shares of restricted stock or restricted stock units awarded is determined based on a percentage of the named executive officer's base salary, and then is adjusted upward or downward depending upon the officer's individual performance rating for the prior fiscal year. We accrue cash dividends that otherwise would be paid on the restricted stock and the Common Stock underlying restricted stock units, but the accrued, unpaid dividends on the unvested shares are not paid to the named executive officer unless the underlying shares vest.

In 2014, our Compensation Committee granted restricted stock or restricted stock unit award opportunities to our named executive officers as follows:

Named Executive Officer	Restricted Stock/Unit Award Opportunity (Expressed as a Percentage of Base Salary)	Number of Shares of Restricted Stock/Units Granted	Grant Date Fair Value of Shares of Restricted Stock/Units Granted
Michael L. Scudder	50%	29,155	\$468,740
Mark G. Sander	50%	22,881	367,869
Paul F. Clemens	35%	9,822	157,913
Victor P. Carapella	35%	10,286	165,373
Thomas M. Prame	35%	8,168	131,321

#### Retirement and Other Welfare Benefits

We provide our named executive officers with retirement, health, life and disability insurance and other welfare benefits under plans that are generally available to all employees of the Company who meet plan eligibility requirements.

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Our retirement plans constitute our 401(k) Plan, Pension Plan and Deferred Compensation Plan. Executive officers are eligible to participate in these plans on the same basis as other employees in accordance with the terms of the plans. Upon the recommendation of management, our Compensation Committee and the Board of Directors approved amendments to our Pension Plan. The first set of amendments were adopted in 2007 and eliminated any new enrollments of employees into this plan. In 2013, upon a subsequent recommendation of management, the Compensation Committee and the Board of Directors also approved amendments, effective as of January 1, 2014, to the Company’s (1) Pension Plan to freeze future benefit accruals under this plan, (2) Deferred Compensation Plan such that no annual pension restoration amounts will be credited to this plan on behalf of any participant, and (3) 401(k) Plan to provide employer contributions to this plan on behalf of all eligible employees of (a) an annual contribution equal to 2% of an employee’s total compensation (subject to a 6-year vesting schedule), (b) a matching contribution equal to 100% of an employee’s first 3% of pre-tax contributions and 50% of the employee’s next 2% of pre-tax contributions, and (c) for the 2014 and 2015 plan years, a transition benefit for only participants in the Pension Plan as of January 1, 2014 equal to a contribution of 2% of total compensation for participants aged 40-49, 3% of total compensation for participants aged 50-59, and 4% of total compensation for participants aged 60 and older. The amendments to our retirement plans assist us in controlling the costs of the Pension Plan and encouraging employees to assume a more active role in their retirement planning, while continuing to provide appropriate, competitive retirement benefits for our employees.

Our Deferred Compensation Plan allows certain employees to elect to defer a portion of their base salaries and annual cash incentive compensation and to provide make-up benefits to our executive officers for any reduction in benefits under our 401(k) Plan due to limitations on contributions to the plan imposed by the Internal Revenue Code.

Perquisites

We provide limited perquisites to our named executive officers, which the Compensation Committee believes are reasonable and within competitive practices.

We have a vehicle policy that provides a car allowance to our named executive officers. We also provide mobile telephone service to our named executive officers and reimburse certain of them for a portion of country club dues to promote the business interests of the Company.

Stock Ownership Guidelines

We maintain stock ownership guidelines for our executive officers. The purpose of these guidelines is to further align the interests of our management team and our stockholders. Under the guidelines, our named executive officers are encouraged to hold shares of Common Stock as follows:

Position	Stock Ownership Guidelines
Chief Executive Officer	Three times base salary
Chief Operating Officer	Two times base salary
Chief Financial Officer	Two times base salary
Other Named Executive Officers	Two times base salary

All of our named executive officers have met these guidelines. For purposes of the guidelines, we include shares owned directly or indirectly by the executive and his spouse and minor children, unearned performance shares and unvested restricted stock.

Clawback, Anti-Pledging, Anti-Hedging and Other Policies

We have clawback provisions in the employment agreements with our named executive officers that allow us to recover cash bonuses and other incentive compensation under certain circumstances. We also have a policy that

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prohibits our employees, including our named executive officers, from pledging or hedging our Common Stock or engaging in short sales and other short-term, speculative trading in our Common Stock.

Risk Assessment of Executive Compensation Program

Each year, our Compensation Committee reviews our executive compensation program and conducts a risk assessment relative to this program. This risk assessment allows our Compensation Committee to confirm that our executive compensation program is designed such that executive officers are not encouraged to take excessive risks to enhance their compensation. As part of its risk assessment process in 2014, the Compensation Committee confirmed the following:

- The risks associated with the Company's compensation plans for all employees are appropriately identified and managed by the Company;

- The Company's compensation plans for all employees do not create risks that are reasonably likely to have a material adverse effect on the Company as a whole; and

- The Company's compensation plans for all employees are compatible with effective internal controls and risk management, and are supported by strong and effective corporate governance practices.

Tax Considerations

Section 162(m) of the Internal Revenue Code limits the ability of public companies to deduct for federal income tax purposes certain compensation in excess of \$1 million paid to our Chief Executive Officer and other named executive officers. However, this limitation does not apply to amounts that qualify as performance-based compensation. We structure our annual cash incentive compensation and performance shares to qualify as performance-based compensation under Section 162(m). Our Compensation Committee considers the structure of executive compensation and the deductibility of the compensation for federal income tax purposes, but the Compensation Committee retains the flexibility to provide, and has approved, compensation that is non-deductible.

Employment and Restrictive Covenant Agreements with Our Executive Officers

We have entered into employment agreements with our senior management, including our named executive officers. The Compensation Committee has determined that the terms of the agreements are consistent with competitive practices and are important to attracting and retaining high caliber executive talent. The agreements describe the executive's position, compensation and benefits, including severance payments in the event of a termination of employment. The agreements also impose confidentiality, non-solicitation and non-disparagement obligations on the executive. In the event of a termination of employment by the Company without cause or by the executive officer for good reason prior to or following a change-in-control of the Company, severance benefits are triggered. Certain aspects of these agreements for our named executive officers are detailed in the tables and narrative following this Compensation Discussion and Analysis.

