CORINTHIAN COLLEGES INC
Form SC 13D/A
March 12, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D
Under the Securities Exchange Act of 1934
(Amendment No. 2)

Corinthian Colleges, Inc.
(Name of Issuer)

COMMON STOCK, Par Value $0.0001 Per Share
(Title of Class of Securities)

218868107
(CUSIP Number)

Veronica Dillon, Esq.
Graham Holdings Company
1150 15th Street, N.W.
Washington, D.C. 20071
(202) 334-6000

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

March 11, 2014
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Sections 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box [ ].

CUSIP No. 218868107

1	NAMES OF REPORTING PERSONS Graham Holdings Company I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) I.R.S. I.D. #53-0182885		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ¨ (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS WC		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) ¨		
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		7	SOLE VOTING POWER 4,624,166
		8	SHARED VOTING POWER None
		9	SOLE DISPOSITIVE POWER 4,624,166
		10	SHARED DISPOSITIVE POWER None
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 4,624,166		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ¨		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 5.3%		
14	TYPE OF REPORTING PERSON CO		

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This Amendment No. 2 amends and supplements the Schedule 13D filed with the Securities and Exchange Commission on February 15, 2008 (the "Original Statement"), as amended on April 30, 2013 ("Amendment No. 1"), relating to the common stock, par value $0.0001 per share, of Corinthian Colleges, Inc., a Delaware corporation. The Original Statement, as amended by Amendment No. 1, is hereinafter referred to as the "Schedule 13D". All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Schedule 13D.

Item 2. Identity and Background

Item 2 of the Schedule 13D is not amended, except in respect of: (i) Schedule A, which is amended and restated as attached hereto, and (ii) paragraph (a), which is amended and restated as follows:

(a) The name of the person filing this statement is Graham Holdings Company, a Delaware corporation (the "Company").

Item 5. Interest in Securities of the Issuer

Paragraphs (a)-(e) of Item 5 of the Schedule 13D are hereby amended and restated as follows:

(a)-(b) As of the date hereof, the Company owns 4,624,166 shares of Issuer Common Stock. The 4,624,166 shares of Issuer Common Stock constitute 5.3% of the issued and outstanding shares of Issuer Common Stock, based upon disclosure in the Issuer's most recent Form 10-Q that there were 87,237,498 shares of Issuer Common Stock issued and outstanding as of February 1, 2014. The Company has the sole power to vote and dispose of the 4,624,166 shares of Issuer Common Stock.

(c) Schedule B attached hereto lists all transactions in the Issuer Common Stock during the past 60 days by the Company. To the Company's knowledge, no person named in Schedule A has effected any transaction in the Issuer Common Stock during the past 60 days.

(d) Not applicable.

(e) Not applicable.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: March 11, 2014

GRAHAM HOLDINGS COMPANY

By: /s/ Veronica Dillon
Name: Veronica Dillon, Esq.
Title: Senior Vice President, General Counsel and Secretary

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SCHEDULE A

The following is a list of the directors and executive officers of Graham Holdings Company, setting forth the present principal occupation or employment and the name and principal business of any corporation or other organization in which such employment is conducted for each such person. Unless otherwise indicated, all directors and officers listed below are citizens of the United States.

Board of Directors of Graham Holdings Company

Name	Position	Present Principal Occupation	Business Address
Donald E. Graham	Chairman, Board of Directors; Chairman, Executive Committee; Member, Finance Committee	Chairman, Board of Directors; Chief Executive Officer, Graham Holdings Company	Graham Holdings Company 1150 15th Street, N.W. Washington, D.C. 20071
Lee C. Bollinger	Director; Member, Compensation Committee	President, Columbia University	Columbia University in the City of New York 2960 Broadway New York, NY 10027
Christopher C. Davis	Director; Member, Audit Committee; Chairman, Finance Committee; Member, Executive Committee	Chairman, Davis Selected Advisers, Inc., an investment counseling firm	Davis Selected Advisors, Inc. 620 Fifth Avenue 3rd Floor New York, NY 10017
Barry Diller	Director; Member, Compensation Committee; Member, Executive Committee; Member, Finance Committee	Chairman and Senior Executive, IAC/ InterActiveCorp; Chairman and Senior Executive, Expedia, Inc.	IAC/InterActiveCorp 555 West 18th Street New York, NY 10011

Thomas S. Gayner	Director; Chairman, Audit Committee; Member, Finance Committee	President and Chief Investment Officer, Markel Corporation	Markel Corporation 4521 Highwoods Parkway Glenn Allen, VA 23060
David Goldberg	Director; Member, Finance Committee	Chief Executive Officer, SurveyMonkey	SurveyMonkey 285 Hamilton Avenue Suite 500 Palo Alto, CA 94301
Anne M. Mulcahy	Director; Chairman, Compensation Committee; Member, Executive Committee	Retired Chairman of the Board and Chief Executive Officer, Xerox Corporation	Graham Holdings Company 1150 15th Street, N.W. Washington, D.C. 20071

Name	Position	Present Principal Occupation	Business Address
Ronald L. Olson	Director; Member, Executive Committee	Attorney, Member of Munger, Tolles & Olson LLP, a law firm	Munger, Tolles & Olson LLP 355 South Grand Avenue 35th Floor Los Angeles, CA 90071
Larry D. Thompson	Director; Member, Compensation Committee	Executive Vice President, Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc.	PepsiCo, Inc. 700 Anderson Hill Road Purchase, New York 10577
G. Richard Wagoner, Jr.	Director; Member, Audit Committee	Retired Chairman of the Board and Chief Executive Officer, General Motors Corporation	Graham Holdings Company 1150 15th Street, N.W. Washington, D.C. 20071
Katharine Weymouth	Director; Member, Finance Committee	Chief Executive Officer, Washington Post Media; Publisher, The Washington Post	The Washington Post 1150 15th Street, N.W. Washington, D.C. 20071

SCHEDULE A

Executive Officers of Graham Holdings Company

Name	Position
Donald E. Graham	Chairman of the Board of Directors and Chief Executive Officer
Wallace R. Cooney	Vice President-Finance and Chief Accounting Officer
Veronica Dillon	Senior Vice President, General Counsel and Secretary
Hal S. Jones	Senior Vice President-Finance and Chief Financial Officer
Ann L. McDaniel	Senior Vice President-Human Resources
Gerald M. Rosberg	Senior Vice President-Planning and Development

SCHEDULE B

The following sets forth information regarding all transactions by the Company with respect to Issuer Common Stock during the past 60 days. All such transactions were effected in the open market.

Date Sold	No. of Shares Sold	Average Sale Price ($/Share)*	Transaction Type
3/5/2014	318,218	$1.5538	Disposition
3/6/2014	285,936	$1.5500	Disposition
3/7/2014	111,146	$1.5501	Disposition
3/10/2014	274,774	$1.5500	Disposition
3/11/2014	91,724	$1.5600	Disposition

*Average sale price excludes commissions.

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100,476

128,021

Income tax expense

37,747

31,170

48,715

Net income

$
82,064

$
69,306

$
79,306

Per Common Share Data

Basic earnings per common share

$
1.05

$
0.92

$
1.06

Diluted earnings per common share

1.05

0.92

1.06

Weighted-average common shares outstanding

77,059

74,484

73,984

Weighted-average diluted common shares outstanding

77,072

74,496

73,994

See accompanying notes to the consolidated financial statements.

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FIRST MIDWEST BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollar amounts in thousands)

	Years Ended December 31,		
	2015	2014	2013
Net income	$82,064	$69,306	$79,306
Securities available-for-sale			
Unrealized holding (losses) gains:			
Before tax	(9,824)	37,173	(2,054)
Tax effect	3,906	(14,918)	711
Net of tax	(5,918)	22,255	(1,343)
Less: reclassification of net gains included in net income:			
Before tax	2,373	8,097	34,164
Tax effect	(970)	(3,311)	(13,973)
Net of tax	1,403	4,786	20,191
Net unrealized holding (losses) gains	(7,321)	17,469	(21,534)
Derivative instruments			
Unrealized holding losses:			
Before tax	(2,233)	(1,930)	—
Tax effect	903	792	—
Net of tax	(1,330)	(1,138)	—
Unrecognized net pension costs			
Unrealized holding (losses) gains:			
Before tax	(6,570)	(9,127)	17,600
Tax effect	2,687	3,733	(7,198)
Net of tax	(3,883)	(5,394)	10,402
Total other comprehensive (loss) income	(12,534)	10,937	(11,132)
Total comprehensive income	$69,530	$80,243	$68,174

	Accumulated Unrealized Loss on Securities Available-for-Sale	Accumulated Unrealized Loss on Derivative Instruments	Unrecognized Net Pension Costs	Total Accumulated Other Comprehensive Loss
Balance at December 31, 2012	$1,115	$—	$(16,775)	$(15,660)
Other comprehensive (loss) income	(21,534)	—	10,402	(11,132)
Balance at December 31, 2013	(20,419)	—	(6,373)	(26,792)
Other comprehensive income (loss)	17,469	(1,138)	(5,394)	10,937
Balance at December 31, 2014	(2,950)	(1,138)	(11,767)	(15,855)
Other comprehensive loss	(7,321)	(1,330)	(3,883)	(12,534)
Balance at December 31, 2015	$(10,271)	$(2,468)	$(15,650)	$(28,389)

See accompanying notes to the consolidated financial statements.

FIRST MIDWEST BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Amounts in thousands, except per share data)

	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at December 31, 2012	74,840	$ 858	$ 418,318	$ 786,453	$ (15,660)	$ (249,076)	$ 940,893
Net income	—	—	—	79,306	—	—	79,306
Other comprehensive loss	—	—	—	—	(11,132)	—	(11,132)
Common dividends declared ($0.16 per common share)	—	—	—	(12,019)	—	—	(12,019)
Share-based compensation expense	—	—	5,903	—	—	—	5,903
Restricted stock activity	234	—	(9,814)	—	—	8,276	(1,538)
Treasury stock issued to benefit plans	(3)	—	(114)	—	—	143	29
Balance at December 31, 2013	75,071	858	414,293	853,740	(26,792)	(240,657)	1,001,442
Net income	—	—	—	69,306	—	—	69,306
Other comprehensive income	—	—	—	—	10,937	—	10,937
Common dividends declared ($0.31 per common share)	—	—	—	(23,530)	—	—	(23,530)
Common stock issued, net of issuance costs	2,441	24	38,276	—	—	—	38,300
Share-based compensation expense	—	—	5,926	—	—	—	5,926
Restricted stock activity	176	—	(8,560)	—	—	6,585	(1,975)
Treasury stock issued to benefit plans	7	—	(137)	—	—	506	369
Balance at December 31, 2014	77,695	882	449,798	899,516	(15,855)	(233,566)	1,100,775
Net income	—	—	—	82,064	—	—	82,064
Other comprehensive loss	—	—	—	—	(12,534)	—	(12,534)
Common dividends declared ($0.36 per common share)	—	—	—	(28,064)	—	—	(28,064)
Purchase of treasury stock	(7)	—	—	—	—	(120)	(120)
Share-based compensation expense	—	—	7,242	—	—	—	7,242
Restricted stock activity	267	—	(10,236)	—	—	6,940	(3,296)
Treasury stock issued to benefit plans	(3)	—	(132)	—	—	333	201
Balance at December 31, 2015	77,952	$ 882	$ 446,672	$ 953,516	$ (28,389)	$ (226,413)	$ 1,146,268

See accompanying notes to the consolidated financial statements.

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

	Years Ended December 31,		
	2015	2014	2013
Operating Activities			
Net income	$82,064	$69,306	$79,306
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan and covered loan losses	21,152	19,168	16,257
Depreciation of premises, furniture, and equipment	13,367	12,224	11,038
Net amortization of premium on securities	4,849	8,218	9,174
Net securities gains	(2,373)	(8,097)	(34,164)
Gains on 1-4 family mortgage loan sales	(5,291)	(3,771)	(4,717)
Gain on termination of FHLB forward commitments	—	—	(7,829)
Net losses on early extinguishment of debt	—	2,059	1,034
Net losses on sales and valuation adjustments of OREO	2,631	3,325	3,908
Amortization of the FDIC indemnification asset	1,461	3,315	2,984
Net losses (gains) on sales and valuation adjustments of premises, furniture, and equipment	7,718	(3,277)	(79)
BOLI (income) loss	(4,185)	(2,873)	11,844
Net pension cost (income)	622	(959)	2,169
Share-based compensation expense	7,242	5,926	5,903
Tax expense related to share-based compensation	(1,200)	(106)	(10)
Provision for deferred income tax expense	16,897	16,215	33,467
Amortization of other intangible assets	3,920	2,889	3,278
Originations of mortgage loans held-for-sale	(158,699)	(97,535)	(40,681)
Proceeds from sales of mortgage loans held-for-sale	158,791	96,006	37,788
Net decrease (increase) in trading securities	566	(143)	(3,155)
Net decrease (increase) in accrued interest receivable and other assets	10,023	(18,015)	30,696
Net (decrease) increase in accrued interest payable and other liabilities	(1,042)	22,367	(21,859)
Net cash provided by operating activities	158,513	126,242	136,352
Investing Activities			
Proceeds from maturities, repayments, and calls of securities available-for-sale	322,764	172,001	219,458
Proceeds from sales of securities available-for-sale	93,909	27,805	78,636
Purchases of securities available-for-sale	(509,481)	(25,856)	(335,442)
Proceeds from maturities, repayments, and calls of securities held-to-maturity	4,645	4,675	7,043
Purchases of securities held-to-maturity	(1,242)	(2,638)	(17,070)
Net (purchases) redemption of FHLB stock	(1,190)	(427)	12,071
Net increase in loans	(401,363)	(279,952)	(354,600)
Proceeds from claims on BOLI, net of premiums paid	1,082	(85)	1,394
Proceeds from sales of OREO	18,572	22,368	25,797
Proceeds from sales of premises, furniture, and equipment	1,230	3,906	1,463
Purchases of premises, furniture, and equipment	(11,269)	(14,085)	(11,030)
Net cash (paid for) received from acquisitions	(16,047)	200,645	—
Net cash (used in) provided by investing activities	(498,390)	108,357	(372,280)
Financing Activities			

Net increase (decrease) in deposit accounts	118,167	(73,244)	93,846
Net increase (decrease) in borrowed funds	25,902	(1,288)	38,358
Purchase of treasury stock	(120)	—	—
Payments for the retirement of subordinated debt	—	—	(24,094)
(Payment for) proceeds from the termination of FHLB advances and forward commitments	—	(116,609)	7,829
Cash dividends paid	(27,036)	(22,568)	(7,508)
Restricted stock activity	(2,890)	(2,781)	(1,607)
Excess tax benefit related to share-based compensation	794	912	79
Net cash provided by (used in) financing activities	114,817	(215,578)	106,903
Net (decrease) increase in cash and cash equivalents	(225,060)	19,021	(129,025)
Cash and cash equivalents at beginning of year	606,262	587,241	716,266
Cash and cash equivalents at end of year	$381,202	$606,262	$587,241

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

	Years Ended December 31,		
	2015	2014	2013
Supplemental Disclosures of Cash Flow Information:			
Income taxes paid	$25,022	$16,375	$4,945
Interest paid to depositors and creditors	24,535	23,088	27,599
Dividends declared, but unpaid	7,250	6,222	5,260
Common stock issued for acquisitions, net of issuance costs	—	38,300	—
Non-cash transfers of loans to OREO	13,504	18,079	17,965
Non-cash transfers of loans held-for-investment to loans held-for-sale	28,540	71,272	1,925
Non-cash transfer of an investment from other assets to securities available-for-sale	—	—	2,787

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – First Midwest Bancorp, Inc. (the "Company") is a bank holding company that was incorporated in Delaware in 1982 and began operations on March 31, 1983. The Company is headquartered in Itasca, Illinois and has operations located primarily throughout the Chicago metropolitan area, as well as northwest Indiana, central and western Illinois, and eastern Iowa. The Company operates three wholly owned subsidiaries: First Midwest Bank (the "Bank"), Catalyst Asset Holdings, LLC ("Catalyst"), and Parasol Investment Management, LLC ("Parasol"). The Bank conducts the majority of the Company's operations. Catalyst manages certain non-performing assets of the Company. Parasol serves in an advisory capacity to certain wealth management accounts with the Bank.

