Teekay LNG Partners L.P.
Form 6-K
July 17, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

Date of Report: July 17, 2014

Commission file number 1-32479

TEEKAY LNG PARTNERS L.P.

(Exact name of Registrant as specified in its charter)

4th Floor

Belvedere Building

69 Pitts Bay Road

Hamilton, HM08 Bermuda

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1).

Yes ¨ No x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7).

Yes ¨ No x

Item 1 - Information Contained in this Form 6-K Report

Attached as Exhibit 99.1 is a copy of an announcement of Teekay LNG Partners L.P. dated July 17, 2014.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEEKAY LNG PARTNERS L.P.
By: Teekay GP L.L.C., its General Partner

Date: July 17, 2014

By: /s/ Peter Evensen
Peter Evensen
Chief Executive Officer and Chief Financial Officer

(Principal Financial and Accounting Officer)

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214

10,191

—

10,405

Multi-family

1,296

331,445

132

332,873

18

1,999

—

2,017

Construction

5,712

180,485

—

186,197

178

6,138

—

6,316

Other commercial real estate

9,298

793,703

4,070

807,071

704

10,113

—

10,817

Total commercial
real estate

42,654

2,632,970

4,202

2,679,826

1,114

28,441

—

29,555

Total corporate loans

55,832

4,770,410

5,924

4,832,166

5,160

54,776

—

59,936

Consumer

—

738,155

9,684

747,839

—

13,010

—

13,010

Total loans, excluding covered loans

55,832

5,508,565

15,608

5,580,005

5,160

67,786

—

72,946

Covered loans

—

30,830

103,525

134,355

—

702

11,857

12,559

Reserve for unfunded commitments

—

—

—

—

—

1,616

—

1,616

Total loans

$
55,832

$
5,539,395

$
119,133

$
5,714,360

$
5,160

$
70,104

$
11,857

$
87,121

104

Loans Individually Evaluated for Impairment

The following table presents loans individually evaluated for impairment by class of loan as of December 31, 2014 and 2013. PCI loans are excluded from this disclosure.

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

	As of December 31, 2014				2013			
	Recorded Investment In				Recorded Investment In			
	Loans with No Specific Reserve	Loans with a Specific Reserve	Unpaid Principal Balance	Specific Reserve	Loans with No Specific Reserve	Loans with a Specific Reserve	Unpaid Principal Balance	Specific Reserve
Commercial and industrial	$666	$19,130	$35,457	$2,249	$10,047	$3,131	$25,887	$4,046
Agricultural	—	—	—	—	—	—	—	—
Commercial real estate:								
Office, retail, and industrial	9,623	2,709	18,340	271	23,872	2,476	35,868	214
Multi-family	939	—	1,024	—	1,098	198	1,621	18
Construction	6,671	—	7,731	—	4,586	1,126	10,037	178
Other commercial real estate	2,752	514	4,490	11	7,553	1,745	11,335	704
Total commercial real estate	19,985	3,223	31,585	282	37,109	5,545	58,861	1,114
Total impaired loans individually evaluated for impairment	$20,651	$22,353	$67,042	$2,531	$47,156	$8,676	$84,748	$5,160

The following table presents the average recorded investment and interest income recognized on impaired loans by class for the years ended December 31, 2014, 2013, and 2012. PCI loans are excluded from this disclosure.

Average Recorded Investment and Interest Income Recognized on Impaired Loans by Class
(Dollar amounts in thousands)

	Years Ended December 31, 2014		2013		2012	
	Average Recorded Balance	Interest Income Recognized (1)	Average Recorded Balance	Interest Income Recognized (1)	Average Recorded Balance	Interest Income Recognized (1)
Commercial and industrial	$16,137	$371	$20,925	$205	$45,101	$94
Agricultural	—	—	—	—	1,138	—
Commercial real estate:						
Office, retail, and industrial	19,003	245	24,802	18	32,439	2
Multi-family	1,245	5	1,116	8	6,226	—
Construction	5,764	—	5,932	—	31,202	1
Other commercial real estate	6,014	138	13,141	31	35,715	38
Total commercial real estate	32,026	388	44,991	57	105,582	41

Total impaired loans	$48,163	$759	$65,916	$262	$151,821	$135

[1] Recorded using the cash basis of accounting.

Credit Quality Indicators

Corporate loans and commitments are assessed for credit risk and assigned ratings based on various characteristics, such as the borrower's cash flow, leverage, and collateral. Ratings for commercial credits are reviewed periodically. The following tables present credit quality indicators by class for corporate and consumer loans, excluding covered loans, as of December 31, 2014 and 2013.

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

	Pass	Special Mention (1)(4)	Substandard (2)(4)	Non-Accrual (3)	Total
As of December 31, 2014					
Commercial and industrial	$2,115,170	$84,615	$31,078	$22,693	$2,253,556
Agricultural	357,595	294	—	360	358,249
Commercial real estate:					
Office, retail, and industrial	1,393,885	38,891	32,664	12,939	1,478,379
Multi-family	553,255	6,363	4,049	754	564,421
Construction	178,992	5,776	12,487	6,981	204,236
Other commercial real estate	829,003	32,517	19,407	6,970	887,897
Total commercial real estate	2,955,135	83,547	68,607	27,644	3,134,933
Total corporate loans	$5,427,900	$168,456	$99,685	$50,697	$5,746,738
As of December 31, 2013					
Commercial and industrial	$1,780,194	$23,806	$14,871	$11,767	$1,830,638
Agricultural	320,839	344	—	519	321,702
Commercial real estate:					
Office, retail, and industrial	1,284,394	28,677	23,538	17,076	1,353,685
Multi-family	326,901	3,214	910	1,848	332,873
Construction	153,949	8,309	17,642	6,297	186,197
Other commercial real estate	761,465	14,877	22,576	8,153	807,071
Total commercial real estate	2,526,709	55,077	64,666	33,374	2,679,826
Total corporate loans	$4,627,742	$79,227	$79,537	$45,660	$4,832,166

(1) Loans categorized as special mention exhibit potential weaknesses that require the close attention of management since these potential weaknesses may result in the deterioration of repayment prospects in the future.

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

(3) Loans categorized as non-accrual exhibit a well-defined weakness or weaknesses that may jeopardize the liquidation of the debt or result in a loss if the deficiencies are not corrected.

(4) Total special mention and substandard loans includes accruing TDRs of $1.8 million as of December 31, 2014 and $2.8 million as of December 31, 2013.

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

	Performing	Non-accrual	Total
As of December 31, 2014			
Home equity	$536,895	$6,290	$543,185
1-4 family mortgages	288,522	2,941	291,463
Installment	75,989	43	76,032
Total consumer loans	$901,406	$9,274	$910,680
As of December 31, 2013			
Home equity	$420,156	$6,864	$427,020
1-4 family mortgages	270,794	5,198	275,992
Installment	42,751	2,076	44,827
Total consumer loans	$733,701	$14,138	$747,839

TDRs

TDRs are generally performed at the request of the individual borrower and may include forgiveness of principal, reduction in interest rates, changes in payments, and maturity date extensions. The table below presents TDRs by class as of December 31, 2014 and 2013. See Note 1, "Summary of Significant Accounting Policies," for the accounting policy for TDRs.

TDRs by Class
(Dollar amounts in thousands)

	As of December 31,					
	2014			2013		
	Accruing	Non-accrual [1]	Total	Accruing	Non-accrual [1]	Total
Commercial and industrial	$269	$18,799	$19,068	$6,538	$2,121	$8,659
Agricultural	—	—	—	—	—	—
Commercial real estate:						
Office, retail, and industrial	586	—	586	10,271	—	10,271
Multi-family	887	232	1,119	1,038	253	1,291
Construction	—	—	—	—	—	—
Other commercial real estate	433	183	616	4,326	291	4,617
Total commercial real estate	1,906	415	2,321	15,635	544	16,179
Total corporate loans	2,175	19,214	21,389	22,173	2,665	24,838
Home equity	651	506	1,157	787	512	1,299
1-4 family mortgages	878	184	1,062	810	906	1,716
Installment	—	—	—	—	—	—
Total consumer loans	1,529	690	2,219	1,597	1,418	3,015
Total loans	$3,704	$19,904	$23,608	$23,770	$4,083	$27,853

[1] These TDRs are included in non-accrual loans in the preceding tables.

TDRs are included in the calculation of the allowance for credit losses in the same manner as impaired loans. There were $1.8 million in specific reserves related to TDRs as of December 31, 2014, and there were $2.0 million in specific reserves related to TDRs as of December 31, 2013.

The following table presents a summary of loans that were restructured during the years ended December 31, 2014, 2013, and 2012.

Loans Restructured During the Period
(Dollar amounts in thousands)

	Number of Loans	Pre-Modification Recorded Investment	Funds Disbursed	Interest and Escrow Capitalized	Charge-offs	Post-Modification Recorded Investment
Year Ended December 31, 2014						
Commercial and industrial	7	$ 23,852	$—	$—	$—	$ 23,852
Office, retail, and industrial	1	417	—	—	—	417
Multi-family	1	275	—	—	—	275
Home equity	1	75	—	—	—	75
Total TDRs restructured during the period	10	$ 24,619	$—	$—	$—	$ 24,619
Year Ended December 31, 2013						
Commercial and industrial	7	$ 14,439	$—	$2	$—	$ 14,441
Office, retail, and industrial	6	2,275	30	—	—	2,305
Multi-family	5	1,274	—	57	—	1,331
Construction	2	508	—	—	—	508
Other commercial real estate	5	526	—	—	—	526
Home equity	13	1,189	—	—	—	1,189
1-4 family mortgages	1	132	—	4	—	136
Total TDRs restructured during the period	39	$ 20,343	$30	$63	$—	$ 20,436
Year Ended December 31, 2012						
Commercial and industrial	5	$ 3,277	$—	$—	$170	$ 3,107
Office, retail, and industrial	2	2,416	—	—	—	2,416
Other commercial real estate	5	1,070	—	—	125	945
Home equity	1	19	—	—	—	19
1-4 family mortgages	4	563	—	4	—	567
Total TDRs restructured during the period	17	$ 7,345	$—	$4	$295	$ 7,054

Accruing TDRs that do not perform in accordance with their modified terms are transferred to non-accrual. The following table presents TDRs that had payment defaults during the years ended December 31, 2014, 2013, and 2012 where the default occurred within twelve months of the restructure date.

TDRs That Defaulted Within Twelve Months of the Restructured Date
(Dollar amounts in thousands)

	Years Ended December 31,					
	2014		2013		2012	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Commercial and industrial	2	$125	1	$350	—	$—
Office, retail, and industrial	—	—	—	—	2	837
Other commercial real estate	—	—	3	354	2	717
Home equity	1	77	—	—	—	—
1-4 family mortgages	—	—	—	—	1	62

Total	3	$ 202	4	$ 704	5	$ 1,616

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A rollforward of the carrying value of TDRs for the years ended December 31, 2014, 2013, and 2012 is presented in the following table.

TDR Rollforward
(Dollar amounts in thousands)

	Years Ended December 31,		
	2014	2013	2012
Accruing			
Beginning balance	$23,770	$6,867	$17,864
Additions	804	4,847	2,504
Net payments	(1,440)	(723)	(205)
Returned to performing status	(20,656)	(5,529)	(16,619)
Net transfers from non-accrual	1,226	18,308	3,323
Ending balance	3,704	23,770	6,867
Non-accrual			
Beginning balance	4,083	10,924	29,842
Additions	23,815	15,589	4,550
Net advances (payments)	1,991	(1,359)	(1,761)
Charge-offs	(8,457)	(1,880)	(10,003)
Transfers to OREO	(302)	(77)	(6,778)
Loans sold	—	(806)	(1,603)
Net transfers to accruing	(1,226)	(18,308)	(3,323)
Ending balance	19,904	4,083	10,924
Total TDRs	$23,608	$27,853	$17,791

For TDRs to be removed from TDR status in the calendar year after the restructuring, the loans must (i) have an interest rate and terms that reflect market conditions at the time of restructuring, and (ii) be in compliance with the modified terms. TDRs that were returned to performing status totaled $20.7 million, $5.5 million and $16.6 million for the years ended December 31, 2014, 2013, and 2012, respectively. Loans that were not restructured at market rates and terms, that are not in compliance with the modified terms, or for which there is a concern about the future ability of the borrower to meet its obligations under the modified terms, continue to be separately reported as restructured until paid in full or charged-off.

There were $666,000 and $180,000 in commitments to lend additional funds to borrowers with TDRs as of December 31, 2014 and 2013, respectively.

8. PREMISES, FURNITURE, AND EQUIPMENT

The following table summarizes the Company's premises, furniture, and equipment by category.