The employment agreements do not provide for walk-away rights upon a change-in-control or any tax gross-up payments relating to severance benefits following a change in control. In addition, our named executive officers are bound by Confidentiality and Restrictive Covenant Agreements that supplement the confidentiality and restrictive covenants set forth in our named executive officers' employment agreements. The confidentiality, non-solicitation and non-disparagement covenants apply for a period of 12 months (18 months for our Chief Executive Officer and Chief Operating Officer) following termination of employment.

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## EXECUTIVE COMPENSATION TABLES

## 2014 Summary Compensation Table

The table and explanatory footnotes below summarize the total compensation for the years 2014, 2013 and 2012 paid to or earned by our named executive officers.

Name and Principal Position	Year	Salary	Bonus <sup>(1)</sup>	Stock Awards <sup>(2)</sup>	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-qualified Deferred Compensation Earnings <sup>(4)</sup>	All Other Compensation <sup>(3)</sup>	Total
Michael L. Scudder	2014	\$750,000	\$47,000	\$1,103,667	\$—	\$482,400	\$221,576	\$111,336	\$2,715,979
President and Chief Executive Officer	2013	720,000	—	917,083	—	466,927	79,163	283,350	2,466,523
	2012	720,000	255,000	935,690	—	328,743	117,766	215,830	2,573,029
Mark G. Sander	2014	\$545,000	\$20,015	\$723,140	\$—	\$304,159	\$19,915	\$65,277	\$1,677,506
Senior EVP and Chief Operating Officer	2013	519,675	—	791,711	—	296,397	8,614	62,100	1,678,497
	2012	507,000	—	643,506	—	211,206	3,180	35,391	1,400,283
Paul F. Clemens	2014	\$376,000	\$9,898	\$263,999	\$—	\$156,593	\$5,268	\$44,584	\$856,342
EVP and Chief Financial Officer	2013	364,900	—	223,307	—	159,928	2,551	35,095	785,781
	2012	356,000	62,500	233,013	—	114,370	1,045	32,494	799,422
Victor P. Carapella	2014	\$350,000	\$6,856	\$264,417	\$—	\$147,865	\$296,153	\$61,254	\$1,126,545
EVP and Director of Commercial Banking, First Midwest Bank	2013	333,125	—	198,183	—	151,998	137,623	100,008	920,937
	2012	325,000	62,500	231,698	—	102,461	80,540	58,456	860,655
Thomas M. Prame EVP and Director of Retail Banking, First Midwest Bank	2014	\$300,158	\$9,839	\$199,877	\$—	\$127,560	\$1,068	\$23,292	\$661,794
	2013	292,125	—	173,239	—	122,763	510	25,870	614,507
	2012	191,827	75,000	165,321	—	99,326	—	145,894	677,368

(1) For 2014, amounts represent the cash portion of a supplemental merger and acquisition award paid in recognition of the successful completion and integration of three acquisitions during the year. The amounts do not include the portion of the award paid in shares of restricted stock or restricted stock units. For our named executive officers,

this supplemental award totaled: \$88,000 for Mr. Scudder, \$49,652 for Mr. Sander, \$25,424 for Mr. Clemens, \$17,150 for Mr. Carapella, and \$24,607 for Mr. Prame. For additional information regarding this award, see Compensation Discussion and Analysis—Principal Elements of Our Executive Compensation in 2014—Supplemental Merger and Acquisition Award. For 2012, amounts represent, as to Messrs. Scudder, Clemens and Carapella, special cash bonuses paid in December 2012 in recognition of their contributions to the Company during 2012 and, as to Mr. Prame, a cash signing bonus paid upon commencement of his employment by the Company in 2012.

Amounts represent the aggregate grant-date fair value of stock awards, including performance shares and restricted stock and restricted stock unit awards, granted under our Omnibus Stock and Incentive Plan during the period, calculated in accordance with ASC 718. Assumptions used in the calculation of these amounts are described in Note 17 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014. The grant-date fair value of the performance shares is based on a target level of performance and will likely vary from the actual amount the individual earns upon vesting of applicable awards. Assuming the highest level of performance, the grant-date fair value of the 2014 performance share awards would be: \$1,174,976 for Mr. Scudder, \$653,968 for Mr. Sander, \$187,978 for Mr. Clemens, \$174,988 for Mr. Carapella and \$120,067 for Mr. Prame. The amounts in this column also include dividends accrued on unvested awards of performance shares, restricted stock and restricted stock units (which amounts are not paid unless the underlying shares vest). For 2014, these amounts totaled: \$47,439 for Mr. Scudder, \$28,287 for Mr. Sander, \$12,097 for Mr. Clemens, \$11,550 for Mr. Carapella, and \$8,523 for Mr. Prame.

- (2)
- (3) Amounts represent cash bonuses paid under our performance-based short-term incentive compensation plan for the years indicated.
- (4) Amounts represent the actuarial increase in the present value of the named executive officer's benefit under our Pension Plan. These amounts were determined using the interest rate and mortality rate assumptions consistent with those used in our audited financial statements for the year ended December 31, 2014. Benefit accruals under the Pension Plan were frozen effective as of January 1, 2014. For additional information, see Executive Compensation Tables—Pension Benefits. The amounts in this column also include realized earnings of the named executive officer in our Deferred Compensation Plan.
- (5) Amounts represent the following:

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## Contributions to Defined Contribution Retirement Plans and Perquisites

Name	Year	Qualified Plan <sup>(a)</sup>	Non-Qualified Plan <sup>(b)</sup>	Non-Qualified Pension Restoration <sup>(c)</sup>	Perquisites and Other Personal Benefits <sup>(d)</sup>	Total
Michael L. Scudder	2014	\$22,231	\$70,923	\$—	\$18,182 (f)	\$111,336
	2013	5,100	9,300	258,950 (e)	10,000 (f)	283,350
	2012	5,000	9,400	190,291 (e)	11,139 (f)	215,830
Mark G. Sander	2014	\$11,431	\$29,236	N/A	\$24,611 (g)	\$65,277
	2013	15,300	24,329	N/A	22,471 (g)	62,100
	2012	10,000	5,210	N/A	20,181 (g)	35,391
Paul F. Clemens	2014	\$15,600	\$16,509	N/A	\$12,475 (h)	\$44,584
	2013	15,300	11,220	N/A	8,575 (h)	35,095
	2012	15,000	8,919	N/A	8,575 (h)	32,494
Victor P. Carapella	2014	\$19,920	\$23,674	\$—	\$17,660 (h)	\$61,254
	2013	5,100	1,562	79,453 (e)	13,893 (h)	100,008
	2012	3,250	1,750	41,006 (e)	12,450 (h)	58,456
Thomas M. Prame	2014	\$7,509	\$3,258	N/A	\$12,525 (h)	\$23,292
	2013	8,030	—	N/A	17,840 (h)	25,870
	2012	N/A	27,425	N/A	118,469 (h)	145,894

