

First Midwest Bancorp, Inc.

First Midwest Bancorp, Inc.



2000 Annual Report

Company Profile

Organized in 1983 and headquartered in suburban Chicago, First Midwest Bancorp, Inc. is a diversified financial service company with assets approaching \$6 billion. First Midwest is Illinois' largest independent and suburban Chicago's fifth overall largest banking company. The Company is engaged in commercial and retail banking and offers a broad array of lending, depository and related financial services tailored to the needs of individual, businesses and governmental customers. The Company also offers trust, investment management and insurance services. Through its 73 offices and 98 ATMs, First Midwest services some 240,000 households and 24,000 business situated in over 40 communities primarily in northern Illinois.

Further Information

Visit the Investor Relations section of our website, [***www.firstmidwest.com***](http://www.firstmidwest.com), for stock and dividend information, quarterly earnings and news releases, online annual report, links to SEC filings and other Company information.

Consolidated Financial Highlights

Years Ended December 31,	(\$ in thousands, except per share data)	
	2000	1999
Net Income	\$ 75,540	\$ 70,909
Per Common Share		
Diluted earnings per share	\$1.83	\$1.67
Dividends declared	0.74	0.66
Book value at year end	10.93	8.98
Market price at year end	28.75	26.50
Performance Ratios		
Return on average equity	19.17%	17.39%
Return on average assets	1.30%	1.34%
<hr/>		
December 31,	2000	1999
Balance Sheet Highlights		
Total assets	\$5,906,484	\$5,511,588
Loans	3,233,196	2,962,487
Deposits	4,252,205	4,001,183
Stockholders' equity	446,723	369,261

Stock Performance and Dividend Information

Quarter Ended	2000				1999			
	High	Low	Close	Dividends Declared	High	Low	Close	Dividends Declared
March 31	\$26.44	\$21.00	\$24.25	\$ 0.18	\$26.50	\$23.04	\$25.33	\$ 0.16
June 30	25.31	22.25	23.25	0.18	27.67	24.33	26.50	0.16
September 30	27.25	23.19	26.63	0.18	27.92	24.83	25.46	0.16
December 31	29.25	22.00	28.75	0.20	30.13	24.38	26.50	0.18
				\$0.74				\$0.66

To Our Fellow Shareholders

It is a pleasure to report to you that the first year of the new millennium saw your Company continuing to build on the strength of our core business, resulting in record earnings for the ninth straight year. We continue to focus on our primary objective of enhancing the value of your investment in First Midwest through growth and improved operating performance.

2000...Ninth Straight Record Year

The year 2000 saw First Midwest achieve record operating results for the ninth straight year resulting in net income of \$75.5 million and earnings per share of \$1.83. This year's record performance represented a 9.6% increase over 1999 and resulted in a return on shareholders' equity of 19.2%, the highest in the history of the Company. Credit quality has remained sound with nonperforming loans as a percentage of total loans at year-end 2000 at their lowest level in twelve quarters.

Our performance in 2000 was especially gratifying because it occurred in a very difficult operating environment that saw the Federal Reserve raise interest rates three times during the course of the year, placing severe pressure on our operating margins. Nonetheless, as in the past, our Management team has succeeded in meeting these difficult challenges. Our continued focus on fee-based revenue sources saw noninterest income increase by 8.3% in 2000, while tightly managed noninterest expenses resulted in an actual reduction in overhead of 3.6%. This strong operating performance, coupled with year-over-year loan growth of 9.1% and growth in core deposits of 6.3%, resulted in this year's record results. We are extremely proud of our employees whose outstanding service was largely responsible for the results achieved during this challenging and difficult year.

Stock Performance and Dividends...Stability in a Difficult Market

2000 was a year of almost unparalleled volatility in the securities markets. While the Dow Jones Industrial Average declined 6.2% for the year, the broad-based NASDAQ, after reaching record highs in March, dropped a stunning 39.3%.

Against this backdrop of volatility and amid the many concerns about the banking sector from rising interest rates to asset quality concerns, our stock price rose by 8.5% in 2000, following a 4.4% increase in 1999. Additionally, as a result of the record performance in 2000 and continued optimism about the Company's future prospects going forward, the Board of Directors at its November 2000 meeting approved an 11% increase in the dividend, resulting in a new indicated annual dividend of \$.80 per share. This represents the ninth increase in cash dividends declared in the last eight years, with such increases averaging approximately 12%. Based upon our year-end stock price, the new dividend rate represents a yield of 2.8%.