The Company is engaged in commercial and retail banking and offers a broad range of banking, treasury, and wealth management products and services, tailored to the needs of its commercial and industrial, commercial real estate, municipal, and consumer customers.

Basis of Presentation – The accounting and reporting policies of the Company and its subsidiaries conform to U.S. generally accepted accounting principles ("GAAP") and general practices within the banking industry. The Company uses the accrual basis of accounting for financial reporting purposes. Certain reclassifications were made to prior year amounts to conform to the current year presentation.

For the year ended December 31, 2014, the Bank acquired assets and assumed liabilities of Great Lakes Bank, National Association. The fair values assigned to these assets and liabilities were preliminary and subject to refinement after the acquisition date as new information related to acquisition date fair values became available. During the year ended December 31, 2015, the Bank obtained specific information relating to the acquisition date fair values of certain assets, which required measurement period adjustments. These adjustments were recognized in the current period in accordance with the early adoption of accounting guidance applicable to business combinations. See Note 3, "Acquisitions" for additional discussion related to these fair value adjustments.

Use of Estimates – The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although these estimates and assumptions are based on the best available information, actual results could differ from those estimates.

Principles of Consolidation – The accompanying consolidated financial statements include the financial position and results of operations of the Company and its subsidiaries after elimination of all significant intercompany accounts and transactions. Assets held in a fiduciary or agency capacity are not assets of the Company or its subsidiaries and are not included in the consolidated financial statements.

Segment Disclosures – The Company has one reportable segment. The Company's chief operating decision maker evaluates the operations of the Company using consolidated information for purposes of allocating resources and assessing performance. Therefore, segment disclosures are not required.

The following is a summary of the Company's significant accounting policies.

Business Combinations – Business combinations are accounted for under the acquisition method of accounting. Assets acquired and liabilities assumed are recorded at their estimated fair values as of the date of acquisition, with any excess of the purchase price of the acquisition over the fair value of the identifiable net tangible and intangible assets acquired recorded as goodwill. Alternatively, a gain is recorded if the fair value of assets purchased exceeds the fair value of liabilities assumed and consideration paid. The results of operations of the acquired business are included in the Consolidated Statements of Income from the effective date of the acquisition.

Cash and Cash Equivalents – For purposes of the Consolidated Statements of Cash Flows, management defines cash and cash equivalents to include cash and due from banks, interest-bearing deposits in other banks, and other short-term investments, if any, such as federal funds sold and securities purchased under agreements to resell.

Securities – Securities are classified as held-to-maturity, trading, or available-for-sale at the time of purchase.

Securities Held-to-Maturity – Securities classified as held-to-maturity are securities for which management has the intent and ability to hold to maturity. These securities are stated at cost and adjusted for amortization of premiums and accretion of discounts over the estimated lives of the securities using the effective interest method.

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Trading Securities – The Company's trading securities consist of diversified investment securities held in a grantor trust under deferred compensation arrangements in which plan participants may direct amounts earned to be invested in securities other than Company stock. The accounts of the grantor trust are consolidated with the accounts of the Company in its consolidated financial statements. Trading securities are reported at fair value. Other than the securities held in the grantor trust, the Company does not carry any securities for trading purposes.

Securities Available-for-Sale – All other securities are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses, net of related deferred income taxes, recorded in stockholders' equity as a separate component of accumulated other comprehensive loss.

The historical cost of debt securities is adjusted for amortization of premiums and accretion of discounts over the estimated life of the security using the effective interest method. Amortization of premiums and accretion of discounts are included in interest income.

Purchases and sales of securities are recognized on a trade date basis. Realized securities gains or losses are reported in net securities gains in the Consolidated Statements of Income. The cost of securities sold is based on the specific identification method. On a quarterly basis, the Company individually assesses securities with unrealized losses to determine whether there were any events or circumstances indicating that an other-than-temporary impairment ("OTTI") has occurred. In evaluating OTTI, the Company considers many factors, including (i) the severity and duration of the impairment, (ii) the financial condition and near-term prospects of the issuer, including external credit ratings and recent downgrades for debt securities, (iii) its intent to hold the security until its value recovers, and (iv) the likelihood that it will be required to sell the security before a recovery in value, which may be at maturity. If management intends to sell the security or believes it is more likely than not that it will be required to sell the security prior to full recovery, an OTTI charge will be recognized through income as a realized loss and included in net securities gains in the Consolidated Statements of Income. If management does not expect to sell the security or believes it is not more likely than not that it will be required to sell the security prior to full recovery, the OTTI is separated into the amount related to credit deterioration, which is recognized through income as a realized loss, and the amount resulting from other factors, which is recognized in other comprehensive (loss) income.

FHLB and FRB Stock – The Company, as a member of the FHLB and FRB, is required to maintain an investment in the capital stock of the FHLB and FRB. No ready market exists for these stocks, and they have no quoted market values. The stock is redeemable at par by the FRB and FHLB and is, therefore, carried at cost and periodically evaluated for impairment.

Loans – Loans held-for-investment are loans that the Company intends to hold until they are paid in full and are carried at the principal amount outstanding, including certain net deferred loan origination fees. Interest income on loans is accrued based on principal amounts outstanding. Loan origination fees, commitment fees, and certain direct loan origination costs are deferred, and the net amount is amortized as a yield adjustment over the contractual life of the related loans or commitments and included in interest income. Fees related to standby letters of credit are amortized into fee income over the contractual life of the commitment. Other credit-related fees are recognized as fee income when earned. Loans held-for-sale are carried at the lower of aggregate cost or fair value and included in other assets in the Consolidated Statements of Financial Condition.

Acquired and Covered Loans – Covered loans consist of loans acquired by the Company in FDIC-assisted transactions, the majority of which are covered by loss share agreements with the FDIC (the "FDIC Agreements"), under which the FDIC reimburses the Company for the majority of the losses and eligible expenses related to these assets during the coverage period. Acquired loans consist of all other loans that were acquired in business combinations that are not covered by FDIC Agreements. Covered loans are reported separately in the financial statements and acquired loans are included within loans held-for-investment.

Acquired and covered loans are separated into (i) non-purchased credit impaired ("Non-PCI") and (ii) purchased credit impaired ("PCI") loans. Non-PCI loans include loans that did not have evidence of credit deterioration since origination at the acquisition date. PCI loans include loans that had evidence of credit deterioration since origination and for which it was probable at acquisition that the Company would not collect all contractually required principal and interest payments. Evidence of credit deterioration was evaluated using various indicators, such as past due and non-accrual status. Leases and revolving loans do not qualify to be accounted for as PCI loans and are accounted for as Non-PCI loans.

The acquisition adjustment related to Non-PCI loans is amortized into interest income over the contractual life of the related loans. If an acquired non-PCI loan is renewed subsequent to the acquisition date, any remaining acquisition adjustment is accreted into interest income and the loan is considered a new loan that is no longer classified as an acquired loan.

PCI loans are accounted for based on estimates of expected future cash flows. To estimate the fair value, the Company generally aggregates purchased consumer loans and certain smaller balance commercial loans into pools of loans with common risk characteristics, such as delinquency status, credit score, and internal risk ratings. The fair values of larger balance commercial loans are estimated on an individual basis. Expected future cash flows in excess of the fair value of loans at the purchase date ("accretable yield") are recorded as interest income over the life of the loans if the timing and amount of the expected future cash

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flows can be reasonably estimated. The non-accretable yield represents the difference between contractually required payments and the expected future cash flows determined at acquisition. Subsequent increases in expected future cash flows are offset against the allowance for credit losses to the extent an allowance has been established or otherwise recognized as interest income prospectively. The present value of any decreases in expected future cash flows is recognized by recording a charge-off through the allowance for loan and covered loan losses or providing an allowance for loan and covered loan losses.

90-Days Past Due Loans – The Company's accrual of interest on loans is generally discontinued at the time the loan is 90 days past due unless the credit is sufficiently collateralized and in the process of renewal or collection.

Non-accrual Loans – Generally, corporate loans are placed on non-accrual status (i) when either principal or interest payments become 90 days or more past due unless the credit is sufficiently collateralized and in the process of renewal or collection or (ii) when an individual analysis of a borrower's creditworthiness warrants a downgrade to non-accrual regardless of past due status. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed, and unpaid interest accrued in prior years is charged against the allowance for loan losses. After the loan is placed on non-accrual, all debt service payments are applied to the principal on the loan. Future interest income may only be recorded on a cash basis after recovery of principal is reasonably assured. Non-accrual loans are returned to accrual status when the financial position of the borrower and other relevant factors indicate that the Company will collect all principal and interest.

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

PCI loans are generally considered accruing loans unless reasonable estimates of the timing and amount of expected future cash flows cannot be determined. Loans without reasonable future cash flow estimates are classified as non-accrual loans, and interest income is not recognized on those loans until the timing and amount of the expected future cash flows can be reasonably determined.

Troubled Debt Restructurings ("TDRs") – A restructuring is considered a TDR when (i) the borrower is experiencing financial difficulties and (ii) the creditor grants a concession, such as forgiveness of principal, reduction of the interest rate, changes in payments, or extension of the maturity date. Loans are not classified as TDRs when the modification is short-term or results in an insignificant delay in payments. The Company's TDRs are determined on a case-by-case basis.

The Company does not accrue interest on a TDR unless it believes collection of all principal and interest under the modified terms is reasonably assured. For a TDR to begin accruing interest, the borrower must demonstrate some level of past performance and the future capacity to perform under the modified terms. Generally, six months of consecutive payment performance under the restructured terms is required before a TDR is returned to accrual status. However, the period could vary depending on the individual facts and circumstances of the loan. An evaluation of the borrower's current creditworthiness is used to assess the borrower's capacity to repay the loan under the modified terms. This evaluation includes an estimate of expected future cash flows, evidence of strong financial position, and estimates of the value of collateral, if applicable. 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. If the loan was restructured at below market rates and terms, it continues to be separately reported as a TDR until it is paid in full or charged-off.

Impaired Loans – Impaired loans consist of corporate non-accrual loans and TDRs. A loan is considered impaired when it is probable that the Company will not collect all contractual principal and interest. With the exception of accruing TDRs, impaired loans are classified as non-accrual and are exclusive of smaller homogeneous loans, such as home equity, 1-4 family mortgages, and installment loans. Impaired loans with balances under a specified threshold are not individually evaluated for impairment. For all other impaired loans, impairment is measured by comparing the estimated value of the loan to the recorded book value. The value of collateral-dependent loans is based on the fair value of the underlying collateral, less costs to sell. The value of other loans is measured using the present value of expected future cash flows discounted at the loan's initial effective interest rate.

Allowance for Credit Losses – The allowance for credit losses is comprised of the allowance for loan losses, the allowance for covered loan losses, and the reserve for unfunded commitments, and is maintained by management at a level believed adequate to absorb estimated losses inherent in the existing loan portfolio. Determination of the allowance for credit losses is subjective since it requires significant estimates and management judgment, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans, consideration of current economic trends, and other factors.

Loans deemed to be uncollectible are charged-off against the allowance for loan and covered loan losses, while recoveries of amounts previously charged-off are credited to the allowance for loan and covered loan losses. Additions to the allowance for loan and covered loan losses are charged to expense through the provision for loan and covered loan losses. The amount of provision depends on a number of factors, including net charge-off levels, loan growth, changes in the composition of the loan portfolio, and the Company's assessment of the allowance for loan and covered loan losses based on the methodology discussed below.

Allowance for Loan Losses – The allowance for loan losses consists of (i) specific reserves for individual loans where the recorded investment exceeds the value, (ii) an allowance based on a loss migration analysis that uses historical credit loss experience for each loan category, and (iii) an allowance based on other internal and external qualitative factors.

The specific reserves component of the allowance for loan losses is based on a periodic analysis of impaired loans exceeding a fixed dollar amount. If the value of an impaired loan is less than the recorded book value, the Company either establishes a valuation allowance (i.e., a specific reserve) equal to the excess of the book value over the value of the loan as a component of the allowance for loan losses or charges off the amount if it is a confirmed loss.

The general reserve component is based on a loss migration analysis, which examines actual loss experience by loan category for a rolling 8-quarter period and the related internal risk rating for corporate loans. The loss migration analysis is updated quarterly primarily using actual loss experience. This component is then adjusted based on management's consideration of many internal and external qualitative factors, including:

- Changes in the composition of the loan portfolio, trends in the volume of loans, and trends in delinquent and non-accrual loans that could indicate that historical trends do not reflect current conditions.
- Changes in credit policies and procedures, such as underwriting standards and collection, charge-off, and recovery practices.
- Changes in the experience, ability, and depth of credit management and other relevant staff.
- Changes in the quality of the Company's loan review system and Board of Directors oversight.
- The effect of any concentration of credit and changes in the level of concentrations, such as loan type or risk rating.
- Changes in the value of the underlying collateral for collateral-dependent loans.
- Changes in the national and local economy that affect the collectability of various segments of the portfolio.
- The effect of other external factors, such as competition and legal and regulatory requirements, on the Company's loan portfolio.

The allowance for loan losses also consists of an allowance on acquired Non-PCI and PCI loans. No allowance for loan losses is recorded on acquired loans at the acquisition date. An allowance for credit losses is established as necessary to reflect credit deterioration since the acquisition date. The acquired Non-PCI allowance is based on management's evaluation of the acquired Non-PCI loan portfolio giving consideration to the current portfolio balance including the remaining acquisition adjustments, maturity dates, and overall credit quality. The allowance on acquired PCI loans is determined in the same manner as the allowance for covered loan losses, which is discussed below.

Acquired Non-PCI loans that have renewed subsequent to the respective acquisition dates are no longer classified as acquired loans. Instead, they are included with our general loan population and allocated an allowance based on a loss migration analysis.