The Company maintains a 401(k) Plan as its defined contribution plan. For eligible employees, this plan provides for an annual discretionary Company contribution up to limits imposed by the Internal Revenue Service and (a) matching Company contributions. Employees who participated in our Pension Plan in 2012 were not eligible to receive any discretionary Company contributions to our 401(k) Plan. All Company contributions were made on eligible compensation under our 401(k) Plan subject to compensation limitations under the Internal Revenue Code. The Company maintains the Deferred Compensation Plan as its nonqualified deferred compensation plan. This plan provides for a tax-deferred vehicle to accommodate contributions that are otherwise limited and not able to be (b) made to our tax-qualified plans, as well as voluntary participant contributions. The Deferred Compensation Plan is subject to Section 409A of the Internal Revenue Code. With respect to Mr. Prame, for 2012, the amount represents a one-time Company contribution to our Deferred Compensation Plan made in connection with his recruitment package.

Amounts represent the present value of amounts that would have accrued to the named executive officer during (c) 2013 and 2012 under the actuarially based pension formula of our Pension Plan but for the compensation limitations of the Internal Revenue Code.

(d) All perquisites paid to our named executive officers are less than \$25,000 in the aggregate for the years listed.

Because we froze benefit accruals under our Pension Plan effective as of January 1, 2014, there no longer will be a (e) pension restoration benefit attributed to Mr. Scudder or Mr. Carapella in future years. Messrs. Sander, Clemens and Prame are not participants in the Pension Plan.

(f) Represents amounts paid to Mr. Scudder for an annual automobile allowance and amounts paid by the Company on behalf of Mr. Scudder for other customary perquisites.

Represents amounts paid to Mr. Sander for an annual automobile allowance and amounts paid by the Company on (g) behalf of Mr. Sander for country club dues and other customary perquisites. The country club membership is maintained for business entertainment but may be used for personal use.

(h) Represents amounts paid to each of Messrs. Clemens, Carapella and Prame for an annual automobile allowance and amounts paid by the Company on behalf of each of them for other customary perquisites. As to Mr. Carapella,

the amounts also represents amounts paid by the Company for country club dues. The country club membership is maintained for business entertainment but may be used for personal use. For 2012, the amount for Mr. Prame also includes \$109,894 of expenses paid by the Company in connection with his relocation to the Chicago area.



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## 2014 Grants of Plan-Based Awards Table

The following table provides information with regard to the stock awards granted during 2014 (and reported as Stock Awards in the Summary Compensation Table) and the annual cash incentive compensation award opportunity for 2014 for our named executive officers.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Possible Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>			All Other Stock Awards: Number of Shares or Units <sup>(3)</sup>	Exercise or Base Price of Option Awards Per Share	Grant Date Fair Value of Stock and Option Awards <sup>(4)</sup>
		Threshold	Target	Maximum	Threshold	Target	Maximum			
Michael L. Scudder		\$112,500	\$450,000	\$770,625						
	2/19/2014				9,135	36,541	73,082			\$587,488
	2/19/2014						29,155			468,740
Mark G. Sander		\$68,125	\$272,500	\$456,438						
	2/19/2014				5,085	20,338	40,676			\$326,984
	2/19/2014						22,881			367,869
Paul F. Clemens		\$37,600	\$150,400	\$251,920						
	2/19/2014				1,462	5,846	11,692			\$93,989
	2/19/2014						9,822			157,913
Victor P. Carapella		\$35,000	\$140,000	\$234,500						
	2/19/2014				1,361	5,442	10,884			\$87,494
	2/19/2014						10,286			165,373
Thomas M. Prame		\$30,016	\$120,063	\$198,104						
	2/19/2014				934	3,734	7,468			\$60,033
	2/19/2014						8,168			131,321

Amounts reflect the range of estimated possible payouts under our short-term cash incentive compensation plan based on a combination of Company performance and individual performance rating assumptions. For additional information, see Compensation Discussion and Analysis—Principal Elements of Our Executive Compensation Program in 2014—Annual Cash Incentive Compensation.

(2) Awards represent the range of estimated possible payouts granted in the form of performance shares under our Omnibus Stock and Incentive Plan, which, if earned, are converted into shares of restricted Common Stock. Our named executive officers are eligible to earn performance shares totaling between 25% and 200% of the number of performance shares granted if performance levels are achieved using the following two metrics: total stockholder

return relative to a specified peer group of financial institutions and core return on average tangible common equity relative to predetermined goals. For additional information, see Compensation Discussion and Analysis—Principal Elements of Our Executive Compensation Program in 2014—Long-Term Incentive Compensation—Performance-Based Equity Compensation. Dividends on performance shares are accrued but not paid until the performance shares vest.

Awards represent restricted stock or, in the case of Mr. Carapella, restricted stock unit awards granted under our Omnibus Stock and Incentive Plan. Restricted stock and restricted stock unit awards vest over three years in two equal installments beginning two years from the date of grant (subject to continued employment and accelerated (3) vesting under certain circumstances). For additional information, see Compensation Discussion and Analysis—Principal Elements of Our Executive Compensation Program in 2014—Long-Term Incentive Compensation—Restricted Stock Awards. Dividends on restricted stock and the Common Stock underlying restricted stock units are accrued but not paid unless the underlying shares vest.

