First Midwest Bancorp, Inc.

Reaffirming Our Foundations
- Risk & Regulation
- Culture & Governance

Federal Reserve Bank of Chicago
DePaul Driehaus College of Business
8th Annual Risk Conference
March 31, 2015
Today’s Discussion

• Introduction
• First Midwest
• Managing Risk in Today’s World
• Questions
Who We Are
First Midwest

$9.4 Billion in Assets
  • 5th Largest IL-based, 99th in U.S. (1)

$7.7 Billion in Average Deposits
  • Strong Core Deposits – 84% Low Cost

$6.7 Billion in Loans
  • #1 Agricultural Lender in IL, #45 in U.S. (2)

$7.2 Billion in Trust Assets
  • IL’s 3rd Largest in Revenue (3)

Information as of December 31, 2014.
(1) From SNL Financial.
(2) From American Bankers Association.
(3) From Trust Performance Report.
Operating in Premier Markets

70 Plus Years of Service

Recognized Nationally and Locally
- 2014 J.D. Power Award

Anchored in Metro Chicago
- 89% of Deposits
- #11 in Suburban Chicago MSA (1)

Traditional Sales Platform
- Retail, Commercial and Wealth Management
- Approximately 110 Locations

(1) SNL Financial based on deposit balances as of June 30, 2014.
With a Relationship Focus

We are in the business of helping clients achieve financial success throughout their economic life...

We believe that only if each of us assumes personal responsibility for the financial success of every client ... 

We further believe that in fulfilling clients’ financial needs we are ... creating value for ourselves and the company.

The financial success of our clients, thusly, will define our success.

“Highest Customer Satisfaction with Retail Banking in the Midwest”
In 2008, Plans Changed

• We Knew CRE Would Weigh Heavily On Our Suburban Markets

• Leadership Changes

• In the Short Run We Had To:
  • Normalize Credit
    • $400MM in Net C/O’s 2008-12
  • Build Capital
    • $200MM Equity Raise in 2011
  • Navigate > Regulatory Expectations

• We Also Knew Opportunities Were There
  • Lend, Build Core Deposits, Diversify Revenue
  • Balance Need for Efficiency w/ Investment in Risk

Everyone has a plan until they get punched in the face.

-Mike Tyson
In 2009, Reset Our Plan

• **Started w/ Our Strategic Plan Process**
  • Environmental Assessment
  • Reaffirmed Mission

• **Included Active Dialogue with Constituents**
  • Board, Colleagues
  • Investors
  • Regulators

• **Established Our Priorities**
  • Talent, Diversification and Growth
  • Enhance Framework to Manage Risk

Maximize Shareholder Value
Diversified Our Lending

$6.7 Billion, Up 27% (1)

Realigned/ Expanded Commercial Team
- Business Banking, Middle Market
- Commercial Real Estate and Equipment Leasing
- Specialty Line

Broadened Geography
- Downtown Chicago
- Midwest Expansion

Built Opportunities Thru Specialty Lines
- Legacy: Agricultural, Healthcare
- Added: Asset-Based Lending
- Acquired National Machine Tool

Broadened Consumer
- Mortgage

M&A Strengthened
- 2014 Acquisitions Add Almost $800 Million

### Category

<table>
<thead>
<tr>
<th>Category</th>
<th>$</th>
<th>% of Total</th>
<th>Chg (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>$2.6</td>
<td>39%</td>
<td>52%</td>
</tr>
<tr>
<td>Commercial RE</td>
<td>3.1</td>
<td>46%</td>
<td>7%</td>
</tr>
<tr>
<td>Consumer</td>
<td>0.9</td>
<td>13%</td>
<td>22%</td>
</tr>
<tr>
<td>Covered</td>
<td>0.1</td>
<td>1%</td>
<td>(41%)</td>
</tr>
</tbody>
</table>

(1) Change from December 31, 2008 to December 31, 2014.
(2) The percent reported does not include multi-family or construction loans.

Dollar amounts in billions.
**Strengthened Our Core Deposit Base**

$7.7 Billion, Up 37% (1)

<table>
<thead>
<tr>
<th>Category</th>
<th>$</th>
<th>% of Total</th>
<th>Chg (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand</td>
<td>2.3</td>
<td>30%</td>
<td>124%</td>
</tr>
<tr>
<td>Savings/NOW</td>
<td>2.6</td>
<td>34%</td>
<td>58%</td>
</tr>
<tr>
<td>Money Market</td>
<td>1.5</td>
<td>20%</td>
<td>104%</td>
</tr>
<tr>
<td>Time</td>
<td>1.3</td>
<td>16%</td>
<td>(42)%</td>
</tr>
</tbody>
</table>

(1) Change from December 31, 2008 to December 31, 2014.