Allowance for Covered Loan Losses – The allowance for covered loan losses consists of an allowance on covered Non-PCI and PCI loans. The allowance for covered Non-PCI loans is calculated in the same manner as the general reserve component based on a loss migration analysis as discussed above. The covered PCI allowance reflects the difference between the carrying value and the discounted expected future cash flows of the covered PCI loans. On a periodic basis, the adequacy of this allowance is determined through a re-estimation of expected future cash flows on all outstanding covered PCI loans using either a probability of default/loss given default ("PD/LGD") methodology or a specific review methodology. The PD/LGD model is a loss model that estimates expected future cash flows using a probability of default curve and loss given default estimates.

Reserve for Unfunded Commitments – The Company also maintains a reserve for unfunded commitments, including letters of credit, for the risk of loss inherent in these arrangements. The reserve for unfunded commitments is estimated using the loss migration analysis from the allowance for loan losses, adjusted for probabilities of future funding requirements. The reserve for unfunded commitments is included in other liabilities in the Consolidated Statements of Financial Condition.

The establishment of the allowance for credit losses involves a high degree of judgment given the difficulty of assessing the factors impacting loan repayment and estimating the timing and amount of losses. While management utilizes its best judgment and information available, the adequacy of the allowance for credit losses depends on a variety of factors beyond the Company’s control, including the performance of its loan portfolio, the economy, changes in interest rates and property values, and the interpretation of loan risk classifications by regulatory authorities.
OREO – OREO consists of properties acquired through foreclosure in partial or total satisfaction of defaulted loans. At initial transfer into OREO, properties are recorded at fair value, less estimated selling costs. Subsequently, OREO is carried at the lower of the cost basis or fair value, less estimated selling costs. OREO write-downs occurring at the transfer date are charged against the allowance for loan and covered loan losses, establishing a new cost basis. Subsequent to the initial transfer, the carrying values of OREO may be adjusted through a valuation allowance to reflect reductions in value resulting from new appraisals, new list

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prices, changes in market conditions, or changes in disposition strategies. Increases in value can be recognized through a reduction in the valuation allowance, but may not exceed the established cost basis. These valuation adjustments, along with expenses related to maintenance of the properties, are included in net OREO expense in the Consolidated Statements of Income.

FDIC Indemnification Asset – The majority of loans and OREO acquired through FDIC-assisted transactions are covered by the FDIC Agreements, under which the FDIC reimburses the Company for the majority of the losses and eligible expenses related to these assets during the indemnification period. The FDIC indemnification asset represents the present value of expected future reimbursements from the FDIC. Since the indemnified items are covered loans and covered OREO, which are initially measured at fair value, the FDIC indemnification asset is also initially measured at fair value by discounting the expected future cash flows to be received from the FDIC. These expected future cash flows are estimated by multiplying estimated losses on covered PCI loans and covered OREO by the reimbursement rates in the FDIC Agreements.

The balance of the FDIC indemnification asset is adjusted periodically to reflect changes in expected future cash flows. Decreases in estimated reimbursements from the FDIC are recorded prospectively through amortization and increases in estimated reimbursements from the FDIC are recognized by an increase in the carrying value of the indemnification asset. Payments from the FDIC for reimbursement of losses result in a reduction of the FDIC indemnification asset.

Depreciable Assets – Premises, furniture, and equipment are stated at cost, less accumulated depreciation. Depreciation expense is determined by the straight-line method over the estimated useful lives of the assets. Useful lives range from 3 to 10 years for furniture and equipment and 25 to 40 years for premises. Leasehold improvements are amortized over the shorter of the life of the asset or the lease term. Gains on dispositions are included in other noninterest income and losses on dispositions are included in other noninterest expense in the Consolidated Statements of Income. Maintenance and repairs are charged to operating expenses as incurred, while improvements that extend the useful life of assets are capitalized and depreciated over the estimated remaining life. Certain assets, such as buildings and land, that the Company intends to sell and meets held-for-sale criteria are transferred into the held-for-sale category at the lower of their fair value, as determined by a current appraisal, or their recorded investment.

Long-lived depreciable assets are evaluated periodically for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment exists when the undiscounted expected future cash flows of a long-lived asset are less than its carrying value. In that event, the Company recognizes a loss for the difference between the carrying amount and the estimated fair value of the asset based on a quoted market price, if applicable, or a discounted cash flow analysis. Impairment losses are recorded in other noninterest expense in the Consolidated Statements of Income.

BOLI – BOLI represents life insurance policies on the lives of certain Company directors and officers for which the Company is the sole owner and beneficiary. These policies are recorded as an asset in the Consolidated Statements of Financial Condition at their cash surrender value ("CSV") or the current amount that could be realized if settled. The change in CSV and insurance proceeds received are included as a component of noninterest income in the Consolidated Statements of Income.

Goodwill and Other Intangible Assets – Goodwill represents the excess of the purchase price of the acquisition over the fair value of the net tangible and intangible assets acquired using the acquisition method of accounting. Goodwill is not amortized. Instead, impairment testing is conducted annually as of October 1 or more often if events or circumstances between annual tests indicate that there may be impairment.

Impairment testing is performed using either a qualitative or quantitative approach at the reporting unit level. All of the Company's goodwill is allocated to First Midwest Bancorp, Inc., which is the Company's only applicable reporting unit for purposes of testing goodwill for impairment. The Company performs impairment testing using a qualitative approach to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Qualitative factors include, but are not limited to, macroeconomic conditions, industry and market specific conditions and trends, the Company's financial performance, market capitalization, stock price, and Company-specific events relevant to the assessment. If the assessment of qualitative factors indicates that it is not more likely than not that an impairment exists, no further testing is performed; otherwise, the Company would proceed with a quantitative two-step goodwill impairment test. In the first step, the Company compares its estimate of the fair value of the reporting unit, which is based on a discounted cash flow analysis, with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step is not required. If necessary, the second step compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by assigning the value of the reporting unit to all of the assets and liabilities of that unit, including any other identifiable intangible assets. An impairment loss is recognized if the carrying amount of the reporting unit goodwill exceeds the implied fair value of goodwill.

Other intangible assets represent purchased assets that lack physical substance, but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset, or liability. Identified intangible assets that have a finite useful life are amortized over that life in a manner that reflects the estimated decline in the economic value of the identified intangible asset. All of the Company's other

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intangible assets have finite lives and are amortized over varying periods not exceeding 13 years. Intangible assets are reviewed for impairment annually or more frequently when events or circumstances indicate that its carrying amount may not be recoverable.

Wealth Management – Assets held in a fiduciary or agency capacity for customers are not included in the consolidated financial statements as they are not assets of the Company or its subsidiaries. Fee income is recognized on an accrual basis and is included as a component of noninterest income in the Consolidated Statements of Income.

Derivative Financial Instruments – To provide derivative products to customers and in the ordinary course of business, the Company enters into derivative transactions as part of its overall interest rate risk management strategy to minimize significant unplanned fluctuations in earnings and expected future cash flows caused by interest rate volatility. All derivative instruments are recorded at fair value as either other assets or other liabilities in the Consolidated Statements of Financial Condition. Subsequent changes in a derivative’s fair value are recognized in earnings unless specific hedge accounting criteria are met.

On the date the Company enters into a derivative contract, the derivative is designated as a fair value hedge, a cash flow hedge, or a non-hedge derivative instrument. Fair value hedges are designed to mitigate exposure to changes in the fair value of an asset or liability attributable to a particular risk, such as interest rate risk. Cash flow hedges are designed to mitigate exposure to variability in expected future cash flows to be received or paid related to an asset, liability, or other type of forecasted transaction. The Company formally documents all relationships between hedging instruments and hedged items, including its risk management objective and strategy at inception.

At the hedge’s inception and quarterly thereafter, a formal assessment is performed to determine the effectiveness of the derivative in offsetting changes in the fair values or expected future cash flows of the hedged items in the current period and prospectively. If a derivative instrument designated as a hedge is terminated or ceases to be highly effective, hedge accounting is discontinued prospectively, and the gain or loss is amortized into earnings. For fair value hedges, the gain or loss is amortized over the remaining life of the hedged asset or liability. For cash flow hedges, the gain or loss is amortized over the same period that the forecasted hedged transactions impact earnings. If the hedged item is disposed of, any fair value adjustments are included in the gain or loss from the disposition of the hedged item. If the forecasted transaction is no longer probable, the gain or loss is included in earnings immediately.

For fair value hedges, changes in the fair value of the derivative instruments, as well as changes in the fair value of the hedged item, are recognized in earnings. For cash flow hedges, the effective portion of the change in fair value of the derivative instrument is reported as a component of accumulated other comprehensive loss and is reclassified to earnings when the hedged transaction is reflected in earnings.

Ineffectiveness is calculated based on the change in fair value of the hedged item compared with the change in fair value of the hedging instrument. For all types of hedges, any ineffectiveness in the hedging relationship is recognized in earnings during the period the ineffectiveness occurs.

Comprehensive Income – Comprehensive income is the total of reported net income and other comprehensive (loss) income which includes all other revenues, expenses, gains, and losses that are not reported in net income under GAAP. The Company includes the following items, net of tax, in other comprehensive (loss) income in the Consolidated Statements of Comprehensive Income: (i) changes in unrealized gains or losses on securities available-for-sale, (ii) changes in the fair value of derivatives designated as cash flow hedges, and (iii) changes in unrecognized net pension costs related to the Company's pension plan.

Treasury Stock – Treasury stock acquired is recorded at cost and is carried as a reduction of stockholders' equity in the Consolidated Statements of Financial Condition. Treasury stock issued is valued based on the "last in, first out" inventory method. The difference between the consideration received on issuance and the carrying value is charged or credited to additional paid-in capital.

Share-Based Compensation – The Company recognizes share-based compensation expense based on the estimated fair value of the award at the grant or modification date over the period during which an employee is required to provide service in exchange for such award. Share-based compensation expense is included in salaries and wages in the Consolidated Statements of Income.

Income Taxes – The Company files United States ("U.S.") federal income tax returns and state income tax returns in various states. The provision for income taxes is based on income in the consolidated financial statements, rather than amounts reported on the Company's income tax return.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates that are expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. A valuation allowance is established for any deferred tax asset for which recovery or settlement is not more likely than not. The effect of a change in tax rates on deferred tax assets and liabilities is recognized as income or expense in the period that includes the enactment date.

Earnings per Common Share ("EPS") – EPS is computed using the two-class method. Basic EPS is computed by dividing net income applicable to common shares by the weighted-average number of common shares outstanding during the applicable period, excluding outstanding participating securities. Participating securities include non-vested restricted stock awards and restricted stock units, which contain nonforfeitable rights to dividends or dividend equivalents. Diluted earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the dilutive effect of stock compensation using the treasury stock method.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Adopted Accounting Pronouncements

Receivables - Troubled Debt Restructurings by Creditors: In January of 2014, the Financial Accounting Standards Board ("FASB") issued guidance to clarify when an in substance repossession or foreclosure occurs and an entity is considered to have received physical possession of the residential real estate property such that a loan receivable should be derecognized and the real estate property recognized. Additionally, the guidance requires interim and annual disclosure of the amount of foreclosed residential real estate property held by the entity and the recorded investment in consumer mortgage loans collateralized by residential real estate property that is in the process of foreclosure according to local requirements of the applicable jurisdiction. The guidance is effective for annual and interim periods beginning after December 15, 2014. The adoption of this guidance on January 1, 2015 did not materially impact the Company's financial condition, results of operations, or liquidity.

Receivables - Troubled Debt Restructurings by Creditors: In August of 2014, the FASB issued guidance that requires an entity to derecognize a mortgage loan and recognize a separate other receivable upon foreclosure if (i) the loan has a government guarantee that is not separable from the loan before foreclosure, (ii) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on that guarantee, and the creditor has the ability to recover under that claim, and (iii) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. The separate other receivable is to be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The guidance is effective for annual and interim reporting periods beginning after December 15, 2014. The adoption of this guidance on January 1, 2015 did not materially impact the Company's financial condition, results of operations, or liquidity.

Simplifying the Accounting for Measurement-Period Adjustments: In September of 2015, the FASB issued guidance to simplify the recognition of measurement-period adjustments related to a business combination. This guidance eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the reporting period in which the adjustment amounts are determined. In addition, the effect of the adjustments on the income statement must be calculated as if the accounting had been completed at the acquisition date. The guidance is effective for annual and interim periods beginning after December 15, 2015 and early adoption of this guidance is permitted. The Company elected to early adopt this guidance during the fourth quarter of 2015, which did not materially impact the Company's financial condition, results of operations, or liquidity.

Accounting Pronouncements Pending Adoption

Amendments to Consolidation Analysis: In February of 2015, the FASB issued guidance that updates current accounting for the consolidation of certain legal entities. This guidance modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership, affects the consolidation analysis of reporting entities that are involved with VIEs, and provides certain exceptions from consolidation guidance for certain reporting entities. This guidance is effective for annual and interim periods beginning after December 15, 2015. Management does not expect the adoption of this guidance will materially impact the Company's financial condition, results of operations, or liquidity.

Revenue from Contracts with Customers: In May of 2014, the FASB issued guidance that requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance was initially effective for annual and interim reporting periods beginning on or after December 15, 2016. In August of 2015, the FASB issued guidance that defers the effective date by one year. The deferral causes the guidance to be effective for annual and interim reporting periods beginning on or after December 15, 2017, and must be applied either retrospectively or using the modified retrospective approach. Early adoption is permitted, but not before the original effective date. Management is evaluating the new guidance, but does not expect the adoption of this guidance will materially impact the Company's financial condition, results of operations, or liquidity.

Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern: In August of 2014, the FASB issued guidance that requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. The guidance is effective for annual and interim periods beginning after December 15, 2016. Management does not expect the adoption of this guidance will materially impact the Company's financial condition, results of operations, or liquidity.

Simplifying the Presentation of Debt Issuance Costs: In April of 2015, the FASB issued guidance to clarify the presentation of debt issuance costs within the balance sheet. Additionally, the guidance requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this amendment. The guidance is effective for annual and interim periods beginning after December 15, 2015. Management does not expect the adoption of this guidance will materially impact the Company's financial condition, results of operations, or liquidity.

Amendments to Guidance on Classifying and Measuring Financial Instruments: In January of 2016, the FASB issued guidance that will require entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value. Any changes in fair value will be recognized in net income unless the investments qualify for a new practicability exception. This guidance also requires entities to recognize changes in instrument-specific credit risk related to financial liabilities measured under the fair value option in other comprehensive income. No changes were made to the guidance for classifying and measuring investments in debt securities and loans. This guidance is effective for annual and interim periods beginning after December 15, 2017. Management does not expect the adoption of this guidance will materially impact the Company's financial condition, results of operations, or liquidity.

