

FIRST MIDWEST BANCORP INC

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Subject Company: First Midwest Bancorp, Inc.

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Set forth below is a copy of First Midwest Bancorp, Inc.'s second quarter 2018 earnings release.

FOR
IMMEDIATE
RELEASE

FIRST MIDWEST BANCORP, INC. ANNOUNCES

2018 SECOND QUARTER RESULTS

CHICAGO, IL, July 24, 2018 - First Midwest Bancorp, Inc. (the "Company" or "First Midwest") (NASDAQ NGS: FMBI), the holding company of First Midwest Bank (the "Bank"), today reported results of operations and financial condition for the second quarter of 2018. Net income for the second quarter of 2018 was \$29.6 million, or \$0.29 per share, compared to \$33.5 million, or \$0.33 per share, for the first quarter of 2018, and \$35.0 million, or \$0.34 per share, for the second quarter of 2017.

Reported results for the second quarter of 2018 were impacted by implementation costs related to the Company's Delivering Excellence initiative ("Delivering Excellence") and reported results for the same period in 2017 were impacted by acquisition and integration related expenses. For additional detail on these adjustments, see the "Non-GAAP Financial Information" section presented later in this release.

Earnings per share ("EPS"), adjusted⁽¹⁾ was \$0.40 for the second quarter of 2018, compared to \$0.33 for the first quarter of 2018 and \$0.35 the second quarter of 2017.

SELECT SECOND QUARTER HIGHLIGHTS

Generated EPS of \$0.29 compared to \$0.33 and \$0.34 for the first quarter of 2018 and second quarter of 2017, respectively; impacted by \$0.11 due to implementation costs associated with Delivering Excellence.

Increased EPS, adjusted⁽¹⁾ to \$0.40, up 21% from the first quarter of 2018 and 14% from the second quarter of 2017.

Grew loans to \$11 billion, up 8% annualized from March 31, 2018 and 6% from June 30, 2017.

Increased total average deposits to \$11 billion, up 3% from the first quarter of 2018 and the second quarter of 2017; core deposits mix of 84%, consistent with both prior periods.

Expanded net interest income and margin to \$127 million and 3.91%, respectively, up 7% and 11 basis points from the first quarter of 2018 and 8% and 3 basis points from the second quarter of 2017.

Higher noninterest income in most categories excluding an accounting reclassification⁽²⁾ and the Durbin Amendment; linked quarter seasonally impacted.

Reported provision for loan losses of \$12 million, down \$4 million from the first quarter of 2018 and up \$3 million from the second quarter of 2017.

Controlled noninterest expense, reported an efficiency ratio⁽¹⁾ of 60%, down from 61% in the first quarter of 2018 and up from 59% in the second quarter of 2017.

Increased expense of \$1 million, or \$0.01 per share, related to the Company's corporate headquarters relocation.

Announced the pending acquisition of Northern States Financial Corporation with approximately \$530 million in total assets, \$450 million in deposits, and \$310 million in loans.

"It was a strong and active quarter," said Michael L. Scudder, Chairman of the Board, President, and Chief Executive Officer of the Company. "We earned \$0.29 per share for the quarter, which, as expected, absorbed \$0.11 per share of implementation costs attendant to our Delivering Excellence initiative. Adjusted for this investment, earnings improved to \$0.40 per share, a robust 21% increase over last quarter. Overall, earnings benefited from solid loan growth, stable core funding, as well as higher interest rates, which in turn expanded net interest income and margin. Our performance was further enhanced by improved credit costs, controlled operating expenses, and lower taxes." Mr. Scudder continued, "Delivering Excellence remains on track as we advance our commitment to give our clients a superior service experience, as well as maximize the efficiency and scalability of our platforms. Importantly, today's investments will be more than recouped through the benefits of a deeper relationship with our clients and improved operating performance. Additionally, our pending acquisition of Northern States Financial Corporation will further strengthen our balance sheet and add to our business momentum. As we look ahead, these investments, supported by a talented team of colleagues and healthy economic backdrop, leave us well positioned for continued business growth and improved performance."