**Strong Base**
- 84% Low Cost Transactional
- Lower Cost Funding: 13 bps In Total

**Driving Household Growth**
- Core Checking, Penetration
- Mobile, Internet Expansion

**Better Positioned For Higher Rates**
- Over 60% Retail Funded
- Average per Account = $17,000
- Limited Wholesale Funding

**M&A Strengthened**
Diversified Our Fee-Based Revenues

Fee Based Revenue, Up 17% (1)

- $4
- $8
- $11
- $24
- $27
- $37

~30% of Revenue

Mortgage
Other
Merchant
Card
Wealth
Service Charges

Wealth Management, Up 80% (1)

AUM
Revenue

2008
$4.5
$15
2014
$7.2

*3rd Largest Trust In Illinois; Based On Revenue

(1) Compared to December 31, 2008.
Supplemented w/ Acquisitions

8 Transactions Add $2.4 Billion in Assets

August 2012
Waukegan Savings Bank
• $86 million in assets

October 2011
4 Chicago-area branches of Old National Bancorp
• $108 million in assets

August 2010
Palos Bank & Trust Co.
• $485 million in assets

April 2010
Peotone Bank & Trust Co.
• $129 million in assets

October 2009
First DuPage Bank
• $261 million in assets

December 2014
Great Lakes Bank
• $568 million in assets
• $223 million in loans
• $466 million in deposits

September 2014
National Machine Tool Financial Corp
• Equipment Leasing Finance
• In Business for 28 Years
• Historic Production - $40 million/yr

August 2014
12 Chicago-area branches of Popular Community Bank
• $762 million in assets
• $549 million in loans
• $732 million in deposits
Looking Ahead
No Lack of Challenges

Q: Which Of The Following Are Having The Greatest Negative Impact On Growth For Your Bank?*

- Low Interest Rate Environment: 39%
- Regulatory Limitations on Products and Services: 33%
- Regulatory Compliance Costs: 33%
- Inadequate Fee Generation: 30%
- Regulatory Limitations on Transactions: 25%
- Troubled Mortgages/Residential: 19%
- Weak Loan Demand: 17%
- Troubled Mortgages/Commercial: 16%

Q: Which Regulatory Compliance Areas Is Having The Biggest Impact To Your Operating Costs?

- AML and/or Fraud Oversight: 23%
- Consumer Protection: 17%
- Lending/Leasing Practices: 17%
- COSO 2013 Implementation: 12%
- Capital Adequacy: 12%
- Privacy/Information Security: 8%
- Internal Controls: 7%
- Third-party Oversight: 3%
- Other: 1%

*Multiple responses allowed
Consumers Migrating To Self-service

As Digital Offerings And Convenience Rank Highest Among Features When Choosing A New Primary Bank.

- **Self-service channels**
  - Online Banking: 28%
  - Convenient Branch access: 25%
  - Convenient ATM access: 21%
  - Fees On Products/Services: 20%
  - Customer Service: 18%
  - Mobile Banking: 17%
  - Online Bill Pay: 15%
  - Financial Soundness: 13%
  - Rates On Deposits: 10%
  - Wide Range Of Products: 10%

- **More traditional**

Source: AlixPartners Financial Services Franchise Health Study 2Q14
(Mobile switchers N=254, Non-mobile switchers N=166, All switchers N=420)

46%
Nearly half of all respondents said that they expect their bank to increase spending in information technology (IT)
Transition to Rising Rates

Repricing Loans Pressure Earnings

Yields Increase Along w/ Funding And Portfolio Risk

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
</table>

Creates Heavy Competition, Will Occur in Our Lifetime
# Expecting Higher Deposit Betas Than 2004

Relative To The 2003-2007 Rate Rise, How Do You Expect Your Overall Deposit Portfolio Beta To Behave Over The Next Two Years?

<table>
<thead>
<tr>
<th>Response</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Roughly the same</td>
<td>14%</td>
</tr>
<tr>
<td>Modestly higher (up to 10 pts)</td>
<td>36%</td>
</tr>
<tr>
<td>Meaningfully higher (more than 10 pts)</td>
<td>29%</td>
</tr>
<tr>
<td>Meaningfully higher, but offset by higher asset betas</td>
<td>21%</td>
</tr>
</tbody>
</table>

Per Polling At J.P. Morgan’s 2014 Bank CEO Conference:
Cyber Risk Is Growing

Computers have enabled people to make more mistakes faster than almost any invention in history, with the possible exception of tequila and hand guns. Mitch Ratcliffe

There are two kinds of people in America today: those who have experienced a foreign cyber attack and know it, and those who have experienced a foreign cyber attack and don't know it. Frank Wolf
How the Industry Plans to React

Q: What areas of your bank’s operating model as a result of the economy and regulatory pressures?*

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand to New Customer Segments</td>
<td>41%</td>
</tr>
<tr>
<td>Reengineered Internal Processes</td>
<td>40%</td>
</tr>
<tr>
<td>Offered New Products</td>
<td>34%</td>
</tr>
<tr>
<td>Divesting Businesses</td>
<td>33%</td>
</tr>
<tr>
<td>Expanded in New Geographies</td>
<td>32%</td>
</tr>
<tr>
<td>Enhancing Mobile Delivery</td>
<td>24%</td>
</tr>
<tr>
<td>We Have Not Examined Operating Model</td>
<td>2%</td>
</tr>
</tbody>
</table>