3. ACQUISITIONS

Pending Acquisitions

The National Bank & Trust Company of Sycamore

On November 12, 2015, the Company entered into a definitive agreement to acquire NI Bancshares Corporation ("NI Bancshares"), the holding company for The National Bank & Trust Company of Sycamore. As part of the acquisition, the Company will acquire ten banking offices in northern Illinois, $415 million in loans, $600 million in deposits, and over $700 million in trust assets under management. The merger consideration will be a combination of Company common stock and cash, with an overall transaction value of $70 million. The Company received approval for this acquisition from the Federal Reserve on January 5, 2016 and the Illinois Department of Financial and Professional Regulation on January 15, 2016. The acquisition is expected to close and operating systems converted late in the first quarter of 2016, subject to approval by the stockholders of NI Bancshares and customary closing conditions.

Completed Acquisitions

The Peoples' Bank of Arlington Heights

On December 3, 2015, the Company completed the acquisition of Peoples Bancorp, Inc. ("Peoples") and its wholly owned banking subsidiary, The Peoples' Bank of Arlington Heights. With the acquisition, the Company acquired all assets and assumed all liabilities of Peoples, which included two banking offices in Arlington Heights, Illinois, at a purchase price of $16.8 million paid in cash. The Company recorded goodwill of $7.5 million associated with the acquisition. The Company is finalizing the fair values of the assets and liabilities acquired. As a result, the fair value adjustments associated with these accounts and goodwill are preliminary and may change.

Popular Community Bank

On August 8, 2014, the Bank completed the acquisition of the Chicago area banking operations of Banco Popular North America ("Popular"), doing business as Popular Community Bank, which is a subsidiary of Popular, Inc. The acquisition included Popular's twelve full-service retail banking offices and its small business and middle market commercial lending activities in the Chicago metropolitan area at a purchase price of $19.0 million paid in cash. The Company recorded goodwill of $32.2 million associated with the acquisition. The fair value adjustments associated with this transaction were finalized during the second quarter of 2015 and there were no measurement period adjustments during 2015.

Great Lakes Financial Resources, Inc.

On December 2, 2014, the Company completed the acquisition of the south suburban Chicago-based Great Lakes Financial Resources, Inc. ("Great Lakes"), the holding company for Great Lakes Bank, National Association. The Company acquired all assets and assumed all liabilities of Great Lakes, which included seven full-service retail banking offices and one drive-up location, at a purchase price of $55.8 million. Consideration consisted of $38.3 million in Company common stock and $17.5 million in cash. The Company recorded goodwill of $10.3 million associated with the acquisition.

During the fourth quarter of 2015, the Company finalized the fair value adjustments associated with the Great Lakes transaction, which required a measurement period adjustment of $933,000 and $523,000 to decrease loans and premises, furniture, and equipment, respectively, $582,000 to increase accrued interest receivable and other assets for the related deferred tax asset, and $874,000 to increase goodwill. These adjustments were recognized in the current period in accordance with the early adoption of revised accounting guidance applicable to business combinations.

The following table presents the assets acquired and liabilities assumed, net of the fair value adjustments, in the Peoples, Popular, and Great Lakes transactions as of the acquisition date. The assets acquired and liabilities assumed, both intangible and tangible, were recorded at their estimated fair values as of the acquisition date and have been accounted for under the acquisition method of accounting.

Acquisition Activity

(Dollar amounts in thousands)

	Peoples December 3, 2015	Popular August 8, 2014	Great Lakes December 2, 2014
Assets			
Cash and due from banks and interest-bearing deposits in other banks	$781	$161,276	$78,609
Securities available-for-sale	41,492	—	219,279
FHLB and FRB stock	558	—	1,970
Loans	53,917	549,386	223,169
OREO	515	—	1,244
Investment in BOLI	—	—	10,373
Goodwill	7,544	32,181	10,339
Other intangible assets	580	8,003	6,192
Premises, furniture, and equipment	2,215	4,647	5,011
Accrued interest receivable and other assets	2,911	6,574	10,059
Total assets	$110,513	$762,067	$566,245
Liabilities			
Noninterest-bearing deposits	$15,869	$163,299	$110,885
Interest-bearing deposits	75,944	568,573	353,424
Total deposits	91,813	731,872	464,309
Intangible liabilities	—	10,631	—
Borrowed funds	1,200	—	29,490
Senior and subordinated debt	—	—	9,809
Accrued interest payable and other liabilities	672	564	6,887
Total liabilities	93,685	743,067	510,495
Consideration Paid			
Common stock (2014 - 2,440,754 shares issued at $15.737 per share), net of $110,000 in issuance costs	—	—	38,300
Cash paid	16,828	19,000	17,450
Total consideration paid	16,828	19,000	55,750

	$110,513	$762,067	$566,245

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National Machine Tool Financial Corporation

On September 26, 2014, the Bank completed the acquisition of National Machine Tool Financial Corporation, now known as First Midwest Equipment Finance Co. ("FMEF"), which provides equipment leasing and commercial financing alternatives to traditional bank financing. On the date of acquisition, the Bank acquired approximately $5.9 million in assets, excluding goodwill, which primarily consisted of direct financing leases, lease loans, and other assets, at a purchase price of $3.1 million paid in cash. Goodwill recorded as a result of the acquisition totaled $4.0 million.

The assets acquired and liabilities assumed, both intangible and tangible, were recorded at their estimated fair values as of the September 26, 2014 acquisition date and have been accounted for under the acquisition method of accounting. The fair value adjustments associated with this transaction were finalized during the third quarter of 2015 and required no measurement period adjustments during 2015.

Expenses related to the acquisition and integration of the transactions above totaled $1.4 million and $13.9 million during the years ended December 31, 2015 and 2014, respectively, and are reported as a separate component within noninterest expense in the Consolidated Statements of Income.

4. SECURITIES

A summary of the Company's securities portfolio by category and maturity is presented in the following tables.

Securities Portfolio

(Dollar amounts in thousands)

	As of December 31,							
	2015				2014			
	Amortized Cost	Gross Unrealized Gains	Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Losses	Fair Value
Securities Available-for-Sale								
U.S. treasury securities	$17,000	$15	$(35)	$16,980	$—	$—	$—	$—
U.S. agency securities	86,461	351	(169)	86,643	30,297	144	(10)	30,431
Collateralized mortgage obligations ("CMOs")	695,198	1,072	(9,085)	687,185	538,882	2,256	(6,982)	534,156
Other mortgage-backed securities ("MBSs")	152,481	1,920	(871)	153,530	155,443	4,632	(310)	159,765
Municipal securities	321,437	6,443	(310)	327,570	414,255	10,583	(1,018)	423,820
Trust preferred collateralized debt obligations ("CDOs")	48,287	34	(16,792)	31,529	48,502	152	(14,880)	33,774
Corporate debt securities	—	—	—	—	1,719	83	—	1,802
Equity securities	3,282	86	(169)	3,199	3,224	72	(35)	3,261
Total securities available-for-sale	$1,324,146	$9,921	$(27,431)	$1,306,636	$1,192,322	$17,922	$(23,235)	$1,187,009
Securities Held-to-Maturity								
Municipal securities	$23,152	$—	$(3,098)	$20,054	$26,555	$1,115	$—	$27,670
Trading Securities				$16,894				$17,460

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Remaining Contractual Maturity of Securities
(Dollar amounts in thousands)

	As of December 31, 2015			
	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$95,201	$93,096	$2,092	$1,812
After one year to five years	272,169	266,151	8,809	7,630
After five years to ten years	57,528	56,256	4,184	3,624
After ten years	48,287	47,219	8,067	6,988
Securities that do not have a single contractual maturity date	850,961	843,914	—	—
Total	$1,324,146	$1,306,636	$23,152	$20,054

The carrying value of securities available-for-sale that were pledged to secure deposits or for other purposes as permitted or required by law totaled $856.9 million as of December 31, 2015 and $779.4 million as of December 31, 2014. No securities held-to-maturity were pledged as of December 31, 2015 or 2014.
Excluding securities issued or backed by the U.S. government and its agencies and U.S. government-sponsored enterprises, there were no investments in securities from one issuer that exceeded 10% of total stockholders' equity as of December 31, 2015 or 2014.
During the years ended December 31, 2015, 2014, and 2013 there were no material gross trading gains (losses). The following table presents net realized gains on securities available-for-sale.
Securities Available-for-Sale Gains (Losses)
(Dollar amounts in thousands)

	Years Ended December 31,		
	2015	2014	2013
Gains (losses) on sales of securities:			
Gross realized gains	$2,519	$8,188	$34,572
Gross realized losses	(146)	(63)	—
Net realized gains on sales of securities	2,373	8,125	34,572
Non-cash impairment charges:			
OTTI	—	(28)	(408)
Net realized gains	$2,373	$8,097	$34,164

During 2015, net securities gains primarily consisted of sales of MBSs at gains of $1.9 million and sales of CMOs, municipal securities, and other investments at net gains of $521,000. Net securities gains consisted of the sale of a non-accrual CDO at a gain of $3.5 million and other investments at gains totaling $4.6 million during 2014. The Company sold its investment in an equity security during 2013, which resulted in a $34.0 million gain.
Accounting guidance requires that the credit portion of an OTTI charge be recognized through income. If a decline in fair value below carrying value is not attributable to credit deterioration and the Company does not intend to sell the security or believe it would not be more likely than not required to sell the security prior to recovery, the Company records the non-credit related portion of the decline in fair value in other comprehensive (loss) income.

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The following table presents a rollforward of life-to-date OTTI recognized in earnings related to all securities available-for-sale held by the Company for the years ended December 31, 2015, 2014, and 2013. The majority of the beginning and ending balance of OTTI relates to CDOs currently held by the Company.

Changes in OTTI Recognized in Earnings
(Dollar amounts in thousands)

	Years Ended December 31,		
	2015	2014	2013
Beginning balance	$23,880	$32,422	$38,803
OTTI included in earnings [(1)]:			
Losses on securities that previously had OTTI	—	28	—
Losses on securities that did not previously have OTTI	—	—	408
Reduction for securities sales [(2)]	(171)	(8,570)	(6,789)
Ending balance	$23,709	$23,880	$32,422

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

(2) These reductions were driven by the sale of one CMO with a carrying value of $1.3 million during the year ended December 31, 2015, one CDO with a carrying value of $1.3 million during the year ended December 31, 2014, and one CDO with a carrying value of zero during the year ended December 31, 2013.

The following table presents the aggregate amount of unrealized losses and the aggregate related fair values of securities with unrealized losses as of December 31, 2015 and 2014.

Securities in an Unrealized Loss Position
(Dollar amounts in thousands)

		Less Than 12 Months		Greater Than 12 Months		Total	
	Number of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
As of December 31, 2015							
Securities Available-for-Sale:							
U.S. treasury securities	4	$7,946	$35	$—	$—	$7,946	$35
U.S. agency securities	10	30,620	169	—	—	30,620	169
CMOs	133	309,787	3,110	257,362	5,975	567,149	9,085
MBSs	27	63,028	427	31,980	444	95,008	871
Municipal securities	68	8,135	65	24,227	245	32,362	310
CDOs	8	8,034	971	21,642	15,821	29,676	16,792
Equity securities	2	485	120	2,305	49	2,790	169
Total	252	$428,035	$4,897	$337,516	$22,534	$765,551	$27,431
Securities Held-to-Maturity:							
Municipal securities	19	$20,054	$3,098	$—	$—	$20,054	$3,098
As of December 31, 2014							
Securities Available-for-Sale:							
U.S. agency securities	1	$1,943	$10	$—	$—	$1,943	$10
CMOs	87	61,321	559	284,327	6,423	345,648	6,982
MBSs	11	1,113	1	39,043	309	40,156	310
Municipal securities	91	1,317	9	53,987	1,009	55,304	1,018
CDOs	4	—	—	22,791	14,880	22,791	14,880
Equity securities	1	—	—	2,270	35	2,270	35
Total	195	$65,694	$579	$402,418	$22,656	$468,112	$23,235

Substantially all of the Company's CMOs and other MBSs are either backed by U.S. government-owned agencies or issued by U.S. government-sponsored enterprises. Municipal securities are issued by municipal authorities, and the majority are supported by third party insurance or some other form of credit enhancement. Management does not believe any of these securities with

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unrealized losses as of December 31, 2015 represent OTTI related to credit deterioration. These unrealized losses are attributed to changes in interest rates and temporary market movements. The Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell them before recovery of their amortized cost basis, which may be at maturity.

The unrealized losses on CDOs as of December 31, 2015 reflect changes in market activity for these securities. Management does not believe these unrealized losses represent OTTI related to credit deterioration. In addition, the Company does not intend to sell the CDOs with unrealized losses within a short period of time, and the Company does not believe it is more likely than not that it will be required to sell them before recovery of their amortized cost basis, which may be at maturity. Significant judgment is required to calculate the fair value of the CDOs, all of which are pooled. For a detailed discussion of the CDO valuation methodology, see Note 22, "Fair Value."

5. LOANS

Loans Held-for-Investment

The following table presents the Company's loans held-for-investment by class.

Loan Portfolio

(Dollar amounts in thousands)

	As of December 31,	
	2015	2014
Commercial and industrial	$2,524,726	$2,253,556
Agricultural	387,440	358,249
Commercial real estate:		
Office, retail, and industrial	1,395,454	1,478,379
Multi-family	528,324	564,421
Construction	216,882	204,236
Other commercial real estate	931,190	887,897
Total commercial real estate	3,071,850	3,134,933
Total corporate loans	5,984,016	5,746,738
Home equity	653,468	543,185
1-4 family mortgages	355,854	291,463
Installment	137,602	76,032
Total consumer loans	1,146,924	910,680
Total loans, excluding covered loans	7,130,940	6,657,418
Covered loans [(1)]	30,775	79,435
Total loans	$7,161,715	$6,736,853
Deferred loan fees included in total loans	$5,191	$3,922
Overdrawn demand deposits included in total loans	2,810	3,438

(1) For information on covered loans, see Note 6, "Acquired and Covered Loans."

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

Commercial and industrial loans are underwritten after evaluating and understanding the borrower's ability to operate its business. As part of the underwriting process, the Company examines current and expected future cash flows to determine the ability of the borrower to repay its obligation. Commercial and industrial loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of the borrower may not be as expected, and the collateral securing these loans may fluctuate in value due to economic or other factors. Most commercial and industrial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may incorporate a personal guarantee. Some short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans substantially depend on the ability of the borrower to collect amounts due from its customers.

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Agricultural loans are generally provided to meet seasonal production, equipment, and farm real estate borrowing needs of individual and corporate crop and livestock producers. As part of the underwriting process, the Company examines projected future cash flows, financial statement stability, and the value of the underlying collateral. Seasonal crop production loans are repaid by the liquidation of the financed crop that is typically covered by crop insurance. Equipment and real estate term loans are repaid through cash flows of the farming operation.

Commercial real estate loans are subject to underwriting standards and processes similar to commercial and industrial loans. The repayment of commercial real estate loans depends on the successful operation of the property securing the loan or the business conducted on the property securing the loan. This category of loans may be more adversely affected by conditions in the real estate market. Management monitors and evaluates commercial real estate loans based on cash flow, collateral, geography, and risk rating criteria. The mix of properties securing the loans in our commercial real estate portfolio are balanced between owner-occupied and investor categories and are diverse in terms of type and geographic location, generally within the Company's markets.