Premises, Furniture, and Equipment
(Dollar amounts in thousands)

	As of December 31,	
	2014	2013
Land	$51,104	$48,590
Premises	148,963	139,336
Furniture and equipment	85,489	81,002
Total cost	285,556	268,928
Accumulated depreciation	(156,473)	(152,751)
Net book value of premises, furniture, and equipment	129,083	116,177
Assets held-for-sale	2,026	4,027
Total premises, furniture, and equipment	$131,109	$120,204

Depreciation on premises, furniture, and equipment totaled $12.2 million in 2014, $11.0 million in 2013, and $10.9 million in 2012.

Operating Leases

As of December 31, 2014, the Company was obligated to utilize certain premises and equipment under certain non-cancelable operating leases, which expire at various dates through the year ended December 31, 2030. Many of these leases contain renewal options and certain leases provide options to purchase the leased property during or at the expiration of the lease period at specific prices. Some leases contain escalation clauses calling for rentals to be adjusted for increased real estate taxes and other operating expenses or proportionately adjusted for increases in consumer or other price indices. The following summary reflects the future minimum payments by year required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2014.

Future Minimum Operating Lease Payments
(Dollar amounts in thousands)

	Total
Year ending December 31,	
2015	$5,071
2016	4,697
2017	4,592
2018	3,873
2019	2,082
2020 and thereafter	13,031
Total minimum lease payments	$33,346

As part of the Popular acquisition, the Company assumed certain operating leases related to various branches. On the date of acquisition, an intangible liability of $10.6 million was recorded as the cash flows of the leases exceeded the fair market value. This intangible liability will be accreted into income as a reduction to net occupancy and equipment expense using the straight line method over the initial term of each lease, which expire between 2018 to 2030. The intangible liability is included in accrued interest and other liabilities in the Consolidated Statements of Financial Condition.

The following table presents the remaining scheduled accretion of the intangible liability by year.
Scheduled Accretion of Operating Lease Intangible
(Dollar amounts in thousands)

	Total
Year ending December 31,	
2015	$1,144
2016	1,144
2017	1,144
2018	900
2019	651
2020 and thereafter	5,195
Total accretion	$10,178

The following table presents net operating lease expense for the years ended December 31, 2014, 2013, and 2012.
Net Operating Lease Expense
(Dollar amounts in thousands)

	Years Ended December 31,		
	2014	2013	2012
Lease expense charged to operations [1]	$4,216	$3,123	$3,379
Rental income from premises leased to others [2]	541	531	931
Net operating lease expense	$3,675	$2,592	$2,448

(1) Includes amounts paid under short-term cancelable leases and included in net occupancy and equipment expense in the Consolidated Statements of Income. As of December 31, 2014, lease expense is net of $453,000 in accretion related to the intangible liability.

(2) Included as a reduction to net occupancy and equipment expense in the Consolidated Statements of Income.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company's annual goodwill impairment test was performed as of October 1, 2014. It was determined that no impairment existed as of that date. Goodwill is tested for impairment at the reporting unit level. All of our goodwill is allocated to First Midwest Bancorp, Inc., which is the Company's only applicable reporting unit for purposes of testing goodwill impairment. For a discussion of the accounting policies for goodwill and other intangible assets, see Note 1, "Summary of Significant Accounting Policies."

The following table presents changes in the carrying amount of goodwill for the years ended December 31, 2014, 2013, and 2012.
Changes in the Carrying Amount of Goodwill
(Dollar amounts in thousands)

	Years Ended December 31,		
	2014	2013	2012
Beginning balance	$264,062	$265,477	$265,477
Acquisitions	46,527	—	—
Sale of equity method investment	—	(1,415)	—
Ending balance	$310,589	$264,062	$265,477

During the year ended December 31, 2014, the increase in goodwill resulted from the Popular, Great Lakes, and National Machine Tool acquisitions. See Note 3, "Acquisitions," for additional detail regarding these transactions.

The Company's other intangible assets are core deposit intangibles, which are being amortized over their estimated useful lives. The Company's annual impairment testing was performed as of November 30, 2014 by comparing the carrying value of other intangible assets with our anticipated discounted expected future cash flows, and it was determined that no impairment existed as of that date.

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Other Intangible Assets
(Dollar amounts in thousands)

	Years Ended December 31,								
	2014			2013			2012		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Beginning balance	$33,775	$ 21,471	$12,304	$33,775	$ 18,193	$15,582	$34,318	$ 16,145	$18,173
Additions	14,195	—	14,195	—	—	—	781	—	781
Amortization expense	—	2,889	(2,889)	—	3,278	(3,278)	—	3,372	(3,372)
Fully amortized assets	—	—	—	—	—	—	(1,324)	(1,324)	—
Ending balance	$47,970	$ 24,360	$23,610	$33,775	$ 21,471	$12,304	$33,775	$ 18,193	$15,582
Weighted-average remaining life (in years)			8.0			5.9			6.4
Estimated remaining useful lives (in years)			0.3 to 10.3			0.2 to 11.3			0.7 to 12.3

Scheduled Amortization of Other Intangible Assets
(Dollar amounts in thousands)

	Total
Year ending December 31,	
2015	$3,920
2016	3,843
2017	3,063
2018	2,138
2019	2,073
2020 and thereafter	8,573
Total	$23,610

10. DEPOSITS

The following table presents the Company's deposits by type.

Summary of Deposits
(Dollar amounts in thousands)

	As of December 31,	
	2014	2013
Demand deposits	$2,301,757	$1,911,602
Savings deposits	1,391,444	1,135,155
NOW accounts	1,413,973	1,220,693
Money market deposits	1,509,026	1,290,868
Time deposits less than $100,000	859,441	820,925
Time deposits greater than $100,000	412,117	386,858
Total deposits	$7,887,758	$6,766,101

The following table provides maturity information related to the Company's time deposits.
Scheduled Maturities of Time Deposits
(Dollar amounts in thousands)

	Total
Year ending December 31,	
2015	$865,149
2016	211,496
2017	89,061
2018	38,623
2019	66,961
2020 and thereafter	268
Total	$1,271,558

11. BORROWED FUNDS

The following table summarizes the Company's borrowed funds by funding source.
Summary of Borrowed Funds
(Dollar amounts in thousands)

	As of December 31,	
	2014	2013
Securities sold under agreements to repurchase	$137,994	$109,792
FHLB advances	—	114,550
Total borrowed funds	$137,994	$224,342

Securities sold under agreements to repurchase are treated as financings and the obligations to repurchase securities sold are included as a liability in the Consolidated Statements of Financial Condition. Repurchase agreements are secured by the Treasury and U.S. agency securities and are held in third party pledge accounts, if required. The securities underlying the agreements remain in the respective asset accounts. As of December 31, 2014, the Company did not have amounts at risk under repurchase agreements with any individual counterparty or group of counterparties that exceeded 10% of stockholders' equity.

The Bank is a member of the FHLB and has access to term financing from the FHLB. These advances are secured by designated assets that may include qualifying residential and multi-family mortgages, home equity loans, and municipal and mortgage-backed securities. During 2014, the Company prepaid $114.6 million of FHLB advances. This transaction resulted in a $2.1 million pre-tax loss on the early extinguishment of debt and is included in other noninterest income in the Consolidated Statements of Income. At December 31, 2013, FHLB advances totaled $114.6 million with a weighted average interest rate of 1.34%.

The following table presents short-term credit lines available for use, for which the Company did not have an outstanding balance as of December 31, 2014 and 2013.
Short-Term Credit Lines Available for Use
(Dollar amounts in thousands)

	As of December 31,	
	2014	2013
Available federal funds lines	$685,500	$681,100
FRBs Discount Window Primary Credit Program	675,507	632,498
Correspondent bank line of credit	35,000	—

None of the Company's borrowings have any related compensating balance requirements that restrict the use of Company assets. At December 31, 2014, the Company had a $35.0 million short-term, unsecured revolving line of credit with a correspondent bank that it allowed to expire on January 20, 2015.

12. SENIOR AND SUBORDINATED DEBT

The following table presents the Company's senior and subordinated debt by issuance.

Senior and Subordinated Debt
(Dollar amounts in thousands)

	Interest Rate	As of December 31, 2014	2013
Senior notes due in 2016	5.875%	$114,768	$114,645
Subordinated notes due in 2016	5.850%	38,495	38,491
Junior subordinated debentures:			
First Midwest Capital Trust I ("FMCT") due in 2033	6.950%	37,797	37,796
Great Lakes Statutory Trust II ("GLST II") due in 2035	3 month LIBOR + 1.400%	4,202	—
Great Lakes Statutory Trust III ("GLST III") due in 2037	3 month LIBOR + 1.700%	5,607	—
Total junior subordinated debentures		47,606	37,796
Total senior and subordinated debt		$200,869	$190,932

Junior Subordinated Debentures

FMCT is a Delaware statutory business trust that was formed in 2003. During the fourth quarter of 2014, the Company acquired two Delaware statutory business trusts, GLST II and GLST III, in the Great Lakes transaction. These trusts were established for the purpose of issuing trust-preferred securities and lending the proceeds to the Company in return for junior subordinated debentures of the Company. The Company guarantees payments of distributions on the trust-preferred securities and payments on redemption of the trust-preferred securities on a limited basis. The statutory trusts qualify as variable interest entities for which the Company is not the primary beneficiary. Consequently, the accounts of those entities are not consolidated in the Company's financial statements.

Debt Retirement

The Company repurchased and retired $24.0 million of junior subordinated debentures at a premium of 3.5% during 2013. This transaction resulted in the recognition of a pre-tax loss of $1.0 million and is included in other noninterest income in the Consolidated Statements of Income.

13. MATERIAL TRANSACTIONS AFFECTING STOCKHOLDERS' EQUITY

Issued Common Stock

On December 2, 2014, the Company issued 2,440,754 shares of its $0.01 par value common stock at a price of $15.737 as part of the consideration in the Great Lakes acquisition. Additional information regarding the acquisition is presented in Note 3, "Acquisitions."

Authorized Common Stock

On May 21, 2014, the stockholders of the Company approved an amendment to the Company's Restated Certificate of Incorporation. The amendment increased the Company's authorized common stock by 50,000,000 shares. Following this amendment, the Company is now authorized to issue a total of 151,000,000 shares, including 1,000,000 shares of Preferred Stock, without a par value, and 150,000,000 shares of Common Stock, $0.01 par value per share.

Quarterly Dividend on Common Shares

The Board of Directors of First Midwest Bancorp, Inc. ("the Board") declared quarterly stock dividends of $0.01 per share from 2012 through the first quarter of 2013. The Company increased the quarterly dividend to $0.04 per share during the second quarter of 2013, to $0.07 per share during the fourth quarter of 2013, and to $0.08 per share during the second quarter of 2014.

There were no additional material transactions that affected stockholders' equity during the three years ended December 31, 2014.

14. EARNINGS PER COMMON SHARE

The table below displays the calculation of basic and diluted earnings (loss) per share.

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

	Years Ended December 31,		
	2014	2013	2012
Net income (loss)	$69,306	$79,306	$(21,054)
Net (income) loss applicable to non-vested restricted shares	(836)	(1,107)	306
Net income (loss) applicable to common shares	$68,470	$78,199	$(20,748)
Weighted-average common shares outstanding:			
Weighted-average common shares outstanding (basic)	74,484	73,984	73,665
Dilutive effect of common stock equivalents	12	10	1
Weighted-average diluted common shares outstanding	74,496	73,994	73,666
Basic earnings (loss) per common share	$0.92	$1.06	$(0.28)
Diluted earnings (loss) per common share	0.92	1.06	(0.28)
Anti-dilutive shares not included in the computation of diluted earnings per common share (1)	1,198	1,462	1,759

(1) This amount represents outstanding stock options for which the exercise price is greater than the average market price of the Company's common stock.

15. INCOME TAXES

Components of Income Tax Expense (Benefit)
(Dollar amounts in thousands)

	Years Ended December 31,		
	2014	2013	2012
Current income tax expense:			
Federal	$16,343	$4,744	$—
State	(1,388)	10,504	1
Total	14,955	15,248	1
Deferred income tax expense (benefit):			
Federal	7,901	31,572	(23,728)
State	8,314	1,895	(5,155)
Total	16,215	33,467	(28,883)
Total income expense (benefit)	$31,170	$48,715	$(28,882)

Federal income tax expense (benefit) and the related effective income tax rate are influenced by the amount of tax-exempt income derived from investment securities and BOLI in relation to pre-tax income (loss) and state income taxes. State income tax expense (benefit) and the related effective income tax rate are driven by the amount of state tax-exempt income in relation to pre-tax income (loss) and state tax rules for consolidated/combined reporting and sourcing of income and expense.