Looking Forward to 2001

We begin this coming year with significant economic, monetary and fiscal uncertainties confronting First Midwest and businesses generally. While the recent lowering of interest rates by the Federal Reserve should be favorable to financial institutions, the specter of further deterioration in economic conditions, or even a mild recession, has again raised fundamental concerns within the investment community about operating performance and asset quality in the banking sector.

Despite these uncertainties, we believe that our franchise remains vibrant and we are well positioned to take advantage of the high growth markets that define it. Our ability to create value for our customers, thereby helping them achieve financial success, will continue to fuel our loan and deposit growth during 2001. Our depth of understanding of the markets in which we operate and the customers that we serve will enable us to remain vigilant in controlling the risks that confront our Company as it strives to achieve another year of record operating performance. As always, we will respond to the opportunities and challenges that present themselves from the perspective of our ultimate goal of enhancing the value of your investment as a shareholder of First Midwest.

We are appreciative of your confidence and support and look forward to reporting to you on our performance in 2001.

Sincerely,



Robert P. O'Meara
Chairman and
Chief Executive Officer

February 23, 2001

Condensed Consolidated Statements of Condition

December 31,	(\$ in thousands)	
	2000	1999
Assets		
Cash	\$ 166,423	\$ 155,407
Investment securities and other short-term investments	2,238,453	2,090,571
Commercial loans	2,058,372	1,861,222
Consumer loans	1,174,824	1,101,265
Reserve for loan losses	(45,093)	(42,645)
Net loans	3,188,103	2,919,842
Premises, furniture and equipment	81,840	80,408
Investment in corporate owned life insurance	126,860	105,343
Other assets	104,805	160,017
Total Assets	\$5,906,484	\$5,511,588
Liabilities		
Noninterest-bearing deposits	\$ 705,404	\$ 663,306
Interest-bearing deposits	3,546,801	3,337,877
Other borrowed funds	1,145,872	1,077,732
Other liabilities	61,684	63,412
Total liabilities	5,459,761	5,142,327
Stockholders' Equity	446,723	369,261
Total Liabilities and Stockholders' Equity	\$5,906,484	\$5,511,588

Report of Independent Auditors

To The Board of Directors and Stockholders of
First Midwest Bancorp, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated statements of condition of First Midwest Bancorp, Inc. as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000 (not presented separately herein) and in our report dated January 16, 2001, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

Ernst + Young LLP

Ernst & Young LLP
Chicago, Illinois
January 16, 2001

Condensed Consolidated Statements of Income

Years Ended December 31,	(\$ in thousands, except per share data)		
	2000	1999	1998
Interest Income			
Loans	\$278,907	\$233,744	\$259,495
Investment securities	142,610	127,535	105,102
Total Interest Income	421,517	361,279	364,597
Interest Expense			
Deposits	155,887	129,177	146,212
Other borrowed funds	76,019	39,438	30,804
Total Interest Expense	231,906	168,615	177,016
Net Interest Income	189,611	192,664	187,581
Provision for Loan Losses⁽¹⁾	9,094	5,760	5,542
Net interest income after provision for loan losses	180,517	186,904	182,039
Noninterest Income			
Service charges and commissions	37,623	30,545	27,297
Trust and investment management fees	10,671	10,135	9,134
Mortgage banking revenues	395	5,646	8,535
Security gains, net	1,238	97	1,657
Other	13,271	11,911	8,839
Total Noninterest Income	63,198	58,334	55,462
Noninterest Expense			
Salaries and employee benefits	75,707	79,015	77,294
Occupancy and equipment	21,535	21,845	20,393
Special charges ⁽²⁾	—	—	16,148
Other	47,174	48,949	44,967
Total Noninterest Expense	144,416	149,809	158,802
Income Before Income Tax Expense	99,299	95,429	78,699
Income Tax Expense	23,759	24,520	23,995
Net Income	\$ 75,540	\$ 70,909	\$ 54,704
Basic Earnings Per Share	\$ 1.84	\$ 1.68	\$ 1.24
Diluted Earnings Per Share	\$ 1.83	\$ 1.67	\$ 1.22
Dividends Declared Per Share	\$ 0.74	\$ 0.66	\$ 0.61

(1) The provision in 1998 includes \$650 incident to conforming the credit policy of Heritage Financial Services to that of First Midwest.