Amounts represent the aggregate grant-date fair value of stock awards, including performance shares and restricted stock and restricted stock unit awards, granted under our Omnibus Stock and Incentive Plan during 2014, calculated in accordance with ASC 718. See notes 2 and 3, above, for additional information regarding these awards. For the performance shares, the amounts have been calculated taking into consideration the probable (4) outcome of the respective performance conditions as the date of grant. Dividends accrued but not paid until the vesting of the awards of performance shares, restricted stock and restricted stock units are not included in the amounts reflected in this column. Assumptions used in the calculation of these amounts are described in Note 17 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.

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## Outstanding Equity Awards at Fiscal Year-End 2014 Table

The following table provides information regarding unexercised stock options and unvested stock awards held by our named executive officers as of December 31, 2014. All values in the table are based on a market value for our Common Stock of \$17.11, which was the closing price of our stock on December 31, 2014 as reported by the NASDAQ Stock Market. Information regarding when unvested awards are scheduled to vest is set forth in the footnotes to the table. Vesting also is subject to continued employment and acceleration under certain circumstances.

Name	Option Awards		Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Stock Awards		Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested
	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercisable Options				Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units of Stock that Have Not Vested		
Michael L. Scudder	17,940			\$ 33.61	2/23/2015	29,722 (1)	\$ 508,543	36,449 (4)	\$ 623,642
	19,631			33.92	2/22/2016	11,228 (1)	192,111	36,541 (5)	625,217
	18,898			38.62	2/21/2017	33,645 (2)	575,666		
	25,019			28.10	2/20/2018	29,155 (3)	498,842		
Mark G. Sander	42,328			\$ 12.17	6/20/2021	20,092 (1)	\$ 343,774	24,284 (4)	\$ 415,499
						22,260 (2)	380,869	20,338 (5)	347,983
						22,881 (3)	391,494		
Paul F. Clemens	902			\$ 38.79	11/15/2016	7,436 (1)	\$ 127,230	7,105 (4)	\$ 121,567
	5,380			38.62	2/21/2017	2,752 (1)	47,087	5,846 (5)	100,025
	18,464			28.10	2/20/2018	9,947 (2)	170,193		
						9,822 (3)	168,054		
Victor P. Carapella	11,324			\$ 33.61	2/23/2015	7,379 (1)	\$ 126,255	6,486 (4)	\$ 110,975
	12,258			33.92	2/22/2016	2,752 (1)	47,087	5,442 (5)	93,113
	11,655			38.62	2/21/2017	8,626 (2)	147,591		
	16,738			28.10	2/20/2018	10,286 (3)	175,993		
Thomas M. Prame						5,347 (6)	\$ 91,487	4,550 (4)	\$ 77,851
						8,759 (2)	149,866	3,734 (5)	63,889
						8,168 (3)	139,754		

(1) Restricted stock and restricted stock unit awards vest over three years in two equal installments beginning two years from the date of grant (subject to continued employment and accelerated vesting under certain circumstances). Represents the second tranche of restricted stock or restricted stock unit awards granted in 2012 that vested on February 22, 2015.

(2) Represents restricted stock or restricted stock unit awards granted in 2013, the first tranche of which vested on February 20, 2015 and the second tranche of which is scheduled to vest on February 20, 2016. See note 1, above, for additional information regarding the vesting of restricted stock and restricted stock unit awards.

(3) Represents restricted stock or restricted stock unit awards granted in 2014, the first tranche of which is scheduled to vest on February 19, 2016 and the second tranche of which is scheduled to vest on February 19, 2017. See note 1, above, for additional information regarding the vesting of restricted stock and restricted stock unit awards.

(4) Performance shares that may be earned upon completion of a three-year performance period ending on December 31, 2015 if performance levels (reflected at target in this table) are achieved using the following two metrics: total stockholder return relative to our peer group and core return on average tangible common equity relative to predetermined goals.

(5) Performance shares that may be earned upon completion of a three-year performance period ending on December 31, 2016 if performance levels (reflected at target in this table) are achieved using the following two metrics: total stockholder return relative to our peer group and core return on average tangible common equity relative to predetermined goals.

(6) Represents the third tranche of a recruitment inducement restricted stock award granted in 2012 that is scheduled to vest on May 16, 2015. This award was scheduled to vest over three years in three equal installments beginning one year from the date of grant (subject to continued employment and accelerated vesting under certain circumstances).

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## 2014 Option Exercises and Stock Vested Table

The following table provides information with respect to amounts paid to or received by our named executive officers during 2014 as a result of the exercise of non-qualified stock options and the vesting of restricted stock awards or units.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Michael L. Scudder	—	—	64,253	\$ 1,022,426
Mark G. Sander	—	—	20,093	319,730
Paul F. Clemens	—	—	17,109	272,247
Victor P. Carapella	—	—	16,795	267,250
Thomas M. Prame	—	—	5,348	83,830

## Pension Benefits

We maintain a noncontributory tax-qualified defined benefit Pension Plan for eligible employees. Eligibility to participate in this plan was frozen in 2007. Benefit accruals under this plan were frozen effective as of January 1, 2014 and no additional benefits will accrue to participants after that date, including for Mr. Scudder and Mr. Carapella, who are the only named executive officers who are participants in our Pension Plan.

The amount of the monthly pension benefit under our Pension Plan is based on the average monthly pension-eligible compensation and years of credited service of the participant. Average monthly compensation is the average of the highest eighty-four consecutive months of pay within the last 120 months of service and years of credited service is based on the period of employment with the Company, subject to limitations on services prior to 1980.

Pension-eligible compensation consists of base salary, cash bonuses, incentive compensation and vacation pay, but excludes severance and amounts realized from the exercise of non-qualified stock options and the vesting of restricted stock or restricted stock unit awards. Pension-eligible compensation is capped by the Internal Revenue Code applicable to tax-qualified pension plans. For 2014, this limit was \$260,000. Any amounts that become ineligible due to the Internal Revenue Code limits are used to compute the pension restoration contribution to the Deferred Compensation Plan as discussed further below under the section titled Non-Qualified Deferred Compensation.

Our Pension Plan provides for pension benefits under normal retirement (the attainment of age 65), early retirement (the attainment of age 55 with fifteen or more years of service), termination after five years of service, disability retirement after ten years of service and death before retirement with five or more years of service. A participant may elect to have his or her benefit paid each month in the form of a single life annuity or one of several actuarially equivalent forms of payment, including a lump sum.