Income tax expense totaled $31.2 million for the year ended December 31, 2014 compared to income tax expense of $48.7 million for the year ended December 31, 2013 and an income tax benefit of $28.9 million for the year ended December 31, 2012. The decrease in income tax expense in 2014 was driven primarily by a decrease in income subject to tax at statutory rates. The increase in income tax expense from 2012 to 2013 was the result of an increase in income subject to tax at statutory rates and to a non-deductible BOLI modification loss recorded in 2013.

Differences between the amounts reported in the consolidated financial statements and the tax basis of assets and liabilities result in temporary differences for which deferred tax assets and liabilities were recorded.

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Deferred Tax Assets and Liabilities
(Dollar amounts in thousands)

	As of December 31,	
	2014	2013
Deferred tax assets:		
Alternative minimum tax ("AMT") and other credit carryforwards	$29,007	$19,184
Federal net operating loss ("NOL") carryforwards	—	14,579
Allowance for credit losses	26,078	30,492
Unrealized losses on securities	18,527	21,374
OREO	3,480	6,541
State NOL carryforwards	11,917	15,859
Other	18,390	19,049
Total deferred tax assets	107,399	127,078
Deferred tax liabilities:		
Purchase accounting adjustments and intangibles	(11,181)	(16,977)
Accrued retirement benefits	(6,732)	(7,095)
Depreciation	(845)	(2,111)
Cancellation of indebtedness income	(4,272)	(5,340)
Other	(3,978)	(6,313)
Total deferred tax liabilities	(27,008)	(37,836)
Deferred tax valuation allowance	—	—
Net deferred tax assets	80,391	89,242
Tax effect of adjustments related to other comprehensive income (loss)	11,294	18,382
Net deferred tax assets including adjustments	$91,685	$107,624
Net operating loss carryforwards available to offset future taxable income:		
Federal gross NOL carryforwards, begin to expire in 2032	$—	$41,654
Illinois gross NOL carryforwards, begin to expire in 2021	232,834	290,076
Indiana gross NOL carryforwards, begin to expire in 2022	17,192	16,112
Alternative minimum tax credits	25,739	16,090
Other credits, begin to expire in 2028	3,268	3,094

Included in the net deferred tax assets balance at December 31, 2014 are $7.4 million of net deferred tax assets acquired from the Popular, National Machine Tool, and Great Lakes transactions.

Net deferred tax assets are included in other assets in the accompanying Consolidated Statements of Financial Condition. Management believes that it is more likely than not that net deferred tax assets will be fully realized and no valuation allowance is required.

Components of Effective Tax Rate

	Years Ended December 31,		
	2014	2013	2012
Statutory federal income tax rate	35.0 %	35.0 %	35.0 %
Tax-exempt income, net of interest expense disallowance	(7.5)%	(6.2)%	16.8 %
State income tax, net of federal income tax effect	4.5 %	6.4 %	7.0 %
Net other	(1.0)%	2.9 %	(1.0)%
Effective tax rate	31.0 %	38.1 %	57.8 %

The change in effective tax rate from the year ended December 31, 2013 to the year ended December 31, 2014 was the result of a decrease in income subject to tax at statutory rates. The change in effective tax rate from the year ended December 31, 2012 to the year ended December 31, 2013 was the result of an increase in income subject to tax at statutory rates and a non-deductible BOLI modification loss recorded in 2013.

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As of December 31, 2014, 2013, and 2012, the Company's retained earnings included an appropriation for an acquired thrift's tax bad debt reserves of approximately $2.5 million for which no provision for federal or state income taxes has been made. If, in the future, this portion of retained earnings were distributed as a result of the liquidation of the Company or its subsidiaries, federal and state income taxes would be imposed at the then applicable rates.

Uncertainty in Income Taxes

The Company files a U.S. federal income tax return and state income tax returns in various states. In 2012, the Internal Revenue Service completed audits of the Company's 2006-2010 federal income tax returns and Illinois completed audits of the Company's 2008-2009 Illinois income tax returns. No significant adjustments were proposed in these audits.

Federal income tax returns filed by the Company are no longer subject to examination by federal income tax authorities for years prior to 2011. The Company is no longer subject to examination by Illinois, Indiana, Iowa and Wisconsin tax authorities for years prior to 2011.

Rollforward of Unrecognized Tax Benefits

(Dollar amounts in thousands)

	Years Ended December 31,		
	2014	2013	2012
Beginning balance	$279	$—	$368
Additions for tax positions relating to the current year	635	279	—
Reductions for tax positions relating to prior years	(2)	—	—
Reductions for settlements with taxing authorities	—	—	(368)
Ending balance	$912	$279	$—
Interest and penalties not included above [(1)]:			
Interest (benefit) expense, net of tax effect, and penalties	$4	$—	$(52)
Accrued interest and penalties, net of tax effect, at end of year	4	—	—

(1) Included in income tax expense (benefit) in the Consolidated Statements of Income.

The Company does not anticipate that the amount of uncertain tax positions will significantly increase or decrease in the next 12 months. Included in the balance at December 31, 2014 and 2013 are tax positions totaling $597,000 and $181,000, respectively, that would favorably affect the Company's effective tax rate if recognized in future periods.

16. EMPLOYEE BENEFIT PLANS

Profit Sharing Plan

The Company has a defined contribution retirement savings plan (the "Profit Sharing Plan") that covers qualified employees who meet certain eligibility requirements. During 2014, the Profit Sharing Plan was amended to give qualified employees the option to increase contributions from 45% (15% for certain highly compensated employees) to 100% (including certain highly compensated employees) of their pre-tax base salary through salary deductions under Section 401(k) of the Internal Revenue Code. At the employees' direction, employee contributions are invested among a variety of investment alternatives. The amendment also increased the Company's matching contribution from a maximum of 2% to 4% of the eligible employee's compensation. In addition, pursuant to the amendment, the Company makes certain automatic and transition contributions. On an annual basis, the Company automatically contributes 2% of the employee's eligible compensation regardless of voluntary contributions made by the employee. Transition contributions of up to 4% will be made through December 31, 2015 for certain employees who were active participants in the defined benefit retirement plan (the "Pension Plan"), which was frozen in 2013. The amendment did not change the discretionary profit sharing component of the Profit Sharing Plan, which permits the Company to distribute up to 15% of the employee's compensation. The Company's matching and transition contributions vest immediately, while the automatic and discretionary components vest over six years.

Profit Sharing Plan
(Dollar amounts in thousands)

	Years Ended December 31,		
	2014	2013	2012
Profit sharing expense [1]	$6,354	$2,914	$2,532
Company dividends received by the Profit Sharing Plan	$428	$159	$71
Company shares held by the Profit Sharing Plan at the end of the year:			
Number of shares	1,364,558	1,426,708	1,743,085
Fair value	$23,348	$25,010	$21,823

[1] Included in retirement and other employee benefits in the Consolidated Statements of Income.

Pension Plan

The Company sponsors the Pension Plan which provides for retirement benefits based on years of service and compensation levels of the participants. The Pension Plan covers employees who met certain eligibility requirements and were hired before April 1, 2007, the date it was amended to eliminate new enrollment of new participants. During 2013, the Board of Directors approved an amendment to freeze benefit accruals under the Pension Plan effective on January 1, 2014. Based on December 31, 2013 actuarial assumptions, the amendment decreased the pension obligation by $9.9 million and increased other comprehensive income (loss) by $5.9 million, after tax. These actions reduced 2013 pension expense by approximately $1.0 million.

Actuarially determined pension costs are charged to current operations and included in retirement and other employee benefits in the Consolidated Statements of Income. The Company's funding policy is to contribute amounts to the Pension Plan that are sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974 plus additional amounts as the Company deems appropriate.

Pension Plan Cost and Obligations
(Dollar amounts in thousands)

	As of December 31,	
	2014	2013
Accumulated benefit obligation	$67,283	$61,292
Change in projected benefit obligation:		
Beginning balance	$61,292	$72,855
Service cost	—	2,600
Interest cost	2,346	2,414
Curtailment	—	(9,947)
Settlements	(6,502)	—
Actuarial loss (gain)	10,508	(1,494)
Benefits paid	(361)	(5,136)
Ending balance	$67,283	$61,292
Change in fair value of plan assets:		
Beginning balance	$74,370	$63,501
Actual return on plan assets	4,686	9,005
Benefits paid	(361)	(5,136)
Employer contributions	—	7,000
Settlements	(6,502)	—
Ending balance	$72,193	$74,370
Funded status recognized in the Consolidated Statements of Financial Condition:		
Noncurrent asset	$4,910	$13,078
Amounts recognized in accumulated other comprehensive loss:		
Prior service cost	$—	$—
Net loss	19,911	10,784
Net amount recognized	$19,911	$10,784
Actuarial losses included in accumulated other comprehensive loss as a percent of:		
Accumulated benefit obligation	29.6%	17.6%
Fair value of plan assets	27.6%	14.5%
Amounts expected to be amortized from accumulated other comprehensive loss into net periodic benefit cost in the next fiscal year:		
Prior service cost	$—	$—
Net loss	401	215
Net amount expected to be recognized	$401	$215
Weighted-average assumptions at the end of the year used to determine the actuarial present value of the projected benefit obligation:		
Discount rate	3.60%	4.30%
Rate of compensation increase [1]	N/A	N/A

N/A – Not applicable.

(1) The rate of compensation increase is no longer applicable in determining the present value of the projected benefit obligation due to the amendment to freeze benefit accruals, which is discussed above.

Expected amortization of net actuarial losses – To the extent the cumulative actuarial losses included in accumulated other comprehensive loss exceed 10% of the greater of the accumulated benefit obligation or the market-related value of the Pension Plan assets, it is the Company's policy to amortize the Pension Plan's net actuarial losses into income

over the future working life of the Pension Plan participants. In connection with the freeze of benefit accruals under the Pension Plan in 2013, the Company changed its policy to amortize net actuarial losses into income over the average remaining life expectancy of the Pension Plan participants. Actuarial losses included in accumulated other comprehensive loss as of December 31, 2014 exceeded 10% of the accumulated benefit obligation and the fair value of Pension Plan assets. The amortization of net actuarial losses is a component

of the net periodic benefit cost. Amortization of the net actuarial losses and prior service cost included in other comprehensive income (loss) is not expected to have a material impact on the Company's future results of operations, financial position, or liquidity.

Net Periodic Benefit Pension Cost
(Dollar amounts in thousands)

	Years Ended December 31,					
	2014		2013		2012	
Components of net periodic benefit cost:						
Service cost	$—		$2,600		$2,862	
Interest cost	2,346		2,414		2,720	
Expected return on plan assets	(4,931	)	(4,299	)	(4,456	)
Recognized net actuarial loss	249		1,453		1,684	
Amortization of prior service cost	—		1		3	
Recognized settlement loss	1,377		—		—	
Net periodic (income) cost	(959	)	2,169		2,813	
Other changes in plan assets and benefit obligations recognized as a charge to other comprehensive income (loss):						
Net (loss) gain for the period	(10,752	)	16,146		(8,207	)
Amortization of prior service cost	—		1		4	
Amortization of net loss	1,625		1,453		1,683	
Total unrealized (loss) gain	(9,127	)	17,600		(6,520	)
Total recognized in net periodic pension cost and other comprehensive income (loss)	$(8,168	)	$15,431		$(9,333	)
Weighted-average assumptions used to determine the net periodic cost:						
Discount rate	4.30	%	3.40	%	4.40	%
Expected return on plan assets	7.25	%	7.25	%	7.25	%
Rate of compensation increase	N/A	[1]	2.50	%	2.50	%

N/A – Not applicable.

(1) The rate of compensation increase is no longer applicable in determining the net periodic cost due to the amendment to freeze benefit accruals, which is discussed above.

Pension Plan Asset Allocation
(Dollar amounts in thousands)

	Target Allocation	Fair Value of Plan Assets [1]	Percentage of Plan Assets as of December 31, 2014		2013	
Asset Category:						
Equity securities	50 - 60%	$42,826	59	%	63	%
Fixed income	30 - 48%	25,832	36	%	30	%
Cash equivalents	2 - 10%	3,535	5	%	7	%
Total		$72,193	100	%	100	%

(1) Additional information regarding the fair value of Pension Plan assets at December 31, 2014 can be found in Note 22, "Fair Value."

Expected long-term rate of return – The expected long-term rate of return on Pension Plan assets represents the average rate of return expected to be earned over the period the benefits included in the benefit obligation are to be paid. In developing the expected rate of return, the Company considers long-term returns of historical market data and projections of future returns for each asset category, as well as historical actual returns on the Pension Plan assets with the assistance of its independent actuarial consultant. Using this reference data, the Company develops a forward-looking return expectation for each asset category and a weighted-average expected long-term rate of return based on the target asset allocation.