Construction loans are generally based on estimates of costs and values associated with the completed project and are underwritten utilizing feasibility studies, independent appraisal reviews, sensitivity analyses of absorption and lease rates, and financial analyses of the developers and property owners. Sources of repayment may be permanent loans from long-term lenders, sales of developed property, or an interim loan commitment until permanent financing is obtained. Generally, construction loans have a higher risk profile than other real estate loans since repayment is impacted by real estate values, interest rate changes, governmental regulation of real property, demand and supply of alternative real estate, the availability of long-term financing, and changes in general economic conditions.

Consumer loans are centrally underwritten using a credit scoring model developed by the Fair Isaac Corporation ("FICO"), which employs a risk-based system to determine the probability that a borrower may default. Underwriting standards for home equity loans are heavily influenced by statutory requirements, which include loan-to-value and affordability ratios, risk-based pricing strategies, and documentation requirements. The home equity category consists mainly of revolving lines of credit secured by junior liens on owner-occupied real estate. Loan-to-value ratios on home equity loans and 1-4 family mortgages are based on the current appraised value of the collateral.

The carrying value of loans that were pledged to secure liabilities as of December 31, 2015 and 2014 are presented below.

Carrying Value of Loans Pledged
(Dollar amounts in thousands)

	As of December 31	
	2015	2014
Loans pledged to secure:		
FHLB advances	$3,057,421	$1,952,736
FRB's Discount Window Primary Credit Program	841,808	845,974
Total	$3,899,229	$2,798,710

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1-4 Family Mortgage Loan Sales

The following table presents 1-4 family mortgage loan sales for the years ended December 31, 2015, 2014, and 2013.

1-4 Family Mortgage Loan Sales

(Dollar amounts in thousands)

	Proceeds	Book Value	Net Gains [1]
Year Ended December 31, 2015			
Loans originated with intent to sell	$157,499	$153,130	$4,369
Loans held-for-investment	27,809	26,887	922
Total	$185,308	$180,017	$5,291
Year Ended December 31, 2014			
Loans originated with intent to sell	$95,422	$92,525	$2,897
Loans held-for-investment	53,258	52,384	874
Total	$148,680	$144,909	$3,771
Year Ended December 31, 2013			
Loans originated with intent to sell	$37,788	$36,592	$1,196
Loans held-for-investment	114,342	110,821	3,521
Total	$152,130	$147,413	$4,717

(1) Net gains on mortgage loan sales are included in mortgage banking income in the Consolidated Statements of Income.

The Company retained servicing responsibilities for a portion of the 1-4 family mortgage loans sold and collects servicing fees equal to a percentage of the outstanding principal balance. The Company also retained limited recourse for credit losses on the sold loans. A description of the recourse obligation is presented in Note 21, "Commitments, Guarantees, and Contingent Liabilities."

6. ACQUIRED AND COVERED LOANS

Acquired loans consist primarily of loans that were acquired in business combinations that are not covered by the FDIC Agreements. These loans are included in loans, excluding covered loans, in the Consolidated Statements of Financial Condition. Covered loans consist of loans acquired by the Company in multiple FDIC-assisted transactions. Most loans and OREO acquired in those transactions are covered by the FDIC Agreements. The significant accounting policies related to acquired and covered loans, which are classified as PCI and Non-PCI, and the related FDIC indemnification asset are presented in Note 1, "Summary of Significant Accounting Policies."

During 2015, non-residential mortgage loans and OREO related to three FDIC-assisted transactions were no longer covered under the FDIC Agreements. These non-residential loans and OREO, which totaled $21.0 million as of December 31, 2015, are included in acquired loans and no longer classified as covered loans. The losses on residential mortgage loans and OREO will continue to be covered under the FDIC Agreements through various dates between December 31, 2019 and September 30, 2020.

The following table presents acquired and covered PCI and Non-PCI loans as of December 31, 2015 and 2014.

Acquired and Covered Loans

(Dollar amounts in thousands)

	As of December 31,					
	2015			2014		
	PCI	Non-PCI	Total	PCI	Non-PCI	Total
Acquired loans	$50,286	$534,506	$584,792	$28,712	$714,836	$743,548
Covered loans	9,919	20,856	30,775	54,682	24,753	79,435
Total acquired and covered loans	$60,205	$555,362	$615,567	$83,394	$739,589	$822,983

Acquired Non-PCI loans that are renewed are no longer classified as acquired loans. These loans totaled $61.6 million as of December 31, 2015.

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In connection with the FDIC Agreements, the Company recorded an indemnification asset. To maintain eligibility for the loss share reimbursement, the Company is required to follow certain servicing procedures as specified in the FDIC Agreements. The Company was in compliance with those requirements as of December 31, 2015, 2014, and 2013. Rollforwards of the carrying value of the FDIC indemnification asset for the three years ended December 31, 2015 is presented in the following table.

Changes in the FDIC Indemnification Asset
(Dollar amounts in thousands)

	Years Ended December 31,		
	2015	2014	2013
Beginning balance	$8,452	$16,585	$37,051
Amortization	(1,461)	(3,315)	(2,984)
Change in expected reimbursements from the FDIC for changes in expected credit losses	1,313	(481)	(1,242)
Payments received from the FDIC	(4,401)	(4,337)	(16,240)
Ending balance	$3,903	$8,452	$16,585

Changes in the accretable yield for acquired and covered PCI loans were as follows.

Changes in Accretable Yield
(Dollar amounts in thousands)

	Years Ended December 31,		
	2015	2014	2013
Beginning balance	$28,244	$36,792	$51,498
Additions	1,168	3,517	—
Accretion	(11,311)	(12,535)	(15,016)
Other [1]	6,811	470	310
Ending balance	$24,912	$28,244	$36,792

(1) Represents a rise in the expected future cash flows to be collected over the remaining estimated life of the underlying portfolio.

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7. PAST DUE LOANS, ALLOWANCE FOR CREDIT LOSSES, IMPAIRED LOANS, AND TDRS
Past Due and Non-accrual Loans
The following table presents an aging analysis of the Company's past due loans as of December 31, 2015 and 2014. The aging is determined without regard to accrual status. The table also presents non-performing loans, consisting of non-accrual loans (the majority of which are past due) and loans 90 days or more past due and still accruing interest, as of each balance sheet date.
Aging Analysis of Past Due Loans and Non-Performing Loans by Class
(Dollar amounts in thousands)

	Aging Analysis (Accruing and Non-accrual)					Non-performing Loans	
	Current	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Loans	Non-accrual Loans	90 Days Past Due Loans, Still Accruing Interest
As of December 31, 2015							
Commercial and industrial	$2,516,197	$4,956	$3,573	$8,529	$2,524,726	$5,587	$857
Agricultural	387,109	245	86	331	387,440	355	—
Commercial real estate:							
Office, retail, and industrial	1,386,383	2,647	6,424	9,071	1,395,454	6,875	4
Multi-family	526,625	541	1,158	1,699	528,324	796	548
Construction	216,377	—	505	505	216,882	905	—
Other commercial real estate	922,531	3,575	5,084	8,659	931,190	5,611	661
Total commercial real estate	3,051,916	6,763	13,171	19,934	3,071,850	14,187	1,213
Total corporate loans	5,955,222	11,964	16,830	28,794	5,984,016	20,129	2,070
Home equity	647,175	3,247	3,046	6,293	653,468	5,310	216
1-4 family mortgages	350,980	2,680	2,194	4,874	355,854	3,416	528
Installment	136,780	753	69	822	137,602	20	69
Total consumer loans	1,134,935	6,680	5,309	11,989	1,146,924	8,746	813
Total loans, excluding covered loans	7,090,157	18,644	22,139	40,783	7,130,940	28,875	2,883
Covered loans	29,808	405	562	967	30,775	555	174
Total loans	$7,119,965	$19,049	$22,701	$41,750	$7,161,715	$29,430	$3,057
As of December 31, 2014							
Commercial and industrial	$2,230,947	$19,505	$3,104	$22,609	$2,253,556	$22,693	$205
Agricultural	355,982	1,934	333	2,267	358,249	360	—
Commercial real estate:							
Office, retail, and industrial	1,463,724	2,340	12,315	14,655	1,478,379	12,939	76
Multi-family	562,625	1,261	535	1,796	564,421	754	83
Construction	197,255	—	6,981	6,981	204,236	6,981	—
Other commercial real estate	876,609	5,412	5,876	11,288	887,897	6,970	438
Total commercial real estate	3,100,213	9,013	25,707	34,720	3,134,933	27,644	597

Total corporate loans	5,687,142	30,452	29,144	59,596	5,746,738	50,697	802
Home equity	535,587	3,216	4,382	7,598	543,185	6,290	145
1-4 family mortgages	287,892	2,246	1,325	3,571	291,463	2,941	166
Installment	75,428	506	98	604	76,032	43	60
Total consumer loans	898,907	5,968	5,805	11,773	910,680	9,274	371
Total loans, excluding covered loans	6,586,049	36,420	34,949	71,369	6,657,418	59,971	1,173
Covered loans	66,331	2,714	10,390	13,104	79,435	6,186	5,002
Total loans	$6,652,380	$39,134	$45,339	$84,473	$6,736,853	$66,157	$6,175

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Allowance for Credit Losses

The Company maintains an allowance for credit losses at a level deemed adequate by management to absorb probable losses inherent in the loan portfolio. See Note 1, "Summary of Significant Accounting Policies," for the accounting policy for the allowance for credit losses. A rollforward of the allowance for credit losses by portfolio segment for the years ended December 31, 2015, 2014, and 2013 is presented in the table below.

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

	Commercial, Industrial, and Agricultural	Office, Retail, and Industrial	Multi-family	Construction	Other Commercial Real Estate	Consumer	Covered Loans	Reserve for Unfunded Commitments	Total Allowance
As of December 31, 2015									
Beginning balance	$ 29,458	$ 10,992	$ 2,249	$ 2,297	$ 8,327	$ 12,145	$ 7,226	$ 1,816	$ 74,510
Charge-offs	(15,885)	(2,887)	(545)	(136)	(2,643)	(4,187)	(634)	—	(26,917)
Recoveries	2,573	467	15	350	1,993	1,183	120	—	6,701
Net charge-offs	(13,312)	(2,420)	(530)	214	(650)	(3,004)	(514)	—	(20,216)
Provision for loan and covered loan losses and other	20,928	4,544	743	(1,071)	(1,589)	2,671	(5,074)	(591)	20,561
Ending Balance	$ 37,074	$ 13,116	$ 2,462	$ 1,440	$ 6,088	$ 11,812	$ 1,638	$ 1,225	$ 74,855
As of December 31, 2014									
Beginning balance	$ 30,381	$ 10,405	$ 2,017	$ 6,316	$ 10,817	$ 13,010	$ 12,559	$ 1,616	$ 87,121
Charge-offs	(17,424)	(7,345)	(943)	(1,052)	(4,834)	(7,574)	(1,012)	—	(40,184)
Recoveries	3,800	497	87	166	1,727	729	1,199	—	8,205
Net charge-offs	(13,624)	(6,848)	(856)	(886)	(3,107)	(6,845)	187	—	(31,979)
Provision for loan and covered loan losses and other	12,701	7,435	1,088	(3,133)	617	5,980	(5,520)	200	19,368
Ending balance	$ 29,458	$ 10,992	$ 2,249	$ 2,297	$ 8,327	$ 12,145	$ 7,226	$ 1,816	$ 74,510
As of December 31, 2013									
Beginning balance	$ 36,761	$ 11,432	$ 3,575	$ 9,223	$ 13,531	$ 12,862	$ 12,062	$ 3,366	$ 102,812
Charge-offs	(12,094)	(4,744)	(1,029)	(1,916)	(4,784)	(9,414)	(4,599)	—	(38,580)
Recoveries	3,797	228	584	1,032	1,646	1,071	24	—	8,382
Net charge-offs	(8,297)	(4,516)	(445)	(884)	(3,138)	(8,343)	(4,575)	—	(30,198)
Provision for loan and covered loan	1,917	3,489	(1,113)	(2,023)	424	8,491	5,072	(1,750)	14,507

losses and other									
Ending balance	$ 30,381	$ 10,405	$ 2,017	$ 6,316	$ 10,817	$ 13,010	$ 12,559	$ 1,616	$ 87,121

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The table below provides a breakdown of loans and the related allowance for credit losses by portfolio segment as of December 31, 2015 and 2014.

Loans and Related Allowance for Credit Losses by Portfolio Segment

(Dollar amounts in thousands)

	Loans				Allowance for Credit Losses			
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	PCI	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	PCI	Total
As of December 31, 2015								
Commercial, industrial, and agricultural	$2,871	$2,902,361	$6,934	$2,912,166	$883	$ 35,378	$813	$37,074
Commercial real estate:								
Office, retail, and industrial	6,162	1,376,789	12,503	1,395,454	715	10,833	1,568	13,116
Multi-family	800	526,037	1,487	528,324	—	2,367	95	2,462
Construction	178	212,671	4,033	216,882	—	1,160	280	1,440
Other commercial real estate	3,665	913,161	14,364	931,190	—	5,367	721	6,088
Total commercial real estate	10,805	3,028,658	32,387	3,071,850	715	19,727	2,664	23,106
Total corporate loans	13,676	5,931,019	39,321	5,984,016	1,598	55,105	3,477	60,180
Consumer	—	1,135,959	10,965	1,146,924	—	11,425	387	11,812
Total loans, excluding covered loans	13,676	7,066,978	50,286	7,130,940	1,598	66,530	3,864	71,992
Covered loans	—	20,856	9,919	30,775	—	248	1,390	1,638
Reserve for unfunded commitments	—	—	—	—	—	1,225	—	1,225
Total loans	$13,676	$7,087,834	$60,205	$7,161,715	$1,598	$ 68,003	$5,254	$74,855
As of December 31, 2014								
Commercial, industrial, and agricultural	$19,796	$2,588,141	$3,868	$2,611,805	$2,249	$ 27,209	$—	$29,458
Commercial real estate:								
Office, retail, and industrial	12,332	1,458,918	7,129	1,478,379	271	10,721	—	10,992
Multi-family	939	561,400	2,082	564,421	—	2,249	—	2,249
Construction	6,671	195,094	2,471	204,236	—	2,297	—	2,297
Other commercial real estate	3,266	880,087	4,544	887,897	11	8,316	—	8,327
Total commercial real estate	23,208	3,095,499	16,226	3,134,933	282	23,583	—	23,865
Total corporate loans	43,004	5,683,640	20,094	5,746,738	2,531	50,792	—	53,323

Consumer	—	902,062	8,618	910,680	—	11,822	323	12,145
Total loans, excluding covered loans	43,004	6,585,702	28,712	6,657,418	2,531	62,614	323	65,468
Covered loans	—	24,753	54,682	79,435	—	488	6,738	7,226
Reserve for unfunded commitments	—	—	—	—	—	1,816	—	1,816
Total loans	$43,004	$6,610,455	$83,394	$6,736,853	$2,531	$ 64,918	$7,061	$74,510

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Loans Individually Evaluated for Impairment
The following table presents loans individually evaluated for impairment by class of loan as of December 31, 2015 and 2014. PCI loans are excluded from this disclosure.
Impaired Loans Individually Evaluated by Class
(Dollar amounts in thousands)

	As of December 31, 2015				2014			
	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	$1,673	$1,198	$4,592	$883	$666	$19,130	$35,457	$2,249
Agricultural	—	—	—	—	—	—	—	—
Commercial real estate:								
Office, retail, and industrial	4,654	1,508	12,083	715	9,623	2,709	18,340	271
Multi-family	800	—	941	—	939	—	1,024	—
Construction	178	—	299	—	6,671	—	7,731	—
Other commercial real estate	3,665	—	4,403	—	2,752	514	4,490	11
Total commercial real estate	9,297	1,508	17,726	715	19,985	3,223	31,585	282
Total impaired loans individually evaluated for impairment	$10,970	$2,706	$22,318	$1,598	$20,651	$22,353	$67,042	$2,531

The following table presents the average recorded investment and interest income recognized on impaired loans by class for the years ended December 31, 2015, 2014, and 2013. 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, 2015		2014		2013	
	Average Recorded Balance	Interest Income Recognized (1)	Average Recorded Balance	Interest Income Recognized (1)	Average Recorded Balance	Interest Income Recognized (1)
Commercial and industrial	$8,940	$163	$16,137	$371	$20,925	$205
Agricultural	—	—	—	—	—	—
Commercial real estate:						
Office, retail, and industrial	9,359	52	19,003	245	24,802	18
Multi-family	855	13	1,245	5	1,116	8
Construction	3,902	118	5,764	—	5,932	—
Other commercial real estate	3,310	44	6,014	138	13,141	31
Total commercial real estate	17,426	227	32,026	388	44,991	57

Total impaired loans	$26,366	$390	$48,163	$759	$65,916	$262

(1) Recorded using the cash basis of accounting.