Early retirement pension benefits are reduced by 6% for each of the first five years (ages 60-65) and by 4% for each of the next five years (ages 55-60) that the pension commencement date precedes the normal retirement age of 65.

## 2014 Pension Benefits Table

The following table shows the present value of the accumulated benefit as of December 31, 2014 payable to each of the named executive officers, including the number of years of service credited to each named executive officer under our Pension Plan determined using interest rate and mortality rate assumptions consistent with those used in our 2014 audited financial statements included in our Form 10-K.

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Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During Last Fiscal Year
Michael L. Scudder	Pension Plan	27.75	\$575,020	\$—
Mark G. Sander <sup>(1)</sup>	N/A	N/A	N/A	N/A
Paul F. Clemens <sup>(1)</sup>	N/A	N/A	N/A	N/A
Victor P. Carapella	Pension Plan	25.33	1,008,799	—
Thomas M. Prame <sup>(1)</sup>	N/A	N/A	N/A	N/A

(1) The Pension Plan was closed to new participants as of April 1, 2007. Based on the date of hire for Messrs. Sander, Clemens and Prame, they are not eligible to participate in the Pension Plan.

Non-Qualified Deferred Compensation

We maintain two non-qualified deferred compensation plans in which our named executive officers may participate, the Deferred Compensation Plan and the Gain Deferral Plan.

Deferred Compensation Plan

The Deferred Compensation Plan is a non-qualified defined contribution deferred compensation plan under which participants are credited with deferred compensation equal to contributions and benefits based on amounts that would have accrued under our Pension Plan or been contributed under our 401(k) Plan but for limitations under the Internal Revenue Code, and up to 75% of base salary and up to 100% of short-term cash incentive compensation that the participant has elected to defer. Deferral elections are made by eligible participants in December of each year for amounts to be earned in the following year. Participant accounts are deemed to be invested in separate investment accounts in an irrevocable rabbi trust under the Deferred Compensation Plan, with similar investment alternatives as those available under our 401(k) Plan, including an investment account deemed invested in shares of our Common Stock. Participants are able to modify their investment elections at any time, subject to applicable blackout periods.

Gain Deferral Plan

We maintain the Gain Deferral Plan with the purpose of encouraging stock ownership of certain key executives. This plan combines traditional deferred compensation arrangements with stock option exercise transactions by allowing eligible stock option participants to defer to a future date the receipt of shares representing the value realized upon exercise of the underlying stock options. In response to the addition of Section 409A of the Internal Revenue Code, the Gain Deferral Plan was frozen and no additional contributions or deferrals may be made under this plan. Currently, twenty stock option participants elected to participate in this plan, including Messrs. Scudder and Carapella. Deferrals are held for each participant in separate individual accounts in an irrevocable rabbi trust. Amounts deferred under the Gain Deferral Plan are denominated and paid in shares of Common Stock and are adjusted for dividends as if the dividends were reinvested in shares of Common Stock.

Distributions

Under both the Deferred Compensation Plan and the Gain Deferral Plan, payments begin after termination of employment and are payable at the participant's election either as a lump sum or in installments over a period not to exceed fifteen years. Earlier payment may be made upon showing of financial hardship to the satisfaction of the Compensation Committee. Distributions are paid in cash under the Deferred Compensation Plan, and are paid as in-kind stock distributions under the Gain Deferral Plan. Payments to named executive officers will be delayed as necessary to comply with Section 409A of the Internal Revenue Code.

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## 2014 Non-Qualified Deferred Compensation Table

The table set forth below summarizes the activity in the Deferred Compensation Plan and Gain Deferral Plan accounts of our named executive officers during 2014.

Name	Plan Name	Executive Contributions in 2014 <sup>(1)</sup>	Company Contributions in 2014 <sup>(2)</sup>	Aggregate Earnings in 2014	Aggregate Withdrawals/Distributions in 2014	Aggregate Balance at December 31, 2014 <sup>(3)(4)</sup>
Michael L. Scudder	Deferred Comp. Plan	\$ 30,289	\$ 24,231	\$ 123,177	\$ —	\$ 2,418,509
	Gain Deferral Plan	—	—	2,747	—	157,406
Mark G. Sander	Deferred Comp. Plan	88,039	36,643	19,915	—	312,165
	Gain Deferral Plan	N/A	N/A	N/A	N/A	N/A
Paul F. Clemens	Deferred Comp. Plan	21,981	20,013	5,268	—	137,222
	Gain Deferral Plan	N/A	N/A	N/A	N/A	N/A
Victor P. Carapella	Deferred Comp. Plan	11,442	9,154	60,169	—	2,058,025
	Gain Deferral Plan	—	—	15,109	—	865,620
Thomas M. Prame	Deferred Comp. Plan	—	—	1,068	—	37,317
	Gain Deferral Plan	N/A	N/A	N/A	N/A	N/A

Executive contributions represent amounts that would have been contributed by the named executive officer under (1) our 401(k) Plan, but for limitations under the Internal Revenue Code, and salary and short-term incentive compensation the named executive officer has elected to defer.

Company contributions represent amounts that would have been contributed under the tax-qualified benefit plans, (2) but for limitations under the Internal Revenue Code. The Company contributions for each named executive officer to the Deferred Compensation Plan are included in the “All Other Compensation” column of the 2014 Summary Compensation Table.

Aggregate balances at December 31, 2014 reflect amounts accumulated through the named executive officer’s participation in the plans from: (a) participant and Company contributions under the Deferred Compensation Plan, (3) and (b) participant contributions only under the Gain Deferral Plan. Our named executive officers have participated in the Deferred Compensation Plan since 1999 for Mr. Scudder, 2011 for Mr. Sander, 2006 for Mr. Clemens, 1998 for Mr. Carapella and 2012 for Mr. Prame. Our named executive officers have participated in the Gain Deferral Plan since 2004 for Messrs. Scudder and Carapella.

As of December 31, 2014, the portion of the aggregate balances in the Deferred Compensation Plan and Gain (4) Deferral Plan (as applicable) that represent Common Stock of the Company is as follows: 9,120 shares for Mr. Scudder, 0 shares for Mr. Sander, 1,929 shares for Mr. Clemens, 50,621 shares for Mr. Carapella and 1,921 shares for Mr. Prame.