Investment policy and strategy – The investment objective of the Pension Plan is to maximize the return on Pension Plan assets over a long-term horizon to satisfy the Pension Plan obligations. In establishing its investment policies and asset allocation strategies, the Company considers expected returns and the volatility associated with different strategies. The policy established by the Company's Retirement Plan Committee provides for growth of capital with a moderate level of volatility by investing assets according to the target allocations stated above and reallocating those assets as needed to stay within those allocations. Investments are weighted toward publicly traded securities. Investment strategies that include alternative asset classes, such as private equity hedge funds and real estate, are generally avoided. Under the advisement of a certified investment advisor, the Committee reviews the investment policy on a quarterly basis to determine if any adjustments to the policy or investment strategy are necessary.
Estimated future pension benefit payments for fiscal years ending December 31, 2015 through 2024 are as follows.
Estimated Future Pension Benefit Payments
(Dollar amounts in thousands)

	Total
Year ending December 31,	
2015	$5,298
2016	5,397
2017	4,886
2018	4,324
2019	4,085
2020-2024	17,518

17. SHARE-BASED COMPENSATION
Share-Based Plans
Omnibus Stock and Incentive Plan (the "Omnibus Plan") – In 1989, the Board adopted the Omnibus Plan, which allows for the grant of both incentive and non-statutory ("nonqualified") stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, and performance shares to certain key employees.
From the inception of the Omnibus Plan through the end of 2008, certain key employees were granted nonqualified stock options. The option exercise price is the average of the high and low price of the Company's common stock on the grant date. All options have a term of ten years from the grant date, include reload features, and are non-transferable except to immediate family members, family trusts, or partnerships.
Since 2008, the Company has granted restricted stock and restricted stock unit awards instead of nonqualified stock options to certain key employees. Both restricted stock and restricted stock unit awards vest over three years, with 50% vesting on the second anniversary of the grant date and the remaining 50% vesting on the third anniversary of the grant date, provided the employee remains employed by the Company during this period (subject to accelerated vesting in the event of a change-in-control or upon certain terminations of employment, as set forth in the applicable award agreement). The fair value of the awards is determined based on the average of the high and low price of the Company's common stock on the grant date.
Since 2013, the Company has also granted performance shares to certain key employees. Recipients will earn performance shares totaling between 0% and 200% of the number of performance shares granted based on achieving certain performance metrics. Performance shares may be earned based on achieving an internal metric (core return on average tangible common equity) and an external metric (relative total shareholder return) over a three year period. Each metric is weighted at 50% of the total award opportunity. If earned, and assuming continued employment, the performance shares vest one-third at the completion of the three-year performance period and one-third at the end of the first and second years thereafter. The fair value of the performance shares that are dependent on the internal metric is determined based on the average of the high and low stock price on the grant date. An estimate is made as to the number of shares expected to vest as a result of actual performance against the internal metric to determine the amount of compensation expense to be recognized, which is re-evaluated quarterly. The fair value of the performance shares that are dependent on the external metric is determined using a Monte Carlo simulation model on the grant date assuming 100% of the shares are earned and issued.

Nonemployee Directors Stock Plan (the "Directors Plan") – In 1997, the Board adopted the Directors Plan, which provides for the grant of equity awards to non-management Board members. Until 2008, only nonqualified stock options were issued under the Directors Plan. The exercise price of the options is equal to the average of the high and low price of the Company's common stock on the grant date. All options have a term of 10 years from the grant date.

In 2008, the Company amended the Directors Plan to allow for the grant of restricted stock awards, among other items. The awards are restricted as to transfer, but are not restricted as to voting rights. Dividends accrue and are paid at the vesting date. Both the options and the restricted stock awards vest one year from the grant date subject to accelerated vesting in the event of retirement, death, disability, or change-in-control, as defined in the Directors Plan. Both the Omnibus Plan and the Directors Plan, and material amendments, were submitted to and approved by the stockholders of the Company. The Company issues treasury shares to satisfy stock option exercises and the vesting of restricted stock, restricted stock units, and performance share awards.

Shares of Common Stock Available Under Share-Based Plans

	As of December 31, 2014	
	Shares Authorized	Shares Available For Grant
Omnibus Plan	8,631,641	2,237,337
Directors Plan	481,250	75,294

Salary Stock Awards – The Company also periodically issues salary stock awards to certain executive officers. This stock is fully vested as of the grant date. The issuance of salary stock awards is included in share-based compensation expense, but does not reduce the number of shares issued and outstanding under the Omnibus Plan as the issuance is not considered part of the share-based plans referenced above.

Salary Stock Awards Granted

	Years ended December 31,		
	2014	2013	2012
Shares granted	—	8,693	10,983
Weighted-average price	$—	$14.30	$11.51

Stock Options

Nonqualified Stock Option Transactions

(Amounts in thousands, except per share data)

	Year Ended December 31, 2014			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term [1]	Aggregate Intrinsic Value [2]
Options outstanding beginning balance	1,436	$32.99		
Expired	(283)	33.23		
Options outstanding ending balance	1,153	$32.93	1.62	$215
Exercisable at the end of the year	1,153	$32.93	1.62	$215

[1] Represents the average remaining contractual life in years.

[2] Aggregate intrinsic value represents the total pre-tax intrinsic value that would have been received by the option holders if they had exercised their options on December 31, 2014. Intrinsic value equals the difference between the Company's average of the high and low stock price on the last trading day of the year and the option exercise price, multiplied by the number of shares. This amount will fluctuate with changes in the fair value of the Company's common stock.

Stock Option Valuation Assumptions – The Company estimates the fair value of stock options at the grant date using a Black-Scholes option-pricing model. No stock options were granted or exercised and no stock option award modifications were made during the three years ended December 31, 2014.

Restricted Stock, Restricted Stock Unit, and Performance Share Awards
Restricted Stock, Restricted Stock Unit, and Performance Share Award Transactions
(Amounts in thousands, except per share data)

	Year Ended December 31, 2014			
	Restricted Stock/Unit Awards		Performance Shares	
	Number of Shares/Units	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested awards beginning balance	1,123	$12.10	127	$12.68
Granted	417	16.13	118	16.13
Vested	(474)	11.79	—	11.79
Forfeited	(69)	13.53	(7)	13.53
Non-vested awards ending balance	997	$13.79	238	$14.36

Other Restricted Stock, Restricted Stock Unit, and Performance Share Award Information
(Amounts in thousands, except per share data)

	Years Ended December 31,		
	2014	2013	2012
Weighted-average grant date fair value of restricted stock, restricted stock unit, and performance share awards granted during the year	$16.13	$13.01	$11.35
Total fair value of restricted stock and restricted stock unit awards vested during the year	7,546	4,917	4,921
Income tax benefit realized from the vesting/release of restricted stock and restricted stock unit awards	2,939	1,966	1,884

There were no performance shares that vested during the periods presented. No restricted stock, restricted stock unit, and performance share award modifications were made during the periods presented.

Compensation Expense

The Company recognizes share-based compensation expense based on the estimated fair value of the option or award at the grant or modification date. Share-based compensation expense is included in salaries and wages in the Consolidated Statements of Income.

Effect of Recording Share-Based Compensation Expense
(Dollar amounts in thousands)

	Years ended December 31,		
	2014	2013	2012
Restricted stock, restricted unit, and performance share award expense	$5,926	$5,779	$5,877
Salary stock award expense	—	124	127
Total share-based compensation expense	5,926	5,903	6,004
Income tax benefit	2,424	2,414	2,456
Share-based compensation expense, net of tax	$3,502	$3,489	$3,548
Unrecognized compensation expense	$6,937	$6,327	$5,674
Weighted-average amortization period remaining (in years)	1.3	1.2	1.1

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18. STOCKHOLDER RIGHTS PLAN

On February 15, 1989, the Board adopted a Stockholder Rights Plan. Pursuant to that plan, the Company declared a dividend, paid March 1, 1989, of one right ("Right") for each outstanding share of Company common stock held on record on March 1, 1989 pursuant to a Rights Agreement dated February 15, 1989. The Rights Agreement was amended and restated on November 15, 1995 and again on June 18, 1997 to exclude an acquisition. The Rights Agreement was further amended on December 9, 2008 to clarify certain items. As amended, each Right entitles the registered holder to purchase from the Company 1/100 of a share of Series A Preferred Stock for a price of $150, subject to adjustment. The Rights will be exercisable only if a person or group acquires, or announces the intention to acquire, 10% or more of the Company's outstanding shares of common stock. The Company is entitled to redeem each Right for $0.01, subject to adjustment, at any time prior to the earlier of the tenth business day following the acquisition by any person or group of 10% or more of the outstanding shares of the common stock or the expiration date of the Rights. The Rights Agreement will expire on November 15, 2015.

As a result of the Rights Agreement, 600,000 of the 1,000,000 shares of authorized preferred stock were reserved for issuance as Series A Preferred Stock.

19. REGULATORY AND CAPITAL MATTERS

The Company and its subsidiaries are subject to various regulatory requirements that impose restrictions on cash, loans or advances, and dividends. The Bank is also required to maintain reserves against deposits. Reserves are held either in the form of vault cash or noninterest-bearing balances maintained with the FRB and are based on the average daily balances and statutory reserve ratios prescribed by the type of deposit account. Reserve balances totaling $60.0 million at December 31, 2014 and $68.7 million at December 31, 2013 were maintained in accordance with these requirements.

Under current Federal Reserve regulations, the Bank is limited in the amount it may loan or advance to First Midwest Bancorp, Inc. on an unconsolidated basis (the "Parent Company") and its non-bank subsidiaries. Loans or advances to a single subsidiary may not exceed 10%, and loans to all subsidiaries may not exceed 20% of the Bank's capital stock and surplus, as defined. Loans from subsidiary banks to non-bank subsidiaries, including the Parent Company, are also required to be collateralized.

The principal source of cash flow for the Parent Company is dividends from the Bank. Various federal and state banking regulations and capital guidelines limit the amount of dividends that the Bank may pay to the Parent Company. Without prior regulatory approval and while maintaining its well-capitalized status, the Bank can initiate aggregate dividend payments in 2015 of $61.2 million plus its net profits for 2015, as defined by statute, up to the date of any such dividend declaration. Future payment of dividends by the Bank depends on individual regulatory capital requirements and levels of profitability.

The Company and the Bank are also subject to various capital requirements set up and administered by federal banking agencies. Under capital adequacy guidelines, the Company and the Bank must meet specific guidelines that involve quantitative measures given the risk levels of assets and certain off-balance sheet items calculated under regulatory accounting practices ("risk-weighted assets"). The capital amounts and classification are also subject to qualitative judgments by the regulators regarding components of capital and assets, risk weightings, and other factors.

The Federal Reserve, the primary regulator of the Company and the Bank, establishes minimum capital requirements that must be met by member institutions. As defined in the regulations, quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to adjusted average assets. Failure to meet minimum capital requirements could result in actions by regulators that could have a material adverse effect on the Company's financial statements.

As of December 31, 2014, the Company and the Bank met all capital adequacy requirements. As of December 31, 2014, the most recent regulatory notification classified the Bank as "well-capitalized" under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes would change the Bank's classification.

The following table outlines the Company's and the Bank's measures of capital as of the dates presented and the capital guidelines established by the Federal Reserve for the Company and the Bank to be categorized as adequately capitalized and the Bank to be categorized as "well-capitalized."

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Summary of Capital Ratios
(Dollar amounts in thousands)

	Actual		Adequately Capitalized		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Capital	Ratio %	Capital	Ratio %	Capital	Ratio %
As of December 31, 2014						
Total capital (to risk-weighted assets):						
First Midwest Bancorp, Inc.	$884,692	11.23	$630,140	8.00	N/A	N/A
First Midwest Bank	931,829	12.30	606,038	8.00	$757,547	10.00
Tier 1 capital (to risk-weighted assets):						
First Midwest Bancorp, Inc.	802,483	10.19	315,070	4.00	N/A	N/A
First Midwest Bank	857,362	11.32	303,019	4.00	454,528	6.00
Tier 1 leverage (to average assets):						
First Midwest Bancorp, Inc.	802,483	9.03	355,362	4.00	N/A	N/A
First Midwest Bank	857,362	9.76	351,222	4.00	439,028	5.00
As of December 31, 2013						
Total capital (to risk-weighted assets):						
First Midwest Bancorp, Inc.	$841,787	12.39	$543,573	8.00	N/A	N/A
First Midwest Bank	897,255	13.86	517,721	8.00	$647,152	10.00
Tier 1 capital (to risk-weighted assets):						
First Midwest Bancorp, Inc.	741,414	10.91	271,787	4.00	N/A	N/A
First Midwest Bank	816,286	12.61	258,861	4.00	388,291	6.00
Tier 1 leverage (to average assets):						
First Midwest Bancorp, Inc.	741,414	9.18	242,277	4.00	N/A	N/A
First Midwest Bank	816,286	10.24	239,065	4.00	398,442	5.00

In July of 2013, the Federal Reserve published final rules (the "Basel III Capital Rules") that revise the regulatory capital rules to incorporate certain revisions by the Basel Committee on Banking Supervision. The phase-in period for the final rules began for the Company on January 1, 2015, with full compliance with the final rules entire requirement phased in on January 1, 2019.