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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, 2015 and 2014.

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, 2015					
Commercial and industrial	$2,379,992	$86,263	$52,884	$5,587	$2,524,726
Agricultural	381,523	—	5,562	355	387,440
Commercial real estate:					
Office, retail, and industrial	1,320,164	32,627	35,788	6,875	1,395,454
Multi-family	517,412	6,146	3,970	796	528,324
Construction	201,496	4,678	9,803	905	216,882
Other commercial real estate	898,746	13,179	13,654	5,611	931,190
Total commercial real estate	2,937,818	56,630	63,215	14,187	3,071,850
Total corporate loans	$5,699,333	$142,893	$121,661	$20,129	$5,984,016
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

(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 $862,000 as of December 31, 2015 and $1.8 million as of December 31, 2014.

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

	Performing	Non-accrual	Total
As of December 31, 2015			
Home equity	$648,158	$5,310	$653,468
1-4 family mortgages	352,438	3,416	355,854
Installment	137,582	20	137,602
Total consumer loans	$1,138,178	$8,746	$1,146,924
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

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, 2015 and 2014. 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,					
	2015			2014		
	Accruing	Non-accrual [1]	Total	Accruing	Non-accrual [1]	Total
Commercial and industrial	$294	$1,050	$1,344	$269	$18,799	$19,068
Agricultural	—	—	—	—	—	—
Commercial real estate:						
Office, retail, and industrial	164	—	164	586	—	586
Multi-family	598	186	784	887	232	1,119
Construction	—	—	—	—	—	—
Other commercial real estate	340	—	340	433	183	616
Total commercial real estate	1,102	186	1,288	1,906	415	2,321
Total corporate loans	1,396	1,236	2,632	2,175	19,214	21,389
Home equity	494	667	1,161	651	506	1,157
1-4 family mortgages	853	421	1,274	878	184	1,062
Installment	—	—	—	—	—	—
Total consumer loans	1,347	1,088	2,435	1,529	690	2,219
Total loans	$2,743	$2,324	$5,067	$3,704	$19,904	$23,608

[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 $758,000 in specific reserves related to TDRs as of December 31, 2015, and there were $1.8 million in specific reserves related to TDRs as of December 31, 2014.

The following table presents a summary of loans that were restructured during the years ended December 31, 2015, 2014, and 2013.
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, 2015						
Home equity	1	$ 120	$—	$—	$—	$ 120
1-4 family mortgages	2	325	—	—	—	325
Total loans restructured during the period	3	$ 445	$—	$—	$—	$ 445
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 loans 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 loans restructured during the period	39	$ 20,343	$30	$63	$—	$ 20,436

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, 2015, 2014, and 2013 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,					
	2015		2014		2013	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Commercial and industrial	—	$—	2	$125	1	$350
Other commercial real estate	—	—	—	—	3	354
Home equity	—	—	1	77	—	—
Total	—	$—	3	$202	4	$704

A rollforward of the carrying value of TDRs for the years ended December 31, 2015, 2014, and 2013 is presented in the following table.

TDR Rollforward
(Dollar amounts in thousands)

	Years Ended December 31,		
	2015	2014	2013
Accruing			
Beginning balance	$3,704	$23,770	$6,867
Additions	120	804	4,847
Net payments	(774)	(1,440)	(723)
Returned to performing status	—	(20,656)	(5,529)
Net transfers (to) from non-accrual	(307)	1,226	18,308
Ending balance	2,743	3,704	23,770
Non-accrual			
Beginning balance	19,904	4,083	10,924
Additions	325	23,815	15,589
Net (payments) advances	(15,525)	1,991	(1,359)
Charge-offs	(2,687)	(8,457)	(1,880)
Transfers to OREO	—	(302)	(77)
Loans sold	—	—	(806)
Net transfers from (to) accruing	307	(1,226)	(18,308)
Ending balance	2,324	19,904	4,083
Total TDRs	$5,067	$23,608	$27,853

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. 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 no material commitments to lend additional funds to borrowers with TDRs as of December 31, 2015 and there were $666,000 in commitments as of December 31, 2014.

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,	
	2015	2014
Land	$43,442	$51,104
Premises	152,444	148,963
Furniture and equipment	90,672	85,489
Total cost	286,558	285,556
Accumulated depreciation	(171,708)	(156,473)
Net book value of premises, furniture, and equipment	114,850	129,083
Assets held-for-sale	7,428	2,026
Total premises, furniture, and equipment	$122,278	$131,109

As of December 31, 2015, assets held-for-sale consisted of twelve closed branches and seven parcels of land previously purchased for expansion. These properties were transferred from land and premises to assets held-for-sale due to the Company's intent to sell these properties over the next twelve months as a result of its strategic branch initiatives. As a result, property valuation adjustments of $8.6 million were recognized and included as a separate component in noninterest expense on the Consolidated Statements of Income.

Depreciation on premises, furniture, and equipment totaled $13.4 million in 2015, $12.2 million in 2014, and $11.0 million in 2013.

Operating Leases

As of December 31, 2015, the Company was obligated to utilize certain premises and equipment under certain non-cancelable operating leases, which expire at various dates through the year ending 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, 2015.

Future Minimum Operating Lease Payments
(Dollar amounts in thousands)

	Total
Year ending December 31,	
2016	$5,119
2017	4,832
2018	4,115
2019	2,327
2020	1,893
2021 and thereafter	11,287
Total minimum lease payments	$29,573

As part of the Popular acquisition completed in 2014, 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.

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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,	
2016	$1,144
2017	1,144
2018	900
2019	651
2020	613
2021 and thereafter	4,582
Total accretion	$9,034

The following table presents net operating lease expense for the years ended December 31, 2015, 2014, and 2013.
Net Operating Lease Expense
(Dollar amounts in thousands)

	Years Ended December 31,		
	2015	2014	2013
Lease expense charged to operations (1)	$5,706	$4,216	$3,123
Rental income from premises leased to others (2)	606	541	531
Net operating lease expense	$5,100	$3,675	$2,592

(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, 2015 and 2014, lease expense is net of accretion related to the intangible liability of $1.1 million and $453,000, respectively.

(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, 2015. It was determined that no impairment existed as of that date or as of December 31, 2015. 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, 2015, 2014, and 2013.
Changes in the Carrying Amount of Goodwill
(Dollar amounts in thousands)

	Years Ended December 31,		
	2015	2014	2013
Beginning balance	$310,589	$264,062	$265,477
Acquisitions	8,418	46,527	—
Sale of equity method investment	—	—	(1,415)
Ending balance	$319,007	$310,589	$264,062

The increase in goodwill for the year ended December 31, 2015 resulted from the Peoples acquisition and a measurement period adjustment related to finalizing the fair values of the assets acquired and liabilities assumed in the Great Lakes acquisition. 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. Other intangible assets is subject to impairment testing when events or circumstances indicate that its carrying amount may not be recoverable. During 2015, there were no events or circumstances to indicate impairment.

Other Intangible Assets
(Dollar amounts in thousands)

	Years Ended December 31,								
	2015			2014			2013		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Beginning balance	$47,970	$ 24,360	$23,610	$33,775	$ 21,471	$12,304	$33,775	$ 18,193	$15,582
Additions	580	—	580	14,195	—	14,195	—	—	—
Amortization expense	—	3,920	(3,920)	—	2,889	(2,889)	—	3,278	(3,278)
Ending balance	$48,550	$ 28,280	$20,270	$47,970	$ 24,360	$23,610	$33,775	$ 21,471	$12,304
Weighted-average remaining life (in years)			7.4			8.0			5.9
Estimated remaining useful lives (in years)			0.8 to 10.0			0.3 to 10.3			0.2 to 11.3

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

	Total
Year ending December 31,	
2016	$3,901
2017	3,121
2018	2,196
2019	2,131
2020	2,080
2021 and thereafter	6,841
Total	$20,270

10. DEPOSITS

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

Summary of Deposits
(Dollar amounts in thousands)

	As of December 31,	
	2015	2014
Demand deposits	$2,414,454	$2,301,757
Savings deposits	1,547,587	1,391,444
NOW accounts	1,456,175	1,413,973
Money market deposits	1,526,056	1,509,026
Time deposits less than $100,000	754,576	859,441
Time deposits greater than $100,000	398,890	412,117
Total deposits	$8,097,738	$7,887,758

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,	
2016	$754,417
2017	162,138
2018	71,235
2019	70,948
2020	94,472
2021 and thereafter	256
Total	$1,153,466

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,	
	2015	2014
Securities sold under agreements to repurchase	$155,196	$137,994
FHLB advances	9,900	—
Total borrowed funds	$165,096	$137,994

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 U.S. treasury and agency securities which are held in third party pledge accounts, if required. The securities underlying the agreements remain in the respective asset accounts. As of December 31, 2015, 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. As of December 31, 2015, the Company held one $9.9 million 3-month FHLB advance with a fixed interest rate of 0.4% that matures on March 1, 2016. During 2014, the Company prepaid $114.6 million of FHLB advances which 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.
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, 2015 and 2014.
Short-Term Credit Lines Available for Use
(Dollar amounts in thousands)

	As of December 31,	
	2015	2014
FRBs Discount Window Primary Credit Program	$655,745	$675,507
Available federal funds lines	659,000	685,500
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. As of 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)

	Issuance Date	Maturity Date	Interest Rate	As of December 31, 2015	2014
Senior notes	March 2006	November 2016	5.875%	$114,891	$114,768
Subordinated notes	September 2009	April 2016	5.850%	38,499	38,495
Junior subordinated debentures:					
First Midwest Capital Trust I ("FMCT")	November 2003	December 2033	6.950%	37,799	37,797
Great Lakes Statutory Trust II ("GLST II") (1)	December 2005	December 2035	L+1.400% (2)	4,296	4,202
Great Lakes Statutory Trust III ("GLST III") (1)	June 2007	September 2037	L+1.700% (2)	5,723	5,607
Total junior subordinated debentures				47,818	47,606
Total senior and subordinated debt				$201,208	$200,869

(1) The junior subordinated debentures related to GLST II and GLST III were assumed by the Company through the Great Lakes acquisition. As of December 31, 2015, these amounts include acquisition adjustments which resulted in a discount of $1.9 million to GLST II and $2.5 million to GLST III. The acquisition adjustments totaled $2.0 million and $2.6 million to GLST II and GLST III, respectively, as of December 31, 2014.
(2) The interest rates are a variable rate based on the three-month LIBOR plus 1.400% and 1.700% for GLST II and GLST III, respectively.

Junior Subordinated Debentures
FMCT is a Delaware statutory business trust that was formed in 2003. During 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 junior subordinated debentures are the sole assets of each trust. Therefore, each trust's ability to pay amounts due on the trust-preferred securities is solely dependent on the Company making payments on the related junior subordinated debentures. The trust-preferred securities are subject to mandatory redemption, in whole or in part, on repayment of the junior subordinated debentures at the stated maturity date or on redemption. The Company guarantees payments of distributions on the trust-preferred securities and payments on redemption of the trust-preferred securities on a limited basis.
Trust-preferred securities are included in Tier 1 capital of the Company for regulatory capital purposes. The statutory trusts qualify as VIEs for which the Company is not the primary beneficiary. Consequently, the accounts of those entities are not consolidated in the Company's financial statements.

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 Company's Board of Directors ("the Board") declared stock dividends of $0.01 per share for the first quarter of 2013 and $0.04 per share for the second quarter of 2013 and the third quarter of 2013. The Company increased the quarterly dividend to $0.07 per share for the fourth quarter of 2013 and the first quarter of 2014, and to $0.08 per share for each of the quarters from the second quarter of 2014 through the fourth quarter of 2014. The Company increased the quarterly dividend to $0.09 per share for each of the quarters from the first quarter of 2015 through the fourth quarter of 2015.

Other than share-based compensation which is disclosed in Note 17, "Share-Based Compensation", there were no additional material transactions that affected stockholders' equity during the three years ended December 31, 2015.

14. EARNINGS PER COMMON SHARE

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

Basic and Diluted Earnings per Common Share

(Amounts in thousands, except per share data)

	Years Ended December 31,		
	2015	2014	2013
Net income	$82,064	$69,306	$79,306
Net income applicable to non-vested restricted shares	(882)	(836)	(1,107)
Net income applicable to common shares	$81,182	$68,470	$78,199
Weighted-average common shares outstanding:			
Weighted-average common shares outstanding (basic)	77,059	74,484	73,984
Dilutive effect of common stock equivalents	13	12	10
Weighted-average diluted common shares outstanding	77,072	74,496	73,994
Basic earnings per common share	$1.05	$0.92	$1.06
Diluted earnings per common share	1.05	0.92	1.06
Anti-dilutive shares not included in the computation of diluted earnings per common share (1)	800	1,198	1,462

(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.