## Potential Payments Upon Termination or Change-in-Control

We have entered into employment agreements and maintain plans covering our named executive officers that will require the Company to provide severance payments in the event of an involuntary termination of employment (other than for cause) or a resignation of employment for good reason prior to a change-in-control of the Company or in the event of an involuntary termination of employment (other than for cause) or a resignation of employment for good

reason following a change-in-control.

#### Overview

Our employment agreements with each of our named executive officers provide for automatic annual one-year extensions, except for Messrs. Scudder and Sander whose employment agreements provide for automatic two-year extensions every other year. Among other items, the agreements set forth the executive's title, responsibilities and compensation, confidentiality, nonsolicitation and nondisparagement covenants by the executive and severance payments to be made to the executive upon certain terminations of employment. Termination of employment also may impact equity awards that we have granted, as well as benefits payable under our employee benefit plans.

In addition to their employment agreements, our named executive officers are parties to Confidentiality and Restrictive Covenants Agreements with us through which we enhanced the restrictive covenants applicable to our named executive officers. The nonsolicitation provisions in these agreements apply for eighteen months after



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termination of employment for Messrs. Scudder and Sander, and one year after termination for Messrs. Clemens, Carapella and Prame.

The following discussion takes each termination of employment situation—voluntary resignation, discharge for cause, discharge without cause, resignation for good reason, death and disability—both prior to and following a change-in-control of the Company, and describes the severance or other additional amounts that the Company would pay or provide to the named executive officer or the officer's beneficiaries as a result. The discussion below and the amounts shown reflect certain assumptions we have made in accordance with applicable SEC rules. These assumptions are that the termination of employment or change-in-control occurred on December 31, 2014 and that the value of a share of our Common Stock on that day was \$17.11, which is the closing price of our stock as reported by the NASDAQ Stock Market on December 31, 2014.

The following discussion and amounts exclude the payments and benefits which are not enhanced by a termination of employment or change-in-control. These payments and benefits, which are referred to in the following discussion as the executive officer's "vested benefits," include:

• Base salary payable through the date of termination;

• Benefits accrued under our 401(k) Plan and Pension Plan in which all employees participate;

• Accrued vacation pay, group health plan continuation and other similar amounts payable when employment terminates under programs applicable to our salaried employees generally;

• Balances accrued under our Deferred Compensation Plan and Gain Deferral Plan; and

• Stock options that have vested and become exercisable, and restricted stock, restricted stock units and performance shares that have vested, prior to the employment termination or change-in-control.

**Voluntary Resignation**

Prior to age 65, we are not obligated to pay amounts over and above vested benefits in the event of employment termination due to voluntary resignation, and all unearned or unvested restricted stock, restricted stock unit and performance share awards will lapse. Following attainment of age 65, in the event of a named executive officer's retirement, we have provided that, in addition to payment of the executive's vested benefits:

• All unvested restricted stock and restricted stock unit awards become fully vested; and

A prorated portion of all performance shares may vest following the end of the performance periods applicable to the executive's performance share awards outstanding at the time of retirement. The portion of each performance share award that may vest is based on the achievement of the applicable performance goals during the entire performance period, and is calculated by multiplying the target number of performance shares by a fraction, the numerator of which is the number of whole months that have elapsed from the beginning of the applicable performance period to the date of termination of employment and the denominator of which is 36.

As of December 31, 2014, only Mr. Carapella had attained age 65. The following table summarizes the unearned or unvested restricted stock or restricted stock units and performance shares (assuming target performance) that would have vested on December 31, 2014 if the executive's employment terminated that day due to voluntary resignation.

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Name	Restricted Stock Awards/Units		Performance-Based Equity Awards	
	Number	Value	Number	Value
Michael L. Scudder	N/A	N/A	N/A	N/A
Mark G. Sander	N/A	N/A	N/A	N/A
Paul F. Clemens	N/A	N/A	N/A	N/A
Victor P. Carapella	29,043	\$496,926	6,138	\$105,021
Thomas M. Prame	N/A	N/A	N/A	N/A

Discharge for Cause

We are not obligated to pay any amounts over and above vested benefits if a named executive officer's employment terminates because of discharge for cause. The named executive officer's right to exercise vested options expires upon discharge for cause and, if the cause is fraud or embezzlement of funds, benefits under the Gain Deferral Plan are subject to forfeiture. In general, a discharge will be for cause if the executive has intentionally failed to perform his or her duties of employment, engaged in illegal or gross misconduct that harms the Company, has been convicted of a felony involving dishonesty, fraud, theft or financial impropriety or has violated a material requirement of any code of ethics or standard of conduct of the Company.

Death or Disability

We provide our employees, including our named executive officers, with group life and disability insurance coverage. The group life insurance benefit is based on a multiple of base salary, subject to limits contained in the policy.

Participants in our group life insurance plan may, if eligible, purchase additional insurance at their own cost. The disability benefit is a monthly benefit, paid until age 65, equal to 60% of base salary at the time of disability, subject to a monthly maximum benefit under the plan of \$20,000. These benefits would be paid to the named executive officer or his beneficiary, in addition to the executive's vested benefits, in the event of death or disability.

The amount of the payments to our named executive officers assuming death or disability on December 31, 2014 is set forth in the following table:

Name	Life Insurance (Death) Benefit	Disability Benefits		Total Payment
		Monthly Amount	Months to Age 65	
Michael L. Scudder	\$1,000,000	\$20,000	127	\$2,540,000
Mark G. Sander	750,000	20,000	107	2,140,000
Paul F. Clemens	750,000	18,800	31	582,800
Victor P. Carapella <sup>(1)</sup>	700,000	N/A	N/A	N/A
Thomas M. Prame	601,000	15,008	239	3,586,912

(1) As of December 31, 2014, Mr. Carapella had attained age 65 and was no longer eligible for disability benefits.

We also have provided for the vesting of unearned or unvested equity awards in the event of the death or disability of the named executive officer as follows:

• All unvested restricted stock and restricted stock unit awards become fully vested; and

• A prorated portion of all performance shares may vest following the end of the performance periods applicable to the executive's performance share awards outstanding at the time of death or disability. The portion of each performance share award that may vest is based on the achievement of the applicable performance goals during the entire performance period, and is calculated by multiplying the target number of performance shares by a fraction, the numerator of which is the number of whole months that

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have elapsed from the beginning of the applicable performance period to the date of termination of employment and the denominator of which is 36.