The Basel III Capital Rules (i) introduce a new capital measure called "Common Equity Tier 1" ("CET1"), (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 Capital" instruments meeting specified requirements, (iii) narrowly define CET1 by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital, and (iv) expand the scope of the deductions/adjustments compared to existing regulations. Bank holding companies with less than $15 billion in consolidated assets as of December 31, 2009, such as the Company, are permitted to include trust-preferred securities in Additional Tier 1 Capital on a permanent basis and without any phase-out. As of December 31, 2014, the Company had $50.7 million of trust-preferred securities included in Tier 1 capital.

When fully phased in on January 1, 2019, the Basel III Capital Rules will require the Company and the Bank to maintain the following:

- A minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7% upon full implementation).
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A minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation).

- A minimum ratio of total capital (Tier 1 capital plus Tier 2 capital) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (resulting in a minimum total capital ratio of 10.5% upon full implementation).
- A minimum leverage ratio of 4%, calculated as the ratio of Tier 1 capital to average assets.

The Basel III Capital Rules also provide for a number of deductions from and adjustments to CET1 to be phased-in over a four-year period through January 1, 2019 (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter). Examples of these include the requirement that mortgage servicing rights, deferred tax assets depending on future taxable income, and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Under current capital standards, the effects of accumulated other comprehensive income items included in capital are excluded for the purposes of determining regulatory capital ratios. Under the Basel III Capital Rules, the effects of certain accumulated other comprehensive items are not excluded; however, the Company and the Bank, may make a one-time permanent election to continue to exclude these items, and the Company and the Bank expect to make such an election.

Finally, the Basel III Capital Rules prescribe a standardized approach for risk weightings that expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50%, and 100%) to a much larger and more risk-sensitive number of categories depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities to 600% for certain equity exposures, resulting in higher risk weights for a variety of asset categories.

The Company and the Bank believe they would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis as if such requirements were currently in effect as of December 31, 2014.

20. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In the ordinary course of business, the Company enters into derivative transactions as part of its overall interest rate risk management strategy. The significant accounting policies related to derivative instruments and hedging activities are presented in Note 1, "Summary of Significant Accounting Policies."

Fair Value Hedges

The Company hedges the fair value of fixed rate commercial real estate loans using interest rate swaps through which the Company pays fixed amounts and receives variable amounts. These derivative contracts are designated as fair value hedges.

Fair Value Hedges
(Dollar amounts in thousands)

	As of December 31,			
	2014		2013	
Gross notional amount outstanding	$12,793		$14,730	
Derivative liability fair value	(1,032	)	(1,472	)
Weighted-average interest rate received	2.07	%	2.08	%
Weighted-average interest rate paid	6.37	%	6.39	%
Weighted-average maturity (in years)	2.95		3.76	
Fair value of assets needed to settle derivative transactions [(1)]	1,057		1,502	

(1) This amount represents the fair value if credit risk related contingent features were triggered.

Hedge ineffectiveness is recognized in other noninterest income in the Consolidated Statements of Income. For the years ended December 31, 2014, 2013, and 2012, gains or losses related to fair value hedge ineffectiveness were not material.

Cash Flow Hedges

During the year ended December 31, 2014, the Company hedged $325.0 million of certain corporate variable rate loans using interest rate swaps through which the Company receives fixed amounts and pays variable amounts. The Company also hedged $325.0 million of borrowed funds using four forward starting interest rate swaps through which

the Company receives variable amounts and pays fixed amounts. The four forward starting interest rate swaps begin in 2015 and 2016 and mature in 2019. These derivative contracts are designated as cash flow hedges.

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Cash Flow Hedges
(Dollar amounts in thousands)

	As of December 31,	
	2014	2013
Gross notional amount outstanding	$650,000	$—
Derivative asset fair value	1,166	—
Derivative liability fair value	(3,096)	—
Weighted-average interest rate received	1.63%	—
Weighted-average interest rate paid	0.16%	—
Weighted-average maturity (in years)	4.52	—

The effective portion of gains or losses on cash flow hedges is recorded in accumulated other comprehensive loss on an after-tax basis and is subsequently reclassified to interest income or expense in the period that the forecasted hedge impacts earnings. Hedge ineffectiveness is determined using a regression analysis at the inception of the hedge relationship and on an ongoing basis. For the year ended December 31, 2014, there were no gains or losses related to cash flow hedge ineffectiveness. As of December 31, 2014, the Company estimates that $5.0 million will be reclassified from accumulated other comprehensive loss as an increase to interest income over the next twelve months.

Other Derivative Instruments

The Company also enters into derivative transactions with its commercial customers and simultaneously enters into an offsetting interest rate derivative transaction with a third party. This transaction allows the Company's customers to effectively convert a variable rate loan into a fixed rate loan. Due to the offsetting nature of these transactions, the Company does not apply hedge accounting treatment. Transaction fees related to commercial customer derivative instruments of $2.2 million and $2.8 million were recorded in noninterest income for the years ended December 31, 2014 and 2013, respectively. There were no transaction fees related to commercial customer derivative instruments for the year ended December 31, 2012.

Other Derivative Instruments
(Dollar amounts in thousands)

	As of December 31,	
	2014	2013
Gross notional amount outstanding	$527,893	$256,638
Derivative asset fair value	7,852	2,235
Derivative liability fair value	(7,852)	(2,235)
Fair value of assets needed to settle derivative transactions [1]	8,130	1,305

(1) This amount represents the fair value if credit risk related contingent factors were triggered.

The Company's derivative portfolio also includes other derivative instruments that do not receive hedge accounting treatment consisting of commitments to originate 1-4 family mortgage loans and foreign exchange contracts. In addition, the Company occasionally enters into risk participation agreements with counterparty banks to transfer or assume a portion of the credit risk related to customer transactions. The amounts of these instruments were not material for any period presented. The Company had no other derivative instruments as of December 31, 2014 and 2013. The Company does not enter into derivative transactions for purely speculative purposes.

Credit Risk

Derivative instruments are inherently subject to credit risk, which represents the Company's risk of loss when the counterparty to a derivative contract fails to perform according to the terms of the agreement. Credit risk is managed by limiting and collateralizing the aggregate amount of net unrealized losses by transaction, monitoring the size and the maturity structure of the derivatives, and applying uniform credit standards. Company policy establishes limits on credit exposure to any single counterparty. In addition, the Company established bilateral collateral agreements with derivative counterparties that provide for exchanges of marketable securities or cash to collateralize either party's net

losses above a stated minimum threshold. At December 31, 2014 and 2013, these collateral agreements covered 100% of the fair value of the Company's outstanding fair value hedges. Derivative assets and liabilities are presented gross, rather than net, of pledged collateral amounts.

Certain derivative instruments are subject to master netting agreements with counterparties. The Company records these transactions at their gross fair values and does not offset derivative assets and liabilities in the Consolidated Statements of Financial

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Condition. The following table presents the fair value of the Company's derivatives and offsetting positions as of December 31, 2014 and 2013.

Offsetting Derivatives
(Dollar amounts in thousands)

	Derivative Assets As of December 31,		Derivative Liabilities As of December 31,	
	2014	2013	2014	2013
Gross amounts recognized	$9,018	$2,235	$11,980	$3,707
Less: amounts offset in the Consolidated Statements of Financial Condition	—	—	—	—
Net amount presented in the Consolidated Statements of Financial Condition [1]	9,018	2,235	11,980	3,707
Gross amounts not offset in the Consolidated Statements of Financial Condition				
Offsetting derivative positions	(1,195)	(704)	(1,195)	(704)
Cash collateral pledged	—	—	(10,785)	(3,003)
Net credit exposure	$7,823	$1,531	$—	$—

[1] Included in other assets or other liabilities in the Consolidated Statements of Financial Condition.

As of December 31, 2014 and 2013, the Company's derivative instruments generally contained provisions that require the Company's debt to remain above a certain credit rating by each of the major credit rating agencies or that the Company maintain certain capital levels. If the Company's debt were to fall below that credit rating or the Company's capital were to fall below the required levels, it would be in violation of those provisions, and the counterparties to the derivative instruments could terminate the swap transaction and demand cash settlement of the derivative instrument in an amount equal to the derivative liability fair value. As of December 31, 2014 and 2013, the Company was not in violation of these provisions.

21. COMMITMENTS, GUARANTEES, AND CONTINGENT LIABILITIES

Credit Commitments and Guarantees

In the normal course of business, the Company enters into a variety of financial instruments with off-balance sheet risk to meet the financing needs of its customers and to conduct lending activities, including commitments to extend credit and standby and commercial letters of credit. These instruments involve elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Statements of Financial Condition.

Contractual or Notional Amounts of Financial Instruments
(Dollar amounts in thousands)

	As of December 31,	
	2014	2013
Commitments to extend credit:		
Commercial, industrial, and agricultural	$1,299,683	$1,077,201
Commercial real estate	170,573	133,867
Home equity	317,783	268,311
Other commitments [1]	194,556	181,702
Total commitments to extend credit	$1,982,595	$1,661,081
Standby letters of credit	$110,639	$110,453
Recourse on assets sold:		
Unpaid principal balance of loans sold	$185,910	$170,330
Carrying value of recourse obligation [2]	155	162

[1] Other commitments includes installment and overdraft protection program commitments.

[2] Included in other liabilities in the Consolidated Statements of Financial Condition.

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Commitments to extend credit are agreements to lend funds to a customer, subject to contractual terms and covenants. Commitments generally have fixed expiration dates or other termination clauses, variable interest rates, and fee requirements, when applicable. Since many of the commitments are expected to expire without being drawn, the total commitment amounts do not necessarily represent future cash flow requirements.

In the event of a customer's non-performance, the Company's credit loss exposure is equal to the contractual amount of the commitments. The credit risk is essentially the same as extending loans to customers. The Company uses the same credit policies for credit commitments as its loans and minimizes exposure to credit loss through various collateral requirements.

Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent on the failure of the customer to perform according to the terms of the contract with the third party and are often issued in favor of a municipality where construction is taking place to ensure the borrower adequately completes the construction.

The maximum potential future payments guaranteed by the Company under standby letters of credit arrangements are equal to the contractual amount of the commitment. If a commitment is funded, the Company may seek recourse through the liquidation of the underlying collateral, including real estate, production plants and property, marketable securities, or receipt of cash.

As a result of the sale of certain 1-4 family mortgage loans, the Company is contractually obligated to repurchase any non-performing loans or loans that do not meet underwriting requirements at recorded value. In accordance with the sales agreements, there is no limitation to the maximum potential future payments or expiration of the Company's recourse obligation. There were no material loan repurchases during the years ended December 31, 2014 or 2013.

During 2012, the Company entered into two forward commitments with the FHLB to borrow $250 million for a five year period beginning in 2014 at a weighted average interest rate of 2.0%. The Company terminated these forward commitments during 2013, resulting in a gain of $7.8 million recorded as a component of noninterest income in the Consolidated Statement of Income.

Legal Proceedings

In the ordinary course of business, there were certain legal proceedings pending against the Company and its subsidiaries at December 31, 2014. While the outcome of any legal proceeding is inherently uncertain, based on information currently available, the Company's management does not expect that any liabilities arising from pending legal matters will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

22. FAIR VALUE

Fair value represents the amount expected to be received to sell an asset or paid to transfer a liability in its principal or most advantageous market in an orderly transaction between market participants at the measurement date. In accordance with fair value accounting guidance, the Company measures, records, and reports various types of assets and liabilities at fair value on either a recurring or non-recurring basis in the Consolidated Statements of Financial Condition. Those assets and liabilities are presented below in the sections titled "Assets and Liabilities Required to be Measured at Fair Value on a Recurring Basis" and "Assets and Liabilities Required to be Measured at Fair Value on a Non-Recurring Basis."

Other assets and liabilities are not required to be measured at fair value in the Consolidated Statements of Financial Condition, but must be disclosed at fair value. Refer to the "Fair Value Measurements of Other Financial Instruments" section of this footnote. Any aggregation of the estimated fair values presented in this footnote does not represent the value of the Company.