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15. INCOME TAXES
Components of Income Tax Expense
(Dollar amounts in thousands)

	Years Ended December 31,		
	2015	2014	2013
Current income tax expense (benefit):			
Federal	$18,524	$16,343	$4,744
State	2,326	(1,388)	10,504
Total	20,850	14,955	15,248
Deferred income tax expense:			
Federal	12,048	7,901	31,572
State	4,849	8,314	1,895
Total	16,897	16,215	33,467
Total income tax expense	$37,747	$31,170	$48,715

Federal income tax expense 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 as well as state income taxes. State income tax expense and the related effective income tax rate are driven by both the amount of state tax-exempt income in relation to pre-tax income and state tax rules for consolidated/combined reporting and sourcing of income and expense.

Components of Effective Tax Rate
(Dollar amounts in thousands)

	Years Ended December 31,					
	2015		2014		2013	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
Statutory federal income tax	$41,934	35.0 %	$35,167	35.0 %	$44,807	35.0 %
(Decrease) increase in income taxes resulting from:						
Tax-exempt income, net of interest expense disallowance	(6,752)	(5.6)	(7,520)	(7.5)	(7,877)	(6.2)
State income tax, net of federal income tax effect	4,665	3.9	4,503	4.5	8,142	6.4
Other	(2,100)	(1.8)	(980)	(1.0)	3,643	2.9
Total	$37,747	31.5 %	$31,170	31.0 %	$48,715	38.1 %

The increase in income tax expense and the effective tax rate from the years ended December 31, 2014 to 2015 was due primarily to a rise in income subject to tax at statutory rates, partially offset by decreases in state statutory rates. A decrease in income subject to tax at statutory rates drove the decline in income tax expense and effective tax rate from the years ended December 31, 2013 to 2014.

As of December 31, 2015, 2014, and 2013, 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.

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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.
Deferred Tax Assets and Liabilities
(Dollar amounts in thousands)

	As of December 31, 2015	2014
Deferred tax assets:		
Allowance for credit losses	$26,131	$26,078
Unrealized losses on securities	18,328	18,527
Alternative minimum tax ("AMT") and other credit carryforwards	17,739	29,007
State net operating loss ("NOL") carryforwards	7,679	11,917
Equity based compensation	5,469	6,875
Non-equity based compensation	3,739	3,477
Property valuation adjustments	3,003	—
OREO	2,597	3,480
Other	8,693	7,754
Total deferred tax assets	93,378	107,115
Deferred tax liabilities:		
Acquisition adjustments	(10,097)	(10,960)
Accrued retirement benefits	(6,065)	(6,447)
Cancellation of indebtedness income	(3,204)	(4,272)
Deferred loan fees and costs	(2,432)	—
Other	(4,631)	(5,045)
Total deferred tax liabilities	(26,429)	(26,724)
Deferred tax valuation allowance	—	—
Net deferred tax assets	66,949	80,391
Tax effect of adjustments related to other comprehensive (loss) income	19,744	11,294
Net deferred tax assets including adjustments	$86,693	$91,685
Net operating loss carryforwards available to offset future taxable income:		
Federal gross NOL carryforwards, begin to expire in 2035	$922	$—
Illinois gross NOL carryforwards, begin to expire in 2023	160,016	232,834
Indiana gross NOL carryforwards, begin to expire in 2023	11,796	17,192
Alternative minimum tax credits	17,739	25,739
Other credits, begin to expire in 2028	—	3,268

During the year ended December 31, 2015, the Company recorded net deferred tax assets of $3.5 million related to the Peoples acquisition and a measurement period adjustment related to finalizing the fair values of the assets acquired and liabilities assumed in the Great Lakes acquisition. Net deferred tax assets for the year ended December 31, 2014 includes $7.4 million of net deferred tax assets acquired from the Popular, National Machine Tool, and Great Lakes transactions.
During the years ended December 31, 2015 and 2014, the Company transferred certain loans into Real Estate Mortgage Investment Conduit trusts which are classified as loans in the financial statements and as securities for tax purposes.
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.
Uncertainty in Income Taxes
The Company files a U.S. federal income tax return and state income tax returns in various states. Income tax returns filed by the Company are no longer subject to examination by federal and state income tax authorities for years prior

to 2012.

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Rollforward of Unrecognized Tax Benefits
(Dollar amounts in thousands)

	Years Ended December 31,		
	2015	2014	2013
Beginning balance	$912	$279	$—
Additions for tax positions relating to the current year	480	635	279
Additions for tax positions relating to prior years	37	—	—
Reductions for tax positions relating to prior years	(21)	(2)	—
Ending balance	$1,408	$912	$279
Interest and penalties not included above [1]:			
Interest expense, net of tax effect, and penalties	$20	$4	$—
Accrued interest and penalties, net of tax effect, at end of year	24	4	—

[1] Included in income tax expense 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 as of December 31, 2015, 2014, and 2013 are tax positions totaling $936,000, $597,000 and $181,000, respectively, which 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% were 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,		
	2015	2014	2013
Profit sharing expense [1]	$6,919	$6,354	$2,914
Company dividends received by the Profit Sharing Plan	$466	$428	$159
Company shares held by the Profit Sharing Plan at the end of the year:			
Number of shares	1,277,567	1,364,558	1,426,708
Fair value	$23,546	$23,348	$25,010

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

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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 approved an amendment to freeze benefit accruals under the Pension Plan effective on January 1, 2014.

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,	
	2015	2014
Accumulated benefit obligation	$67,185	$67,283
Change in projected benefit obligation:		
Beginning balance	$67,283	$61,292
Service cost	—	—
Interest cost	2,334	2,346
Settlements	(7,320)	(6,502)
Actuarial loss	5,336	10,508
Benefits paid	(448)	(361)
Ending balance	$67,185	$67,283
Change in fair value of plan assets:		
Beginning balance	$72,193	$74,370
Actual return on plan assets	478	4,686
Benefits paid	(448)	(361)
Settlements	(7,320)	(6,502)
Ending balance	$64,903	$72,193
Funded status recognized in the Consolidated Statements of Financial Condition:		
Noncurrent (liability) asset	$(2,282)	$4,910
Amounts recognized in accumulated other comprehensive loss:		
Prior service cost	$—	$—
Net loss	26,481	19,911
Net amount recognized	$26,481	$19,911
Actuarial losses included in accumulated other comprehensive loss as a percent of:		
Accumulated benefit obligation	39.4%	29.6%
Fair value of plan assets	40.8%	27.6%
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	516	401
Net amount expected to be recognized	$516	$401
Weighted-average assumptions at the end of the year used to determine the actuarial present value of the projected benefit obligation:		

Discount rate	3.99	%	3.60	%

On December 31, 2015, the Company refined the calculation of the interest component of net periodic benefit expense for its pension plan. Previously, the Company estimated the interest cost component utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the end of the period. Under the refined method, the Company utilized a full yield curve approach to estimate the component by applying specific spot rates along the yield curve used in the

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determination of the benefit obligation to the relevant projected cash flows. The Company made this change to more closely match the projected benefit cash flows and the corresponding yield curve spot rates, and to provide a more precise measurement of interest costs. This change had no impact on the measurement of the Company's total benefit obligations recorded as of December 31, 2015, or any other previous period. The Company will account for this change as a change in estimate that is inseparable from a change in accounting principle, and, accordingly, will recognize its effect prospectively beginning in 2016.

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, 2015 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 (loss) income 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,					
	2015		2014		2013	
Components of net periodic benefit cost:						
Service cost	$—		$—		$2,600	
Interest cost	2,334		2,346		2,414	
Expected return on plan assets	(4,333	)	(4,931	)	(4,299	)
Recognized net actuarial loss	367		249		1,453	
Amortization of prior service cost	—		—		1	
Recognized settlement loss	2,254		1,377		—	
Net periodic cost (income)	622		(959	)	2,169	
Other changes in plan assets and benefit obligations recognized as a charge to other comprehensive (loss) income:						
Net (loss) gain for the period	(9,191	)	(10,752	)	16,146	
Amortization of prior service cost	—		—		1	
Amortization of net loss	2,621		1,625		1,453	
Total unrealized (loss) gain	(6,570	)	(9,127	)	17,600	
Total recognized in net periodic pension cost and other comprehensive (loss) income	$(7,192	)	$(8,168	)	$15,431	
Weighted-average assumptions used to determine the net periodic cost:						
Discount rate	3.60	%	4.30	%	3.40	%
Expected return on plan assets	6.50	%	7.25	%	7.25	%
Rate of compensation increase	N/A	(1)	N/A	(1)	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.

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Pension Plan Asset Allocation
(Dollar amounts in thousands)

	Target Allocation	Fair Value of Plan Assets [1]	Percentage of Plan Assets as of December 31, 2015		2014	
Asset Category:						
Equity securities	50 - 60%	$38,314	59	%	59	%
Fixed income	30 - 48%	22,457	35	%	36	%
Cash equivalents	2 - 10%	4,132	6	%	5	%
Total		$64,903	100	%	100	%

(1) Additional information regarding the fair value of Pension Plan assets as of December 31, 2015 can be found in Note 22, "Fair Value."

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 based on 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.

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, 2016 through 2025 are as follows.

Estimated Future Pension Benefit Payments
(Dollar amounts in thousands)

	Total
Year ending December 31,	
2016	$11,175
2017	7,052
2018	5,755
2019	5,241
2020	4,538
2021-2025	19,363

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 10 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. Beginning in 2015, non-management members receive fully vested shares of the Company's common stock rather than restricted stock.

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, 2015	
	Shares Authorized	Shares Available For Grant
Omnibus Plan	8,631,641	2,105,921
Directors Plan	481,250	102,063

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,		
	2015	2014	2013
Shares granted	—	—	8,693
Weighted-average price	$—	$—	$14.30

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Stock Options
Nonqualified Stock Option Transactions
(Amounts in thousands, except per share data)

	Year Ended December 31, 2015				
	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term [1]	Aggregate Intrinsic Value [2]
Options outstanding beginning balance	1,153		$32.93		
Expired	(397	)	33.66		
Options outstanding ending balance	756		$32.55	1.32	$273
Exercisable at the end of the year	756		$32.55	1.32	$273

(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, 2015. 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, 2015.

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, 2015					
	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	997		$13.79	238		$14.36
Granted	453		16.95	112		16.95
Vested	(483	)	12.54	—		—
Forfeited	(59	)	15.07	(12	)	15.07
Non-vested awards ending balance	908		$15.92	338		$15.19

In addition, non-management board members received 14,000 shares of common stock during the year ended December 31, 2015.

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

	Years Ended December 31,		
	2015	2014	2013
Weighted-average grant date fair value of restricted stock, restricted stock unit, and performance share awards granted during the year	$16.95	$16.13	$13.01

Total fair value of restricted stock and restricted stock unit awards vested during the year	7,615	7,546	4,917
Income tax benefit realized from the vesting/release of restricted stock and restricted stock unit awards	2,368	2,939	1,966

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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,		
	2015	2014	2013
Restricted stock, restricted unit, and performance share award expense	$7,242	$5,926	$5,779
Salary stock award expense	—	—	124
Total share-based compensation expense	7,242	5,926	5,903
Income tax benefit	2,962	2,424	2,414
Share-based compensation expense, net of tax	$4,280	$3,502	$3,489
Unrecognized compensation expense	$8,644	$6,937	$6,327
Weighted-average amortization period remaining (in years)	1.4	1.3	1.2

18. STOCKHOLDER RIGHTS PLAN

On February 15, 1989, the Board adopted a Stockholder Rights Plan and entered into a corresponding Rights Agreement. Pursuant to that plan, the Company attached one right ("Right") to each outstanding share of Company common stock. As subsequently amended, under certain circumstances, each Right entitled 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 Agreement expired in accordance with its terms on November 15, 2015. As a result, the Rights Agreement and the Stockholder Rights Plan are no longer effective.

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 $66.9 million as of December 31, 2015 and $60.0 million as of December 31, 2014 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 2016 of $8.2 million plus its net profits for 2016, 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 capital to risk-weighted assets,

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Tier 1 capital to risk-weighted assets, Tier 1 common capital to risk-weighted assets, and 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, 2015, the Company and the Bank met all capital adequacy requirements. As of December 31, 2015, 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."

Summary of Regulatory 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, 2015 [(1)]						
Total capital to risk-weighted assets:						
First Midwest Bancorp, Inc.	$968,331	11.15	$695,029	8.00	N/A	N/A
First Midwest Bank	929,167	11.02	674,380	8.00	$842,974	10.00
Tier 1 capital to risk-weighted assets:						
First Midwest Bancorp, Inc.	893,476	10.28	521,272	6.00	N/A	N/A
First Midwest Bank	854,322	10.13	505,785	6.00	674,380	8.00
Tier 1 common capital to risk-weighted assets:						
First Midwest Bancorp, Inc.	845,640	9.73	390,954	4.50	N/A	N/A
First Midwest Bank	854,322	10.13	379,338	4.50	547,933	6.50
Tier 1 leverage to average assets:						
First Midwest Bancorp, Inc.	893,476	9.40	380,043	4.00	N/A	N/A
First Midwest Bank	854,322	9.09	375,950	4.00	469,937	5.00
As of December 31, 2014 [(1)]						
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

N/A – Not applicable.

(1) Basel III Capital Rules, which became effective for the Company on January 1, 2015, revised the risk-based capital requirements and introduced a new capital measure, Tier 1 common capital to risk-weighted assets. As a result, ratios as of December 31, 2015 are computed using the new rules and ratios as of December 31, 2014 are computed using the regulatory guidance applicable at that time.

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) introduced a new capital measure called "Common Equity Tier 1" ("CET1"), (ii) specified that Tier 1 capital consists of CET1 and "Additional Tier 1 Capital" instruments meeting specified requirements, (iii) narrowly defined 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) expanded 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, 2015, 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).
- 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 made a one-time permanent election to continue to exclude these items.

Finally, the Basel III Capital Rules prescribe a standardized approach for risk weightings that expand the risk-weighting categories from the previous 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, 2015.

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,	
	2015	2014
Gross notional amount outstanding	$11,620	$12,793
Derivative liability fair value	(643)	(1,032)
Weighted-average interest rate received	2.25%	2.07%
Weighted-average interest rate paid	6.36%	6.37%
Weighted-average maturity (in years)	1.97	2.95
Fair value of assets needed to settle derivative transactions (1)	665	1,057

(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, 2015, 2014, and 2013, gains or losses related to fair value hedge ineffectiveness were not material.

Cash Flow Hedges

As of December 31, 2015, the Company hedged $710.0 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 $510.0 million of borrowed funds using forward starting interest rate swaps through which the Company receives variable amounts and pays fixed amounts. These transactions allow the Company to add stability to net interest income and manage its exposure to interest rate movements. The forward starting interest rate swaps begin at various dates between June 2015 and March 2018 and mature between June 2019 and May 2020. Forward starting interest rate swaps of $262.5 million began during the year ended December 31, 2015. These derivative contracts are designated as cash flow hedges.