The following table summarizes the unearned or unvested restricted stock or restricted stock units and performance shares (assuming target performance) that would have vested on December 31, 2014 if the executive's employment terminated that day due to death or disability.

Name	Restricted Stock Awards/Units		Performance-Based Equity Awards	
	Number	Value	Number	Value
Michael L. Scudder	103,750	\$1,775,162	36,480	\$624,167
Mark G. Sander	65,233	1,116,137	22,969	392,994
Paul F. Clemens	29,957	512,564	6,685	114,386
Victor P. Carapella	29,043	496,926	6,138	105,021
Thomas M. Prame	22,274	381,107	4,278	73,197

**Discharge Without Cause; Resignation For Good Reason**

Our employment agreements obligate us to pay severance benefits if a named executive officer's employment is involuntarily terminated other than for cause. This includes the resignation by the executive for good reason. A good reason generally will occur if the executive determines we have breached the employment agreement by not maintaining his or her appointed positions, responsibilities or authority, failed to pay or provide the agreed-upon compensation, given notice that the agreement will not automatically renew, or required the executive to move to an office location more than eighty miles from his or her current location. Our primary obligation in these circumstances is to continue the executive's salary and participation in group health plans for a defined severance period and to pay a pro-rata annual bonus (based on target performance) for the year employment terminates. We will also provide outplacement assistance. The severance period is nine months for Mr. Scudder and Mr. Sander and six months for the other named executive officers. The severance period may be extended for up to an additional six-month period in the Company's sole discretion. The executive is required to execute a general release of claims as a condition to receiving severance benefits.

**Severance**

The following table summarizes the severance benefits that would be payable to our named executive officers had their employment been terminated involuntarily without cause or for good reason on December 31, 2014:

Name	Monthly Amount	Number of Months	Total Salary Continuation/ Lump Sum	Pro-Rated Annual Bonus <sup>(1)</sup>	Medical Benefits/Outplacement <sup>(2)</sup>	Total
Michael L. Scudder	\$62,500	9	\$562,500	\$450,000	\$ 100,635	\$1,113,135
Mark G. Sander	45,417	9	408,750	272,500	76,035	757,285
Paul F. Clemens	31,333	6	188,000	150,400	50,152	388,552
Victor P. Carapella	29,167	6	175,000	140,000	47,032	362,032
Thomas M. Prame	25,013	6	150,079	120,063	42,607	312,749

(1) Pro-rated annual bonus based on target bonus for year of termination and number of days elapsed at date of termination. Amounts reflect full 2014 target bonus and assumes termination occurred on last day of the year.

(2) Reflects amount of health benefit continuation (COBRA) premium paid by the Company during the salary continuation period and outplacement services estimated to be 12% of annual base salary.

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## Change-in-control

We have provisions in the employment agreements with our named executive officers and in our employee benefit plans for the payment of severance benefits in the event of a change-in-control of the Company. In the event of a change-in-control, our employment agreements require a “double trigger” to occur before enhanced severance benefits are paid. A “double trigger” involves both a change-in-control of the Company and a termination of the named executive’s employment other than for cause or disability following the change-in-control. The enhanced severance benefits consist of a lump sum payment of approximately 2.5 times the sum of base salary, target annual cash incentive compensation and certain other amounts in the case of Mr. Scudder and Mr. Sander and approximately two times the sum of base salary, target annual cash incentive compensation and certain other amounts for the other named executive officers. In addition, all unearned and unvested equity awards vest in full upon a change-in-control, whether or not the executive’s employment terminates. None of the employment agreements with our named executive officers provide for a gross-up payment should the executive be subject to an excise tax under the Internal Revenue Code. The table below summarizes the severance payments we would be obligated to make if a change-in-control occurred and the named executive officer’s employment terminated (other than for cause) on December 31, 2014.

Name	Severance Payments  Total Lump Sum	Equity Awards Restricted Stock Awards/Units		Performance-Based Equity Awards		Total Equity Value
		Number	Value	Number	Value	
Michael L. Scudder	\$3,454,866	103,750	\$1,775,162	72,990	\$1,248,859	\$3,024,021
Mark G. Sander	2,312,214	65,233	1,116,137	44,622	763,482	1,879,619
Paul F. Clemens	1,198,130	29,957	512,564	12,951	221,592	734,156
Victor P. Carapella	1,155,905	29,043	496,926	11,928	204,088	701,014
Thomas M. Prame	966,559	22,274	381,107	8,284	141,740	522,847

## COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis that appears in this Proxy Statement. Based on this review and discussion, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

J. Stephen Vanderwoude (Chair)

Barbara A. Boigegrain (Vice-Chair)

Br. James Gaffney

Peter J. Henseler

John L. Sterling

Members, Compensation Committee

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AUDIT COMMITTEE REPORT

The primary responsibilities of the Audit Committee are, among others, to: (1) assist the Board of Directors in its oversight of the integrity of the Company's financial statements and systems of internal control over financial reporting, (2) oversee the Company's compliance with legal and regulatory requirements relating to financial reporting and disclosure, (3) evaluate the independence and qualifications of the Company's independent registered public accounting firm, and (4) oversee the performance of the Company's independent registered public accounting firm and our internal audit function. The Audit Committee also is solely responsible for the appointment and compensation of the Company's independent registered public accounting firm. The Board of Directors has adopted an Audit Committee Charter, which sets forth the specific duties of the Audit Committee, a copy of which is available on the Company's website.

In carrying out our oversight responsibilities, we rely on the expertise and knowledge of management, the independent registered public accounting firm and the internal auditors. Management is responsible for determining that the Company's financial statements are complete, accurate and in accordance with U.S. generally accepted accounting principles. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies as well as internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. Our independent registered public accounting firm is responsible for planning and carrying out a proper audit of the Company's financial statements and internal control over financial reporting. The internal auditors are responsible for evaluating the adequacy and effectiveness of the Company's processes and system of internal controls to achieve the Company's stated goals and objectives. It is not the duty of the Audit Committee to plan or conduct audits, to determine that the Company's financial statements are complete and accurate and are in accordance with U.S. generally accepted accounting principles, or to conduct investigations or other types of auditing or accounting reviews or procedures.