Depending on the nature of the asset or liability, the Company uses various valuation methodologies and assumptions to estimate fair value. GAAP provides a three-tiered fair value hierarchy based on the inputs used to measure fair value. The hierarchy is defined as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than level 1 prices, such as quoted prices for similar instruments, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs require significant management judgment or estimation, some of which use model-based techniques and may be internally developed.

Assets and liabilities are assigned to a level within the fair value hierarchy based on the lowest level of significant input used to measure fair value. Assets and liabilities may change levels within the fair value hierarchy due to market conditions or other circumstances. Those transfers are recognized on the date of the event that prompted the transfer. There were no transfers of assets or liabilities between levels of the fair value hierarchy during the periods presented.

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Assets and Liabilities Required to be Measured at Fair Value on a Recurring Basis

The following table provides the fair value for assets and liabilities required to be measured at fair value on a recurring basis in the Consolidated Statements of Financial Condition by level in the fair value hierarchy.

Recurring Fair Value Measurements

(Dollar amounts in thousands)

	As of December 31, 2014			As of December 31, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Trading securities:						
Money market funds	$1,725	$—	$—	$1,847	$—	$—
Mutual funds	15,735	—	—	15,470	—	—
Total trading securities	17,460	—	—	17,317	—	—
Securities available-for-sale:						
U.S. Agency securities	—	30,431	—	—	500	—
CMOs	—	534,156	—	—	475,768	—
Other MBSs	—	159,765	—	—	136,164	—
Municipal securities	—	423,820	—	—	461,393	—
CDOs	—	—	33,774	—	—	18,309
Corporate debt securities	—	1,802	—	—	14,929	—
Equity securities	—	3,261	—	44	5,618	—
Total securities available-for-sale	—	1,153,235	33,774	44	1,094,372	18,309
Mortgage servicing rights [(1)]	—	—	1,728	—	—	1,893
Derivative assets [(1)]	—	9,018	—	—	2,235	—
Liabilities:						
Derivative liabilities [(2)]	$—	$11,980	$—	$—	$3,707	$—

(1) Included in other assets in the Consolidated Statements of Financial Condition.

(2) Included in other liabilities in the Consolidated Statements of Financial Condition.

The following sections describe the specific valuation techniques and inputs used to measure financial assets and liabilities at fair value.

Trading Securities

The Company's trading securities consist of diversified investment securities held in a grantor trust and are invested in money market and mutual funds. The fair value of these money market and mutual funds is based on quoted market prices in active exchange markets and is classified in level 1 of the fair value hierarchy.

Securities Available-for-Sale

The Company’s available-for-sale securities are primarily fixed income instruments that are not quoted on an exchange, but may be traded in active markets. The fair values are based on quoted prices in active markets or market prices for similar securities obtained from external pricing services or dealer market participants and are classified in level 2 in the fair value hierarchy. Quarterly, the Company evaluates the methodologies used by its external pricing services to estimate the fair value of these securities to determine whether the valuations represent an exit price in the Company’s principal markets.

CDOs are classified in level 3 in the fair value hierarchy. The Company estimates the fair values for each CDO using discounted cash flow analyses with the assistance of a structured credit valuation firm. This methodology is based on a credit analysis and historical financial data for each of the issuers underlying the CDOs (the "Issuers"). These estimates are highly subjective and sensitive to several significant, unobservable inputs. The cash flows for each Issuer are then discounted to present values using LIBOR plus an adjustment to reflect the impact of market factors. Finally, the discounted cash flows for each Issuer are aggregat

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ed to derive the estimated fair value for the specific CDO. The following table presents the ranges of unobservable inputs used by the Company as of December 31, 2014.

Unobservable Inputs Used in the Valuation of CDOs

	As of December 31, 2014
Probability of prepayment	2.9% - 15.2%
Probability of default	18.4% - 57.7%
Loss given default	83.8% - 97.0%
Probability of deferral cure	6.7% - 75.0%

Most Issuers have the right to prepay the securities on the fifth anniversary of issuance and under other limited circumstances. To estimate prepayments, a credit analysis of each Issuer is performed to estimate its ability and likelihood to fund a prepayment. If a prepayment occurs, the Company receives cash equal to the par value for the portion of the CDO associated with that Issuer.

The likelihood that an Issuer who is currently deferring payment on the securities will pay all deferred amounts and remain current thereafter is based on an analysis of the Issuer's asset quality, leverage ratios, and other measures of financial viability.

Changes in any of these key inputs could result in a significantly higher or lower estimate of fair value for each CDO. The timing of the default, the magnitude of the default, and the timing and magnitude of the cure probability are directly interrelated. Defaults that occur sooner and/or are greater than anticipated have a negative impact on the valuation. In addition, a high cure probability assumption has a positive effect on the fair value, and, if a cure event takes place sooner than anticipated, the impact on the valuation is also favorable.

During the year ended December 31, 2014, the Company observed market activity for similar CDO securities. This increase in market activity allowed the Company to obtain market prices from dealer market participants that were used in management's valuation process as of December 31, 2014.

Management monitors the valuation results of each CDO on a quarterly basis, which includes an analysis of historical pricing trends and market activity for similar securities, consideration of overall economic conditions (such as movements in LIBOR curves), and the performance in the Issuers' industries. Annually, management validates significant assumptions by reviewing detailed back-testing performed by the structured credit valuation firm.

A rollforward of the carrying value of CDOs for the three years ended December 31, 2014 is presented in the following table.

Rollforward of Carrying Value of CDOs
(Dollar amounts in thousands)

	Years Ended December 31,		
	2014	2013	2012
Beginning balance	$18,309	$12,129	$13,394
Additions	6,549	—	—
Total income (loss):			
OTTI included in earnings [1]	—	—	(2,226)
Change in other comprehensive income (loss) [2]	13,495	6,180	961
Sales and paydowns [3]	(4,579)	—	—
Ending balance	$33,774	$18,309	$12,129
Change in unrealized losses recognized in earnings related to securities still held at end of period	$—	$—	$(2,226)

(1) Included in net securities gains (losses) in the Consolidated Statements of Income and related to securities still held at the end of the period.

(2) Included in unrealized holding gains (losses) in the Consolidated Statements of Comprehensive Income.

(3) During the year ended December 31, 2014, one CDO with a carrying value of $1.3 million and four CDOs totaling $2.9 million, which were acquired in the Great Lakes transaction, were sold. In addition, one CDO with a carrying value of zero was sold during the year ended December 31, 2013.

Mortgage Servicing Rights

The Company services mortgage loans owned by third parties and collects servicing fees equal to a percentage of the outstanding principal balance of the loans being serviced. Mortgage servicing rights are recorded at fair value and are included in other assets in the Consolidated Statements of Financial Condition. Therefore, the Company determines the fair value of mortgage servicing rights by estimating the present value of expected future cash flows associated with the mortgage loans being serviced. Key economic assumptions used in measuring the fair value of mortgage servicing rights at December 31, 2014 included prepayment speeds, maturities, and discount rates. While market-based data is used to determine the assumptions, the Company incorporates its own estimates of the assumptions market participants would use in determining the fair value of mortgage servicing rights, which results in a level 3 classification in the fair value hierarchy.

A rollforward of the carrying value of mortgage servicing rights for the three years ended December 31, 2014 is presented in the following table.

Carrying Value of Mortgage Servicing Rights
(Dollar amounts in thousands)

	Years Ended December 31,		
	2014	2013	2012
Beginning balance	$1,893	$985	$929
New mortgage servicing rights	315	1,060	347
Total (losses) gains included in earnings [1]:			
Changes in valuation inputs and assumptions	(480)	63	(72)
Other changes in fair value [2]	—	(215)	(219)
Ending balance	$1,728	$1,893	$985
Contractual servicing fees earned during the year [1]	$520	$418	$209
Total amount of loans being serviced for the benefit of others at the end of the year	220,372	214,458	109,730

(1) Included in mortgage banking income in the Consolidated Statements of Income and relate to assets still held at the end of the year.

(2) Primarily represents changes in expected future cash flows over time due to payoffs and paydowns.

Derivative Assets and Derivative Liabilities

The Company enters into interest rate swaps and derivative transactions with commercial customers. These derivative transactions are executed in the dealer market, and pricing is based on market quotes obtained from the counterparties. The market quotes were developed using market observable inputs, which primarily include LIBOR. Therefore, derivatives are classified in level 2 of the fair value hierarchy. For its derivative assets and liabilities, the Company also considers non-performance risk, including the likelihood of default by itself and its counterparties, when evaluating whether the market quotes from the counterparties are representative of an exit price.

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Pension Plan Assets

Although Pension Plan assets are not consolidated in the Company's Consolidated Statements of Financial Condition, they are required to be measured at fair value on an annual basis. The fair value of Pension Plan assets is presented in the following table by level in the fair value hierarchy.

Annual Fair Value Measurements for Pension Plan Assets

(Dollar amounts in thousands)

	As of December 31, 2014			As of December 31, 2013		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Pension plan assets:						
Mutual funds [1]	$25,499	$—	$25,499	$23,896	$—	$23,896
U.S. government and government agency securities	7,879	8,063	15,942	7,261	8,930	16,191
Corporate bonds	—	6,599	6,599	—	5,984	5,984
Common stocks	14,149	—	14,149	17,261	—	17,261
Common trust funds	—	10,004	10,004	—	11,038	11,038
Total pension plan assets	$47,527	$24,666	$72,193	$48,418	$25,952	$74,370

[1] Includes mutual funds, money market funds, cash, cash equivalents, and accrued interest.

Mutual funds, certain U.S. government agency securities, and common stocks are based on quoted market prices in active exchange markets and classified in level 1 of the fair value hierarchy. Corporate bonds, certain U.S. government agency, and U.S. Treasury securities are valued at quoted prices from independent sources that are based on observable market trades or observable prices for similar bonds where a price for the identical bond is not observable and, therefore, are classified in level 2 of the fair value hierarchy. Common trust funds are valued at quoted redemption values on the last business day of the Pension Plan's year end and are classified in level 2 of the fair value hierarchy. There were no Pension Plan assets classified in level 3 of the fair value hierarchy.

Assets and Liabilities Required to be Measured at Fair Value on a Non-Recurring Basis

The following table provides the fair value for each class of assets and liabilities required to be measured at fair value on a non-recurring basis in the Consolidated Statements of Financial Condition by level in the fair value hierarchy.

Non-Recurring Fair Value Measurements

(Dollar amounts in thousands)

	As of December 31, 2014			As of December 31, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Collateral-dependent impaired loans [1]	$—	$—	$23,799	$—	$—	$13,103
OREO [2]	—	—	22,760	—	—	13,347
Loans held-for-sale [3]	—	—	9,459	—	—	4,739
Assets held-for-sale [4]	—	—	2,026	—	—	4,027

[1] Includes impaired loans with charge-offs and impaired loans with a specific reserve during the periods presented.

[2] Includes OREO and covered OREO with fair value adjustments subsequent to initial transfer that occurred during the periods presented.

[3] Included in other assets in the Consolidated Statements of Financial Condition.

[4] Included in premises, furniture, and equipment in the Consolidated Statements of Financial Condition.

Collateral-Dependent Impaired Loans

Certain collateral-dependent impaired loans are subject to fair value adjustments to reflect the difference between the carrying value of the loan and the value of the underlying collateral. The fair values of collateral-dependent impaired loans are primarily determined by current appraised values of the underlying collateral. Based on the age and/or type, appraisals may be adjusted in the range of 0% - 15%. In certain cases, an internal valuation may be used when the

underlying collateral is located in areas where comparable sales data is limited or unavailable. Accordingly, collateral-dependent impaired loans are classified in level 3 of the fair value hierarchy.

Collateral-dependent impaired loans for which the fair value is greater than the recorded investment are not measured at fair value in the Consolidated Statements of Financial Condition and are not included in this disclosure.

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OREO

The fair value of OREO is measured using the current appraised value of the properties. In certain circumstances, a current appraisal may not be available or may not represent an accurate measurement of the property's fair value due to outdated market information or other factors. In these cases, the fair value is determined based on the lower of the (i) most recent appraised value, (ii) broker price opinion, (iii) current listing price, or (iv) signed sales contract. Given these valuation methods, OREO is classified in level 3 of the fair value hierarchy.

Loans Held-for-Sale

Loans held-for-sale consisted of 1-4 family mortgage loans, which were originated with the intent to sell, and one commercial real estate loan as of both December 31, 2014 and 2013. These loans were transferred to the held-for-sale category at the contract price and, accordingly, are classified in level 3 of the fair value hierarchy.

Assets Held-for-Sale

Assets held-for-sale consist of former branches that are no longer in operation, which were transferred into the held-for-sale category at the lower of their fair value as determined by a current appraisal or their recorded investment. Based on these valuation methods, they are classified in level 3 of the fair value hierarchy.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets are subject to annual impairment testing, which requires a significant degree of management judgment and the use of significant unobservable inputs. As discussed in Note 9, "Goodwill and Other Intangible Assets," the annual impairment tests indicated no impairment existed.