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DELIVERING EXCELLENCE INITIATIVE

During the second quarter of 2018, the Company initiated certain actions in connection with its previously announced Delivering Excellence initiative. This initiative further demonstrates the Company's ongoing commitment to providing service excellence to its clients, as well as maximizing both the efficiency and scalability of its operating platform. Components of Delivering Excellence include improved delivery of services to clients through streamlined processes, the consolidation or closing of 19 locations, organizational realignments, and several revenue growth opportunities. The Company expects to incur total pre-tax implementation costs associated with Delivering Excellence of \$25 million, the majority of which will be recognized in 2018. The Company began implementing this initiative in the second quarter of 2018, which resulted in pre-tax implementation costs of \$15 million associated with property valuation adjustments on locations identified for closure, employee severance, and general restructuring and advisory services.

PENDING ACQUISITION

Northern States Financial Corporation

On June 6, 2018, the Company entered into a definitive agreement to acquire Northern States Financial Corporation ("Northern States"), the holding company for NorStates Bank, based in Waukegan, Illinois. As of June 30, 2018, Northern States had approximately \$530 million in total assets, \$450 million in deposits, and \$310 million in loans. The merger agreement provides for an exchange ratio of 0.0369 shares of Company stock for each share of Northern States common stock, subject to adjustment as set forth in the merger agreement. As of the date of announcement, the overall transaction was valued at approximately \$91 million. The acquisition is expected to close in the fourth quarter of 2018, subject to customary regulatory approvals and closing conditions, as well as the approval of Northern States' stockholders.

(1) These metrics are non-GAAP financial measures. For details on the calculation of these metrics, see the sections titled "Non-GAAP Financial Information" and "Non-GAAP Reconciliations" presented later in this release.

(2) As a result of accounting guidance adopted in the first quarter of 2018 (the "accounting reclassification"), certain noninterest income line items and the related noninterest expense line items that are presented on a gross basis for the prior year period are presented on a net basis in noninterest income for the current year periods.

OPERATING PERFORMANCE

Net Interest Income and Margin Analysis

(Dollar amounts in thousands)

	Quarters Ended June 30, 2018			March 31, 2018			June 30, 2017		
	Average Balance	Interest	Yield/ Rate (%)	Average Balance	Interest	Yield/ Rate (%)	Average Balance	Interest	Yield/ Rate (%)
Assets									
Other interest-earning assets	\$ 147,996	\$ 519	1.41	\$ 112,137	\$ 423	1.53	\$ 262,206	\$ 686	1.05
Securities ⁽¹⁾	2,165,091	13,322	2.46	2,063,223	12,141	2.35	1,983,341	11,482	2.32
Federal Home Loan Bank ("FHLB") and Federal Reserve Bank ("FRB") stock	80,038	864	4.32	76,883	438	2.28	57,073	441	3.09
Loans ⁽¹⁾	10,788,285	128,422	4.77	10,499,283	119,318	4.61	10,064,119	115,949	4.62
Total interest-earning assets ⁽¹⁾	13,181,410	143,127	4.35	12,751,526	132,320	4.20	12,366,739	128,558	4.17
Cash and due from banks	197,025			181,797			188,886		
Allowance for loan losses	(99,469)			(99,234)			(92,152)		
Other assets	1,326,749			1,352,964			1,497,370		
Total assets	\$ 14,605,715			\$ 14,187,053			\$ 13,960,843		
Liabilities and Stockholders' Equity									
Savings deposits	\$ 2,060,066	373	0.07	\$ 2,015,679	368	0.07	\$ 2,072,343	394	0.08
NOW accounts	2,065,530	1,472	0.29	1,992,672	1,048	0.21	2,010,152	663	0.13
Money market deposits	1,759,313	1,073	0.24	1,814,057	824	0.18	1,942,672	648	0.13
Time deposits	1,871,666	5,114	1.10	1,735,155	3,939	0.92	1,538,845	2,024	