We have reviewed and had discussions with management and Ernst & Young LLP regarding the Company's audited financial statements for the year ended December 31, 2014. We also have discussed with Ernst & Young LLP the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. We have received the required disclosures from Ernst & Young LLP under applicable PCAOB standards regarding auditor independence, and have discussed with Ernst & Young LLP its independence. We have established policies and procedures regarding the pre-approval of all services provided by Ernst & Young LLP. We have reviewed the audit and non-audit services provided by Ernst & Young LLP for the year ended December 31, 2014 and considered whether such services are compatible with maintaining its independence, and determined to engage Ernst & Young LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2015.

Based upon our review of the Company's audited financial statements and the discussions noted above, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in our charter, we have recommended to the Board of Directors that the Company's audited financial statements for the year ended December 31, 2014 be included in the Company's Annual Report on Form 10-K for the same year filed with the SEC.

Patrick J. McDonnell (Chair)

John F. Chlebowski, Jr. (Vice Chair)

Phupinder S. Gill

Ellen A. Rudnick

Michael J. Small

Members, Audit Committee

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OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), requires our directors and executive officers and persons who own more than 10% of a registered class of our equity securities to file reports of ownership of, and transactions in, our equity securities with the SEC. Such directors, executive officers and stockholders are also required to furnish us with copies of all reports they file under Section 16(a). Reports of purchases and sales of our securities by such persons are available on our website at [www.firstmidwest.com/secdocuments/](http://www.firstmidwest.com/secdocuments/). Based on a review of the copies of such reports, and on written representations from our directors and executive officers, we believe that all Section 16(a) filing requirements applicable to our directors and executive officers were complied with during the fiscal year ended December 31, 2014.

Incorporation by Reference

To the extent that this Proxy Statement is incorporated by reference into any other filing by the Company under the Securities Act of 1933, as amended, or the Exchange Act, the sections of this Proxy Statement entitled Audit Committee Report and Compensation Committee Report will not be deemed incorporated therein, unless specifically provided otherwise in such filing. We also include several website addresses in this Proxy Statement for your reference. The information on these websites is not part of this Proxy Statement.

Other Business and Discretionary Authority

As of the date of this Proxy Statement, our Board of Directors knows of no matters to come before, and does not intend to present any matters at, the Annual Meeting other than those items set forth in the Notice of Annual Meeting of Stockholders attached to this Proxy Statement. If other matters properly come before the Annual Meeting, or any adjournment or postponement, the persons named as proxies on the Proxy Card accompanying this Proxy Statement will have discretionary authority to vote pursuant to the Proxy Card, and the named proxies intend to vote on such matters in accordance with their best judgment. In addition, the persons named as proxies on the Proxy Card will have the discretionary authority to vote pursuant to the Proxy Card on any proposal to adjourn the Annual Meeting for any reason, and they will vote on any such proposal to adjourn in accordance with their best judgment.

Each of the nominees for election as directors named in this Proxy Statement has consented to serve on our Board of Directors if elected, and we have no reason to believe that any of the nominees will be unwilling or unable to serve. However, should any nominee become unable or unwilling to serve as a director, the persons named as proxies on the Proxy Card accompanying this Proxy Statement intend to vote for the election of any other person who may be nominated by our Board of Directors.

Stockholder Proposals for 2016 Annual Meeting of Stockholders

Stockholders who, in accordance with the SEC’s Rule 14a-8, wish to present proposals for inclusion in our proxy materials in connection with our 2016 annual meeting of stockholders must submit their proposals on or before December 16, 2015 to First Midwest Bancorp, Inc., Attn: Corporate Secretary, One Pierce Place, Suite 1500, Itasca, Illinois 60143.

In accordance with our Certificate of Incorporation, for a matter to be properly brought before the 2016 annual meeting of stockholders (but not necessarily contained in our proxy statement), a stockholder’s notice of the matter must comply with the requirements in our Certificate of Incorporation and be timely delivered to First Midwest Bancorp, Inc., Attn: Corporate Secretary, One Pierce Place, Suite 1500, Itasca, Illinois 60143, not less than 120 nor more than 180 days prior to the date of the meeting, which currently is scheduled for May 18, 2016. As a result, any notice given by or on behalf of a stockholder under these provisions of our Certificate of Incorporation (and not pursuant to the SEC’s Rule 14a-8) must be received no earlier than November 20, 2015 and no later than January 19, 2016.

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Stockholder Recommendations for Director Candidates

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. The policy of the Nominating and Corporate Governance Committee is to consider candidates recommended by stockholders in the same manner as other candidates. Stockholders who wish to submit director candidates for consideration by the Nominating and Corporate Governance Committee for election at our 2016 annual meeting of stockholders may do so by submitting in writing such candidates' names in compliance with the procedures required by our Certificate of Incorporation to First Midwest Bancorp, Inc., Attn: Corporate Secretary, One Pierce Place, Suite 1500, Itasca, Illinois 60143 between November 20, 2015 and January 19, 2016.

Important Notice Regarding Delivery of Stockholder Documents

SEC rules allow us to mail a single copy of our proxy materials to multiple stockholders of record sharing the same address and who we reasonably believe are members of the same household or to one stockholder who has multiple stockholder accounts. This practice is referred to as "householding" and can result in significant savings of paper and mailing costs. We will deliver promptly to any stockholder sharing the same address a separate copy of this Proxy Statement and our 2014 Annual Report upon a request, orally or in writing, to our Corporate Secretary (1) by mail at One Pierce Place, Suite 1500, Itasca, Illinois 60143, or (2) by telephone at (630) 875-7463.

We have been notified that certain brokers and banks holding our Common Stock for their customers also will household proxy materials. If you hold your shares in street name, you may contact your broker or bank if you desire to receive a separate copy of our proxy materials.

Stockholders sharing an address who now receive multiple copies of our proxy materials and who wish to receive only one copy of these materials per household in the future should contact our Corporate Secretary as indicated above (if your shares are held directly) or your broker or bank (if your shares are held in street name).

By Order of the Board of Directors,

Nicholas J. Chulos

Executive Vice President, Corporate Secretary  
and General Counsel

First Midwest Bancorp, Inc.

April 14, 2015

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