If the testing had resulted in impairment, the Company would have classified goodwill and other intangible assets as a level 3 non-recurring fair value measurement. Additional information regarding goodwill, other intangible assets, and impairment policies can be found in Note 1, "Summary of Significant Accounting Policies," and Note 9, "Goodwill and Other Intangible Assets."

Financial Instruments Not Required to be Measured at Fair Value

For certain financial instruments that are not required to be measured at fair value in the Consolidated Statements of Financial Condition, the Company must disclose the estimated fair values and the level within the fair value hierarchy as shown in the following table.

Fair Value Measurements of Other Financial Instruments

(Dollar amounts in thousands)

		As of December 31, 2014		As of December 31, 2013	
	Fair Value Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:					
Cash and due from banks	1	$117,315	$117,315	$110,417	$110,417
Interest-bearing deposits in other banks	2	488,947	488,947	476,824	476,824
Securities held-to-maturity	2	26,555	27,670	44,322	43,387
FHLB and FRB stock	2	37,558	37,558	35,161	35,161
Net loans	3	6,664,159	6,532,622	5,628,855	5,544,146
FDIC indemnification asset	3	8,452	3,626	16,585	7,829
Investment in BOLI	3	206,498	206,498	193,167	193,167
Accrued interest receivable	3	27,506	27,506	25,735	25,735
Other interest-earning assets	3	3,799	3,904	6,550	6,809
Liabilities:					
Deposits	2	$7,887,758	$7,879,413	$6,766,101	$6,765,404
Borrowed funds	2	137,994	137,994	224,342	226,839
Senior and subordinated debt	1	200,869	199,226	190,932	201,147
Accrued interest payable	2	2,324	2,324	2,400	2,400

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Management uses various methodologies and assumptions to determine the estimated fair values of the financial instruments in the table above. The fair value estimates are made at a discrete point in time based on relevant market information and consider management's judgments regarding future expected economic conditions, loss experience, and specific risk characteristics of the financial instruments.
Short-Term Financial Assets and Liabilities – For financial instruments with a shorter-term or with no stated maturity, prevailing market rates, and limited credit risk, the carrying amounts approximate fair value. Those financial instruments include cash and due from banks, interest-bearing deposits in other banks, other short-term investments, accrued interest receivable, and accrued interest payable.
Securities Held-to-Maturity – The fair value of securities held-to-maturity is estimated using the present value of expected future cash flows of the remaining maturities of the securities.
FHLB and FRB Stock – The carrying amounts approximate fair value as the stock is non-marketable.
Net Loans – Net loans includes loans held-for-investment, acquired loans, covered loans, and the allowance for loan and covered loan losses. The fair value of loans is estimated using the present value of the expected future cash flows of the remaining maturities of the loans. Prepayment assumptions that consider the Company's historical experience and current economic and lending conditions were included. The discount rate was based on the LIBOR yield curve with adjustments for liquidity and credit risk inherent in the loans.
The fair value of the covered loan portfolio is determined by discounting the expected future cash flows at a market interest rate, which is derived from LIBOR swap rates over the life of those loans. The expected future cash flows are derived from the contractual terms of the covered loans, net of any projected credit losses. For valuation purposes, these loans are placed into groups with similar characteristics and risk factors, where appropriate. The timing and amount of credit losses for each group are estimated using historical default and loss experience, current collateral valuations, borrower credit scores, and internal risk ratings. For individually significant loans or credit relationships, the estimated fair value is determined by a specific loan level review utilizing appraised values for collateral and projections of the timing and amount of expected future cash flows.
FDIC Indemnification Asset – The fair value of the FDIC indemnification asset is calculated by discounting the expected future cash flows to be received from the FDIC. The expected future cash flows are estimated by multiplying anticipated losses on covered loans and covered OREO by the reimbursement rates in the FDIC Agreements.
Investment in BOLI – The fair value of BOLI approximates the carrying amount as both are based on each policy's respective CSV, which is the amount the Company would receive from liquidation of these investments. The CSV is derived from monthly reports provided by the managing brokers and is determined using the Company's initial insurance premium and earnings of the underlying assets, offset by management fees.
Other Interest-Earning Assets – The fair value of other interest-earning assets is estimated using the present value of the expected future cash flows of the remaining maturities of the assets.
Deposits – The fair values disclosed for demand deposits, savings deposits, NOW accounts, and money market deposits are equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The fair value for fixed-rate time deposits was estimated using the expected future cash flows discounted based on the LIBOR yield curve, plus or minus the spread associated with current pricing.
Borrowed Funds – The fair value of FHLB advances is estimated by discounting the agreements based on maturities using the rates currently offered for FHLB advances of similar remaining maturities adjusted for prepayment penalties that would be incurred if the borrowings were paid off on the measurement date. The carrying amounts of securities sold under agreements to repurchase approximate their fair value due to their short-term nature.
Senior and Subordinated Debt – The fair value of senior and subordinated debt was determined using quoted market prices.
Commitments to Extend Credit and Letters of Credit – The Company estimated the fair value of lending commitments outstanding to be immaterial based on (i) the limited interest rate exposure of the commitments outstanding due to their variable nature, (ii) the short-term nature of the commitment periods, (iii) termination clauses provided in the agreements, and (iv) the market rate of fees charged.

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23. RELATED PARTY TRANSACTIONS

The Company, through the Bank, makes loans and has transactions with certain of its directors and executive officers. All of these loans and transactions were made in the ordinary course of business on substantially the same terms, including interest rates and collateral requirements, for comparable transactions with unrelated persons and did not involve more than the normal risk of collectability or present unfavorable features. For the years ended December 31, 2014 and 2013, loans to directors and executive officers totaled $31.8 million and $27.6 million, respectively, and were not greater than 5% of stockholders' equity.

24. CONDENSED PARENT COMPANY FINANCIAL STATEMENTS

The following represents the condensed financial statements of First Midwest Bancorp, Inc., the Parent Company.

Statements of Financial Condition
(Parent Company only)
(Dollar amounts in thousands)

	As of December 31,	
	2014	2013
Assets		
Cash and interest-bearing deposits	$43,546	$13,071
Investments in and advances to subsidiaries	1,211,244	1,120,745
Goodwill	13,625	8,943
Other assets	79,468	77,948
Total assets	$1,347,883	$1,220,707
Liabilities and Stockholders' Equity		
Senior and subordinated debt	$200,869	$190,932
Accrued expenses and other liabilities	46,239	28,333
Stockholders' equity	1,100,775	1,001,442
Total liabilities and stockholders' equity	$1,347,883	$1,220,707

Statements of Income
(Parent Company only)
(Dollar amounts in thousands)

	Years ended December 31,		
	2014	2013	2012
Income			
Dividends from subsidiaries	$56,881	$54,200	$38,000
Interest income	1,502	1,067	619
Net losses on early extinguishment of debt	—	(1,034)	(558)
Securities transactions and other	6,451	37,485	1,982
Total income	64,834	91,718	40,043
Expenses			
Interest expense	12,062	13,607	14,840
Salaries and employee benefits	12,589	15,198	13,232
Other expenses	5,867	5,792	5,740
Total expenses	30,518	34,597	33,812
Income before income tax benefit (expense) and equity in undistributed income (loss) of subsidiaries	34,316	57,121	6,231
Income tax benefit (expense)	8,710	(962)	13,070
Income before undistributed income (loss) of subsidiaries	43,026	56,159	19,301
Equity in undistributed income (loss) of subsidiaries	26,280	23,147	(40,355)

Net income (loss)	69,306	79,306	(21,054)
Net (income) loss applicable to non-vested restricted shares	(836)	(1,107)	306
Net income (loss) applicable to common shares	$68,470	$78,199	$(20,748)

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Statements of Cash Flows
(Parent Company only)
(Dollar amounts in thousands)

	Years ended December 31,		
	2014	2013	2012
Operating Activities			
Net income (loss)	$69,306	$79,306	$(21,054)
Adjustments to reconcile net income (loss) income to net cash provided by operating activities:			
Equity in undistributed (income) loss of subsidiaries	(26,280)	(23,147)	40,355
Depreciation of premises, furniture, and equipment	6	7	6
Net gains on sales of securities	(5,702)	(34,119)	—
Net losses on early extinguishment of debt	—	1,034	558
Share-based compensation expense	5,926	5,903	6,004
Tax (expense) benefit related to share-based compensation	(106)	(10)	170
Net decrease (increase) in other assets	4,599	1,084	(6,207)
Net increase (decrease) in other liabilities	14,063	(1,624)	1,366
Net cash provided by operating activities	61,812	28,434	21,198
Investing Activities			
Purchases of securities available-for-sale	—	(46,532)	(5,811)
Proceeds from sales and maturities of securities available-for-sale	8,540	43,329	—
Purchase of premises, furniture, and equipment	—	—	(18)
Cash received from acquisitions, net of cash paid	(15,809)	—	—
Net cash used in investing activities	(7,269)	(3,203)	(5,829)
Financing Activities			
Payments for retirement of subordinated debt	—	(24,094)	(37,033)
Treasury stock activity	369	—	—
Cash dividends paid	(22,568)	(7,508)	(2,977)
Restricted stock activity	(2,781)	(1,607)	(1,469)
Excess tax benefit (expense) related to share-based compensation	912	79	(21)
Net cash used in financing activities	(24,068)	(33,130)	(41,500)
Net increase (decrease) in cash and cash equivalents	30,475	(7,899)	(26,131)
Cash and cash equivalents at beginning of year	13,071	20,970	47,101
Cash and cash equivalents at end of year	$43,546	$13,071	$20,970
Supplemental Disclosures of Cash Flow Information:			
Common stock issued for acquisitions, net of issuance costs	$38,300	$—	$—

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

As of the end of the period covered by this report (the "Evaluation Date"), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer and its Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 and 15d-15 of the Securities and Exchange Act of 1934 (the "Exchange Act"). Based on that evaluation, the President and Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that as of the Evaluation Date, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms. There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2014 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Accordingly, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Based on this assessment, management determined that the Company's internal control over financial reporting as of December 31, 2014 is effective based on the specified criteria.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2014. The report, which expresses an unqualified opinion on the Company's internal control over financial reporting as of December 31, 2014, is included in this Item under the heading "Attestation Report of Independent Registered Public Accounting Firm."

Attestation Report of Independent Registered Public Accounting Firm
Report of Independent Registered Public Accounting Firm
The Board of Directors and Shareholders of First Midwest Bancorp, Inc.

We have audited First Midwest Bancorp, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of the Company as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014 of the Company and our report dated March 2, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Chicago, Illinois

March 2, 2015

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ITEM 9B. OTHER INFORMATION
None.
PART III
ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND
CORPORATE GOVERNANCE
The Company's executive officers are elected annually by the Board, and the Bank's executive officers are elected annually by the Bank's Board of Directors. Certain information regarding the Company's and the Bank's executive officers is set forth below.

Name (Age)	Position or Employment for Past Five Years	Executive Officer Since
Michael L. Scudder (54)	President and Chief Executive Officer of the Company since 2008; Chairman since 2011 and Vice Chairman from 2010 to 2011 of the Bank's Board of Directors; Chief Executive Officer of the Bank since 2010 and prior thereto, President, Chief Operating Officer and various other senior management positions with the Bank.	2002
Mark G. Sander (56)	President and Chief Operating Officer of the Bank and Senior Executive Vice President and Chief Operating Officer of the Company since 2011; prior thereto, Executive Vice President and head of Commercial Banking for Associated Banc-Corp and its subsidiary, Associated Bank, from 2009 to 2011, and before that in numerous leadership positions in commercial banking at Bank of America and LaSalle Bank.	2011
Kent S. Belasco (64)	Executive Vice President and Chief Information and Operations Officer of the Bank since 2011; prior thereto, Executive Vice President and Chief Information Officer of the Bank.	2004
Nicholas J. Chulos (55)	Executive Vice President, Corporate Secretary, and General Counsel since 2012; prior thereto, Partner of Krieg DeVault, LLP.	2012
Paul F. Clemens (62)	Executive Vice President and Chief Financial Officer of the Company and the Bank.	2006
Robert P. Diedrich (51)	Executive Vice President and Director of Wealth Management of the Bank since 2011; prior thereto, President of the Wealth Management Division of First Midwest Bank.	2004
Caryn J. Guinta (64)	Executive Vice President and Director of Employee Resources of the Bank since 2005.	2013
James P. Hotchkiss (58)	Executive Vice President and Treasurer of the Company and the Bank since 2004.	2004
Kevin L. Moffitt (55)	Executive Vice President and Chief Risk Officer of the Company and the Bank since 2011; prior thereto, Executive Vice President and Audit Services Director of the Company since 2009.	2009
Thomas M. Prame (45)	Executive Vice President and Director of Retail Banking of the Bank since 2012; prior thereto, Executive Vice President, Sales and Service at RBS/Citizen's Bank.	2012
Angela L. Putnam (36)	Senior Vice President of the Company and Bank and Chief Accounting Officer of the Bank since 2014; prior thereto, Vice President and Financial Reporting Manager for the Company since 2013; prior thereto, Director in the Assurance Services practice of McGladrey LLP.	2015
Michael C. Spitler (61)		2013

Executive Vice President and Chief Credit Officer of the Bank since 2013; prior thereto, Executive Vice President and Commercial Chief Credit Officer for Busey Bank since 2011; and prior thereto, Senior Vice President and Managing Senior Credit Officer for Fifth Third Bank, Chicago affiliate, West Region and Structured Finance Group.