Cash Flow Hedges
(Dollar amounts in thousands)

	As of December 31,	
	2015	2014
Gross notional amount outstanding	$1,220,000	$650,000
Derivative asset fair value	4,787	1,166
Derivative liability fair value	(8,950)	(3,096)
Weighted-average interest rate received	1.24%	1.63%
Weighted-average interest rate paid	0.75%	0.16%
Weighted-average maturity (in years)	3.91	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 effectiveness is determined using a regression analysis at the inception of the hedge relationship and on an ongoing basis. For the years ended December 31, 2015 and 2014, there were no material gains or losses related to cash flow hedge ineffectiveness. As of December 31, 2015, the Company estimates that $4.6 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. The Company's credit exposure on these derivative transactions results primarily from counterparty credit risk. The credit valuation adjustment ("CVA") is a fair value adjustment to the derivative to account for this risk. As of December 31, 2015 and 2014 the CVA was not material. Transaction fees related to commercial customer derivative instruments of $4.8 million, $2.2 million, and $2.8 million were recorded in noninterest income for the years ended December 31, 2015, 2014, and 2013, respectively.

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Other Derivative Instruments
(Dollar amounts in thousands)

	As of December 31,	
	2015	2014
Gross notional amount outstanding	$853,385	$527,893
Derivative asset fair value	11,446	7,852
Derivative liability fair value	(11,446)	(7,852)
Fair value of assets needed to settle derivative transactions [1]	11,939	8,130

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

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, 2015 and 2014. 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. As of December 31, 2015 and 2014, 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 Condition. The following table presents the fair value of the Company's derivatives and offsetting positions as of December 31, 2015 and 2014.

Fair Value of Offsetting Derivatives
(Dollar amounts in thousands)

	As of December 31,			
	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Gross amounts recognized	$16,233	$21,039	$9,018	$11,980
Less: amounts offset in the Consolidated Statements of Financial Condition	—	—	—	—
Net amount presented in the Consolidated Statements of Financial Condition [1]	16,233	21,039	9,018	11,980
Gross amounts not offset in the Consolidated Statements of Financial Condition:				
Offsetting derivative positions	(4,791)	(4,791)	(1,195)	(1,195)
Cash collateral pledged	—	(16,248)	—	(10,785)
Net credit exposure	$11,442	$—	$7,823	$—

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

As of December 31, 2015 and 2014, 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, 2015 and 2014, 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,	
	2015	2014
Commitments to extend credit:		
Commercial, industrial, and agricultural	$1,303,056	$1,299,683
Commercial real estate	366,250	170,573
Home equity	352,114	317,783
Other commitments [1]	203,121	194,556
Total commitments to extend credit	$2,224,541	$1,982,595
Standby letters of credit	$100,610	$110,639
Recourse on assets sold:		
Unpaid principal balance of loans sold	$196,389	$185,910
Carrying value of recourse obligation [2]	87	155

(1) Other commitments includes installment and overdraft protection program commitments.
(2) Included in other liabilities in the Consolidated Statements of Financial Condition.

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, 2015 or 2014.

During 2013, the Company terminated certain FHLB forward commitments which resulted 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 as of December 31, 2015. 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.

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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. See the "Fair Value Measurements of Other Financial Instruments" section of this note. Any aggregation of the estimated fair values presented in this note 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.

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, 2015			As of December 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Trading securities:						
Money market funds	$2,530	$—	$—	$1,725	$—	$—
Mutual funds	14,364	—	—	15,735	—	—
Total trading securities	16,894	—	—	17,460	—	—
Securities available-for-sale:						
U.S. treasury securities	16,980	—	—	—	—	—
U.S. agency securities	—	86,643	—	—	30,431	—
CMOs	—	687,185	—	—	534,156	—
MBSs	—	153,530	—	—	159,765	—
Municipal securities	—	327,570	—	—	423,820	—
CDOs	—	—	31,529	—	—	33,774
Corporate debt securities	—	—	—	—	1,802	—
Equity securities	—	3,199	—	—	3,261	—
Total securities available-for-sale	16,980	1,258,127	31,529	—	1,153,235	33,774
Mortgage servicing rights (1)	—	—	1,853	—	—	1,728
Derivative assets (1)	—	16,233	—	—	9,018	—
Liabilities:						
Derivative liabilities (2)	$—	$21,039	$—	$—	$11,980	$—

(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 securities available-for-sale 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 aggregated to derive the estimated fair value for the specific

CDO.

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The following table presents ranges of significant, unobservable inputs calculated using the weighted average of the Issuers used by the Company as of December 31, 2015 and 2014.

Significant Unobservable Inputs Used in the Valuation of CDOs

	As of December 31,	
	2015	2014
Probability of prepayment	1.8 % - 15.1%	2.9 % - 15.2%
Probability of default	19.1 % - 32.6%	18.4 % - 57.7%
Loss given default	93.8 % - 97.1%	83.8 % - 97.0%
Probability of deferral cure	15.2 % - 63.1%	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.

The impact of changes in these key inputs could result in a significantly higher or lower fair value measurement 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.

Management monitors the valuation results of each CDO on a semi-annual basis, which includes an analysis of historical pricing trends for these types of securities, overall economic conditions (such as tracking LIBOR curves), and the performance of 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, 2015 is presented in the following table.

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

	Years Ended December 31,		
	2015	2014	2013
Beginning balance	$33,774	$18,309	$12,129
Additions	—	6,549	—
Change in other comprehensive (loss) income [(1)]	(2,030)	13,495	6,180
Paydowns and sales [(2)]	(215)	(4,579)	—
Ending balance	$31,529	$33,774	$18,309

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

(2) 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 loans for others owned by third parties that as a result are not included in the Consolidated Statements of Financial Condition. The Company 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. 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 as of December 31, 2015 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.

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A rollforward of the carrying value of mortgage servicing rights for the three years ended December 31, 2015 is presented in the following table.

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

	Years Ended December 31,		
	2015	2014	2013
Beginning balance	$1,728	$1,893	$985
New mortgage servicing rights	342	315	1,060
Total (losses) gains included in earnings [1]:			
Changes in valuation inputs and assumptions	(11)	(480)	63
Other changes in fair value [2]	(206)	—	(215)
Ending balance	$1,853	$1,728	$1,893
Contractual servicing fees earned during the year [1]	$546	$520	$418
Total amount of loans being serviced for the benefit of others at the end of the year	242,915	220,372	214,458

(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.

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, 2015			As of December 31, 2014		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Pension plan assets:						
Mutual funds [1]	$23,061	$—	$23,061	$25,499	$—	$25,499
U.S. government and government agency securities	6,866	5,538	12,404	7,879	8,063	15,942
Corporate bonds	—	9,569	9,569	—	6,599	6,599
Common stocks	11,330	—	11,330	14,149	—	14,149
Common trust funds	—	8,539	8,539	—	10,004	10,004
Total pension plan assets	$41,257	$23,646	$64,903	$47,527	$24,666	$72,193

(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 and certain U.S. government and government agency 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 fiscal year 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, 2015			As of December 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Collateral-dependent impaired loans (1)	$—	$—	$10,519	$—	$—	$23,799
OREO (2)	—	—	8,581	—	—	22,760
Loans held-for-sale (3)	—	—	14,444	—	—	9,459
Assets held-for-sale (4)	—	—	7,428	—	—	2,026

(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% to 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.

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 consists 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, 2015 and 2014. 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 as of December 31, 2014 consists of former branches no longer in operation. As of December 31, 2015, assets held-for-sale consists of twelve former branches that are no longer in operation and seven parcels of land previously purchased for expansion. The increase in assets held-for-sale during 2015 was driven by the Company's strategic branch initiatives. These properties are being actively marketed and 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. 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, 2015		As of December 31, 2014	
	Fair Value Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:					
Cash and due from banks	1	$114,587	$114,587	$117,315	$117,315
Interest-bearing deposits in other banks	2	266,615	266,615	488,947	488,947
Securities held-to-maturity	2	23,152	20,054	26,555	27,670
FHLB and FRB stock	2	39,306	39,306	37,558	37,558
Loans	3	7,091,988	6,959,024	6,672,611	6,536,248
Investment in BOLI	3	209,601	209,601	206,498	206,498
Accrued interest receivable	3	27,847	27,847	27,506	27,506
Other interest-earning assets	3	1,982	1,982	3,799	3,799
Liabilities:					
Deposits	2	$8,097,738	$8,093,640	$7,887,758	$7,879,413
Borrowed funds	2	165,096	165,096	137,994	137,994
Senior and subordinated debt	1	201,208	205,726	200,869	209,035
Accrued interest payable	2	2,175	2,175	2,324	2,324

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, 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.
Loans – Loans includes the FDIC indemnification asset and net loans, which consists of 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

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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.

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.

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, 2015 and 2014, loans to directors and executive officers totaled $16.9 million and $31.8 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,	
	2015	2014
Assets		
Cash and due from banks	$119,693	$43,546
Investments in and advances to subsidiaries	1,184,900	1,211,244
Goodwill	18,216	13,625
Other assets	54,394	79,468
Total assets	$1,377,203	$1,347,883
Liabilities and Stockholders' Equity		
Senior and subordinated debt	$201,208	$200,869
Accrued interest payable and other liabilities	29,727	46,239
Stockholders' equity	1,146,268	1,100,775
Total liabilities and stockholders' equity	$1,377,203	$1,347,883

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

	Years ended December 31,		
	2015	2014	2013
Income			
Dividends from subsidiaries	$127,000	$56,881	$54,200
Interest income	2,164	1,502	1,067
Net losses on early extinguishment of debt	—	—	(1,034)
Securities transactions and other	584	6,451	37,485
Total income	129,748	64,834	91,718
Expenses			
Interest expense	12,545	12,062	13,607
Salaries and employee benefits	14,624	12,589	15,198
Other expenses	6,003	5,867	5,792
Total expenses	33,172	30,518	34,597
Income before income tax benefit (expense) and equity in undistributed (loss) income of subsidiaries	96,576	34,316	57,121
Income tax benefit (expense)	11,950	8,710	(962)
Income before equity in undistributed (loss) income of subsidiaries	108,526	43,026	56,159
Equity in undistributed (loss) income of subsidiaries	(26,462)	26,280	23,147
Net income	82,064	69,306	79,306
Net income applicable to non-vested restricted shares	(882)	(836)	(1,107)
Net income applicable to common shares	$81,182	$68,470	$78,199

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

	Years ended December 31,		
	2015	2014	2013
Operating Activities			
Net income	$82,064	$69,306	$79,306
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed loss (income) of subsidiaries	26,462	(26,280)	(23,147)
Depreciation of premises, furniture, and equipment	7	6	7
Net gains on sales of securities	(1)	(5,702)	(34,119)
Net losses on early extinguishment of debt	—	—	1,034
Share-based compensation expense	7,242	5,926	5,903
Tax expense related to share-based compensation	(1,200)	(106)	(10)
Net decrease in other assets	23,699	4,599	1,084
Net (decrease) increase in other liabilities	(17,132)	14,063	(1,624)
Net cash provided by operating activities	121,141	61,812	28,434
Investing Activities			
Purchases of securities available-for-sale	—	—	(46,532)
Proceeds from sales and maturities of securities available-for-sale	310	8,540	43,329
Purchase of premises, furniture, and equipment	(5)	—	—
Net cash paid from acquisitions	(16,047)	(15,809)	—
Net cash used in investing activities	(15,742)	(7,269)	(3,203)
Financing Activities			
Payments for retirement of subordinated debt	—	—	(24,094)
Treasury stock activity	(120)	369	—
Cash dividends paid	(27,036)	(22,568)	(7,508)
Restricted stock activity	(2,890)	(2,781)	(1,607)
Excess tax benefit related to share-based compensation	794	912	79
Net cash used in financing activities	(29,252)	(24,068)	(33,130)
Net increase (decrease) in cash and cash equivalents	76,147	30,475	(7,899)
Cash and cash equivalents at beginning of year	43,546	13,071	20,970
Cash and cash equivalents at end of year	$119,693	$43,546	$13,071
Supplemental Disclosures of Cash Flow Information:			
Common stock issued for acquisitions, net of issuance costs	$—	$38,300	$—

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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 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 SEC rules and forms. There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2015 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 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, 2015. 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, 2015 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 Form 10-K, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2015. The report, which expresses an unqualified opinion on the Company's internal control over financial reporting as of December 31, 2015, 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, lnc.'s (the "Company") internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-lntegrated 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 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, 2015, 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, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2015 of the Company and our report dated February 23, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Chicago, Illinois
February 23, 2016

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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 (55)	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 (57)	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 (56)	Executive Vice President, Corporate Secretary, and General Counsel of the Company and Executive Vice President, Corporate Secretary and Chief Legal Officer of the Bank since 2012; prior thereto, Partner of Krieg DeVault, LLP.	2012
Paul F. Clemens (63)	Executive Vice President and Chief Financial Officer of the Company and the Bank.	2006
Robert P. Diedrich (52)	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
Michelle Y. Hoskins (47)	Executive Vice President and Chief Human Resources Officer of the Company since 2015; prior thereto, Senior Vice President and Head of Enterprise Change Management at Northern Trust Corporation since 2012; prior thereto, Senior Vice President and Head of Talent Management at Northern Trust Corporation.	2015
James P. Hotchkiss (59)	Executive Vice President and Treasurer of the Company and the Bank since 2004.	2004
Kevin L. Moffitt (56)	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 (46)	Executive Vice President and Director of Strategic Planning and Consumer Banking since 2016; prior thereto, 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 (37)	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	2015

	Services practice of McGladrey LLP.	
Michael C. Spitler (62)	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.	2013

Additional information required in response to this item will be contained in the Company's definitive Proxy Statement relating to its 2016 Annual Meeting of Stockholders to be held on May 18, 2016 and is incorporated herein by reference.

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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 2016 Annual Meeting of Stockholders to be held on May 18, 2016 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 2016 Annual Meeting of Stockholders to be held on May 18, 2016 and is incorporated herein by reference.

Equity Compensation Plans

The following table sets forth information, as of December 31, 2015, 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)	756,153	$32.55	2,207,984
Not approved by security holders (2)	5,443	17.67	—
Total	761,596	32.44	2,207,984

(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 5,443 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 2016 Annual Meeting of Stockholders to be held on May 18, 2016 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 2016 Annual Meeting of Stockholders to be held on May 18, 2016 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, 2015 and 2014.

Consolidated Statements of Income for the years ended December 31, 2015, 2014, and 2013.

Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014, and 2013.

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2015, 2014, and 2013.

Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014, and 2013.

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	Form of Common Stock Certificate is incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-4 (file no 333-208781) filed with the Securities and Exchange Commission on December 29, 2015.
4.2	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.
4.3	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.
4.4	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.
4.5	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.
4.6	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.
4.7	Capital Securities Guarantee Agreement, dated as of August 21, 2009, between the Company and Wilmington Trust Company is incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 27, 2009.
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.

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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.

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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	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.
10.32	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, 2015.
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, 2015.
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, 2015.
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, 2015.
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, 2015.
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, hereunto duly authorized.

FIRST MIDWEST BANCORP, INC.
Registrant

By	/s/ MICHAEL L. SCUDDER Michael L. Scudder President, Chief Executive Officer, and Director	February 23, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in their capacities indicated on February 23, 2016.

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

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