Q: Which Of The Following Will Be The Three Biggest Drivers Of Your Revenue Growth In The Next 1-3 Years?*

<table>
<thead>
<tr>
<th>Driver</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset/Wealth Mgmt</td>
<td>32%</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>28%</td>
</tr>
<tr>
<td>Cross-selling Services</td>
<td>28%</td>
</tr>
<tr>
<td>New Market Segments</td>
<td>25%</td>
</tr>
<tr>
<td>Credit Cards</td>
<td>24%</td>
</tr>
<tr>
<td>Emerging Market Lending</td>
<td>23%</td>
</tr>
<tr>
<td>Commercial Loans</td>
<td>22%</td>
</tr>
<tr>
<td>Emerging Tech</td>
<td>22%</td>
</tr>
<tr>
<td>New Geographies</td>
<td>21%</td>
</tr>
<tr>
<td>Mortgages/Consumer Loans</td>
<td>17%</td>
</tr>
<tr>
<td>Broker-dealer/ Capital Mkt</td>
<td>16%</td>
</tr>
<tr>
<td>Construction Lending</td>
<td>15%</td>
</tr>
</tbody>
</table>

*Multiple responses allowed
Creates A Period of Transition, Adaptation

- Regulatory Expectations Taking Form, Continue to Evolve
- Credit Has Been a Tailwind
- Margin Pressures, Expense Savings Slowing
- Interest Rates Are Expected to Rise From Historic Lows
- Shifting Consumer Preferences
- Growing Technology Dependence and Cyber Risk

All Combine to Challenge Status Quo, Creating New Opportunities and Risks
Balancing Investment and Risk
It is About Keeping the Circle Round

Words to Live By Relative to Risk

Recognize Its Limitations
- We demand rigidly defined areas of doubt and uncertainty! Douglas Adams

Understand Its Importance
- It’s impossible that the improbable will never happen. Emil Gumbel
- A little risk management saves a lot of fan cleaning. Unknown

Don’t Be Afraid of It
- A bend in the road is not the end of the road…Unless you fail to make the turn.— Helen Keller
It is Not About What You Don’t Do

Essentials Of Risk Management

1. Don’t Do Anything Wrong Today!

2. Don’t Do Anything Wrong Tomorrow!

3. Repeat!
“Risk derives from the early Italian risicare, which means 'to dare'. In this sense, risk is a choice rather than a fate. – Peter L. Bernstein

Life moves pretty fast. If you don't stop and look around once in a while, you could miss it.

Matthew Broderick in Ferris Bueller's Day Off
From A Risk Perspective, Balance Is Key

“They’ve done studies, you know. Sixty percent of the time, it works every time.”

Ron Burgandy - Anchorman
Requires Ongoing Investment

**Framework**

- **Organizational Foundation**
  - Based On Common Sense
  - Starts w/ Tone At the Top
    - My Job
    - Willingness to Reassess
  - Talent, Leadership
  - Structure
  - Process

- **Anchored to Our Strategic Plan**
  - Establishes Priorities
  - “Momentum Map” Empowers And Engages
  - Facilitates Dialogue

- **Active Oversight**
  - Executive
  - Board

**Key Investments**

- **Hired** CRO and Expanded Role (2009-11)
  - Includes M&A Diligence

- **Formed** Executive Risk Committee (2009)
  - Developed “Dart” to Promote Discussion
  - Drafted Board Charter

- **Expanded** General Counsel Role, Resources (2012-14)

- **Expanded** Credit Oversight (2009 to 2014)
  - Formalized Credit Profile, System Upgrade
  - Added Resources, Depth of Experience

- **Expanded** Capital Stress and ALM Modeling (2009 to 2015)

- **Expanded** Cyber Preparedness (2015)
  - Independent Assessment
It is About Keeping the Circle Round

- **Organizational Foundation**
  - Based On Common Sense
  - Starts w/ Tone At the Top
    - My Job
    - Willingness to Reassess
  - Talent, Leadership
  - Structure, Process

- **Anchored to Strategic Plan**
  - Environmental Assessment
  - Active Dialogue

- **Active Oversight**
  - Executive
  - Board
Questions
Forward Looking Statements

This presentation may contain certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by use of words such as “may,” “might,” “will,” “would,” “should,” “could,” “expect,” “plan,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “probable,” “potential,” “possible,” “target,” or “continue” and words of similar import. Forward-looking statements are not historical facts but instead express only management’s beliefs regarding future results or events, many of which, by their nature, are inherently uncertain and outside of management’s control. It is possible that actual results and events may differ, possibly materially, from the anticipated results or events indicated in these forward-looking statements. Forward-looking statements are not guarantees of future performance, and First Midwest cautions you not to place undue reliance on these statements. Forward-looking statements are made only as of the date of this presentation, and First Midwest undertakes no obligation to update any forward-looking statements contained in this presentation to reflect new information or events or conditions after the date hereof.

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