Additional information required in response to this item will be contained in the Company's definitive Proxy Statement relating to its 2015 Annual Meeting of Stockholders to be held on May 20, 2015 and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this item will be contained in the Company's definitive Proxy Statement relating to its 2015 Annual Meeting of Stockholders to be held on May 20, 2015 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required in response to this item, in addition to the information presented below under "Equity Compensation Plans," will be contained in the Company's definitive Proxy Statement relating to its 2015 Annual Meeting of Stockholders to be held on May 20, 2015 and is incorporated herein by reference.

Equity Compensation Plans

The following table sets forth information, as of December 31, 2014, relating to equity compensation plans of the Company pursuant to which options, restricted stock, restricted stock units, performance shares, or other rights to acquire shares may be granted from time to time.

Equity Compensation Plan Information

Equity Compensation Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) (c)
Approved by security holders [1]	1,153,213	$32.93	2,312,631
Not approved by security holders [2]	5,337	17.67	—
Total	1,158,550	32.86	2,312,631

(1) Includes all outstanding options and restricted stock, restricted stock unit, and performance share awards under the Company's Omnibus Stock and Incentive Plan and the Non-Employee Directors' Stock Plan (the "Plans"). Additional information and details about the Plans are also disclosed in Notes 1 and 17 of "Notes to the Consolidated Financial Statements" in Item 8 of this Form 10-K. Restricted stock, restricted stock units, and performance shares that do not vest or are not earned, as well as the shares underlying options that expire unexercised, are added to the number of securities available for future issuance.

(2) Represents shares underlying deferred stock units credited under the Company's Nonqualified Retirement Plan ("NQ Plan"), payable on a one-for-one basis in shares of common stock.

The NQ Plan is a defined contribution deferred compensation plan under which participants are credited with deferred compensation equal to contributions and benefits that would have accrued to the participant under the Company's tax-qualified retirement plans, but for limitations under the Internal Revenue Code, and to amounts of salary and annual bonus that the participant elected to defer. Participant accounts are deemed to be invested in separate investment accounts under the NQ Plan with similar investment alternatives as those available under the Company's tax-qualified savings and profit sharing plan, including an investment account deemed invested in shares of common stock. The accounts are adjusted to reflect the investment return related to such deemed investments. Except for the 5,337 shares set forth in the table above, all amounts credited under the NQ Plan are paid in cash.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required in response to this item will be contained in the Company's definitive Proxy Statement relating to its 2015 Annual Meeting of Stockholders to be held on May 20, 2015 and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required in response to this item will be contained in the Company's definitive Proxy Statement relating to its 2015 Annual Meeting of Stockholders to be held on May 20, 2015 and is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The following consolidated financial statements of the Registrant and its subsidiaries are filed as a part of this document under Item 8, "FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA."

Report of Independent Registered Public Accounting Firm.

Consolidated Statements of Financial Condition as of December 31, 2014 and 2013.

Consolidated Statements of Income for the years ended December 31, 2014, 2013, and 2012.

Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013, and 2012.

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2014, 2013, and 2012.

Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013, and 2012.

Notes to the Consolidated Financial Statements.

(a)(2) Financial Statement Schedules

The schedules for the Registrant and its subsidiaries are omitted because of the absence of conditions under which they are required, or because the information is set forth in the consolidated financial statements or the notes thereto.

(a)(3) Exhibits

See Exhibit Index beginning on the following page.

EXHIBIT INDEX

Exhibit Number	Description of Documents
3.1	Restated Certificate of Incorporation of the Company is incorporated herein by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 27, 2009.
3.2	Certificate of Amendment of Restated Certificate of Incorporation of the Company is incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 4, 2014
3.3	Amended and Restated By-Laws of the Company is incorporated herein by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2012.
4.1	Amended and Restated Rights Agreement dated November 15, 1995, is incorporated herein by reference to Exhibits (1) through (3) of the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on November 21, 1995.
4.2	First Amendment to Rights Agreement dated June 18, 1997, is incorporated herein by reference to Exhibit 4 of the Company's Amendment No. 2 to the Registration Statement on Form 8-A filed with the Securities and Exchange Commission on June 30, 1997.
4.3	Second Amendment to Rights Agreements dated November 14, 2005, is incorporated herein by reference to Exhibit 4.1 of the Company's Amendment No. 3 to the Registration Statement on Form 8-A filed with the Securities and Exchange Commission on November 17, 2005.
4.4	Third Amendment to Rights Agreements dated December 3, 2008, is incorporated herein by reference to Exhibit 4.4 of the Company's Amendment No. 4 to the Registration Statement on Form 8-A filed with the Securities and Exchange Commission on December 9, 2008.
4.5	Form of Common Stock Certificate.
4.6	Certificate of Designation for Fixed Rate Cumulative Perpetual Preferred Stock Series B dated December 5, 2008 is incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 9, 2008.
4.7	Senior Debt Indenture dated November 22, 2011, by and between the Company and U.S. Bank National Association, as trustee, incorporated herein by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 22, 2011.
4.8	Subordinated Debt Indenture dated March 1, 2006, by and between the Company and U.S. Bank National Association, as trustee, incorporated herein by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 3, 2006.
4.9	Amended and Restated Declaration of Trust of First Midwest Capital Trust I dated August 21, 2009 is incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 27, 2009.
4.10	Supplemental Indenture between the Company and Wilmington Trust Company, as trustee, dated August 21, 2009 is incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 27, 2009.
4.11	Series A Capital Securities Guarantee Agreement dated November 18, 2003 is incorporated herein by reference to Exhibit 4.6 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 9, 2004.
10.1	Short-term Incentive Compensation Plan is incorporated herein by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2012.
10.2	

	First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan is incorporated herein by reference to Annex A to the Company's Proxy Statement filed with the Securities and Exchange Commission on April 9, 2013.
10.3	Amendment to the First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan is incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 12, 2014.
10.4	First Midwest Bancorp, Inc. Amended and Restated Non-Employee Directors Stock Plan dated May 21, 2008 is incorporated herein by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 27, 2009.
10.5	Restated First Midwest Bancorp, Inc. Nonqualified Stock Option-Gain Deferral Plan effective January 1, 2008 is incorporated herein by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2008.

10.6	Restated First Midwest Bancorp, Inc. Deferred Compensation Plan for Non-employee Directors effective January 1, 2008, is incorporated herein by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2008.
10.7	Restated First Midwest Bancorp, Inc. Nonqualified Retirement Plan effective January 1, 2008, is incorporated herein by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2008.
10.8	Form of Non-Employee Director Restricted Stock Award Agreement between the Company and non-employee directors of the Company pursuant to the First Midwest Bancorp, Inc. Amended and Restated Non-Employee Directors Stock Plan is incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on May 28, 2008.
10.9	Form of Nonqualified Stock Option Award Agreement between the Company and directors of the Company pursuant to the First Midwest Bancorp, Inc. Non-Employee Directors Stock Option Plan is incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Securities Exchange Commission on May 12, 2008.
10.10	Form of Nonqualified Stock Option Award Agreement between the Company and certain officers of the Company pursuant to the First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan is incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 12, 2008.
10.11	Form of Restricted Stock Unit Award Agreement between the Company and certain officers of the Company pursuant to the First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan is incorporated herein by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 3, 2014.
10.12	Form of Restricted Stock Award Agreement between the Company and certain officers of the Company pursuant to the First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan is incorporated herein by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 3, 2014.
10.13	Form of Indemnification Agreement between the Company and certain officers and directors of the Company is incorporated herein by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 3, 2012.
10.14	Employment Agreement between the Company and its Chief Executive Officer is incorporated herein by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2013.
10.15	Employment Agreement between the Company and its Chief Operating Officer is incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2011.
10.16	Employment Agreement between the Company and its Retail Banking Director is incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 3, 2012.
10.17	Form of Class II Employment Agreement between the Company and certain of its officers is incorporated herein by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2013.
10.18	Form of Class III Employment Agreement between the Company and certain officers of the Company is incorporated herein by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2010.
10.19	Form of Tier II Employment Agreement between the Company and certain officers of the Company is incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 3, 2012.

10.20	Form of Tier III Employment Agreement between the Company and certain officers of the Company is incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 3, 2012.
10.21	Form of Commission Tier III Employment Agreement between the Company and certain officers of the Company is incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 3, 2012.
10.22	Form of Amendment to the Employment Agreement between the Company and its Chief Executive Officer and to the Class II Employment Agreements between the Company and certain of its officers is incorporated herein by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2013.
10.23	Amendment to the Employment Agreement between the Company and its Chief Operating Officer is incorporated herein by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2013.

10.24	Form of Confidentiality and Restrictive Covenants Agreement between the Company and its Chief Executive Officer and its Chief Operating Officer is incorporated herein by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2013.
10.25	Form of Confidentiality and Restrictive Covenants Agreement between the Company and certain of its officers of the Company is incorporated herein by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2013.
10.26	Form of Restricted Stock Unit grant between the Company and certain retirement-eligible officers of the Company pursuant to the First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan is incorporated herein by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2011.
10.27	Nonqualified Stock Option Letter Agreement between the Company and its Chief Operating Officer is incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2011.
10.28	Restricted Stock Letter Agreement between the Company and its Chief Operating Officer is incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2011.
10.29	Supplemental Salary Stock Compensation Award Agreement between the Company and its Chief Operating Officer is incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2011.
10.30	Compensation Award Agreement between the Company and its Chief Operating Officer is incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2011.
10.31	Loan Agreement between the Company and U.S. Bank National Association dated January 21, 2014 is incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 27, 2014.
10.32	First Midwest Bancorp, Inc. Savings and Profit Sharing Plan as Amended and Restated effective January 1, 2014 is incorporated herein by reference to Exhibit 10.33 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 12, 2014.
10.33	Form of Performance Share Award Agreement between the Company and certain officers of the Company pursuant to the First Midwest Bancorp, Inc. Omnibus Stock and Incentive Plan is incorporated herein by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 3, 2014.
11	Statement re: Computation of Per Share Earnings – The computation of basic and diluted earnings per common share is included in Note 14 of the Company's Notes to the Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" on Form 10-K for the year ended December 31, 2014.
12	Statement re: Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Registrant.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
32.1 (1)	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for the Company's Annual Report on Form 10-K for the

	year ended December 31, 2014.
32.2 [1]	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
101	Interactive Data File.

(1) Furnished, not filed.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST MIDWEST BANCORP, INC.
Registrant
By /s/ MICHAEL L. SCUDDER
Michael L. Scudder
President, Chief Executive Officer, and Director
March 2, 2015

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in their capacities indicated on March 2, 2015.

Signatures	
/s/ ROBERT P. O'MEARA Robert P. O'Meara	Chairman of the Board
/s/ MICHAEL L. SCUDDER Michael L. Scudder	President, Chief Executive Officer, and Director
/s/ PAUL F. CLEMENS Paul F. Clemens	Executive Vice President, Chief Financial Officer, and Principal Accounting Officer
/s/ BARBARA A. BOIGEGRAIN Barbara A. Boigegrain	Director
/s/ JOHN F. CHLEBOWSKI, JR. John F. Chlebowski, Jr.	Director
/s/ BROTHER JAMES GAFFNEY, FSC Brother James Gaffney, FSC	Director
/s/ PHUPINDER S. GILL Phupinder S. Gill	Director
/s/ PETER J. HENSELER Peter J. Henseler	Director
/s/ PATRICK J. MCDONNELL Patrick J. McDonnell	Director
/s/ ELLEN A. RUDNICK Ellen A. Rudnick	Director
/s/ MARK G. SANDER Mark G. Sander	Director
/s/ MICHAEL J. SMALL Michael J. Small	Director
/s/ JOHN L. STERLING John L. Sterling	Director
/s/ J. STEPHEN VANDERWOUDE J. Stephen Vanderwoude	Director