(2) Special charges in 1998 include merger related costs and expenses incident to the acquisition of Heritage Financial Services.

Five Year Performance Summary

Years Ended December 31,	(\$ in thousands, except per share data)				
	2000	1999	1998	1997	1996
Operating Results					
Net interest income	\$ 189,611	\$ 192,664	\$ 187,581	\$ 193,143	\$ 183,642
Provision for loan losses ⁽¹⁾	9,094	5,760	5,542	9,365	8,189
Noninterest income	63,198	58,334	55,462	47,372	42,554
Noninterest expense	144,416	149,809	142,654	140,671	135,763
Special charges, net of credits ⁽²⁾	—	—	16,148	5,446	300
Income tax expense	23,759	24,520	23,995	28,425	27,234
Net Income	75,540	70,909	54,704	56,608	54,710
Pro Forma net income-					
before special items	\$ 75,540	\$ 70,909	\$ 67,237	\$ 61,690	\$ 54,504
Per Common Share					
Diluted earnings per share	\$ 1.83	\$ 1.67	\$ 1.22	\$ 1.26	\$ 1.21
Pro Forma diluted earnings per					
share before special items	1.83	1.67	1.50	1.38	1.20
Dividends declared	0.740	0.660	0.610	0.549	0.469
Book value at year end	10.93	8.98	10.40	10.43	9.53
Market price at year end	28.75	26.50	25.38	29.17	21.75
Performance Ratios					
Return on average equity	19.17%	17.39%	11.78%	13.16%	13.55%
Return on average assets	1.30%	1.34%	1.07%	1.18%	1.15%
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December 31,	2000	1999	1998	1997	1996
Balance Sheet Highlights					
Total assets	\$5,906,484	\$5,511,588	\$5,192,887	\$4,933,495	\$4,804,020
Loans	3,233,196	2,962,487	2,664,417	3,044,794	2,991,229
Deposits	4,252,205	4,001,183	4,050,451	3,935,607	3,690,242
Stockholders' equity	446,723	369,261	452,898	459,719	418,130
Average equity to average assets	6.79%	7.71%	9.12%	8.98%	8.51%

(1) Provisions in 1998 and 1997 include \$650 and \$1,293, respectively, incident to conforming the credit policies of Heritage Financial Services (acquired in 1998) and SparBank (acquired in 1997), respectively, to those of First Midwest.

(2) Special charges in 1998 and 1997 include merger related costs and expenses incident to the acquisitions of Heritage Financial Services and SparBank, respectively. 1996 includes a special assessment expense for SAIF of \$1,640, net of merger credits of \$1,340.

Shareholder Information

Common Stock

First Midwest Bancorp, Inc. common stock is traded in the Nasdaq National Market tier of the NASDAQ Stock Market under the symbol **FMBI**. The stock abbreviation appears as “**FstMdwstBcp**” in the *Wall Street Journal* and in other leading daily newspapers as “**FMidBc.**”

Annual Meeting

The 2001 Annual Meeting of Shareholders of First Midwest Bancorp, Inc. will be held on Wednesday, April 25, 2001 commencing at 9:00 a.m. at the Sheraton Hotel, 121 Northwest Point Blvd., Elk Grove Village, IL. The Notice of Meeting and Proxy Statement will be sent to all Shareholders on or about March 21, 2001.

Transfer Agent / Shareholder Services

Shareholders with inquiries regarding stock accounts, dividends, change of ownership or address, lost certificates or consolidation of accounts should contact the transfer agent:

Computershare Investor Services
12039 W. Alameda Parkway
Suite Z-2
Lakewood, Colorado 80228
(800) 962-4284

Dividend Payments / Direct Deposit

Anticipated dividend payable dates are April 24, July 24, October 23, 2001 and January 22, 2002. Shareholders may have their dividends deposited directly to their savings, checking or money market account at any financial institution. Information concerning **Dividend Direct Deposit** may be obtained from the transfer agent or the Company.

Dividend Reinvestment

Shareholders may fully or partially reinvest dividends received and invest up to \$5,000 quarterly in First Midwest common stock without incurring any brokerage fees. Information concerning **Dividend Reinvestment** may be obtained from its transfer agent or the Company.

Investor and Shareholder Contact:

Barbara E. Briick
Investor Relations
First Midwest Bancorp, Inc.
300 Park Boulevard, Suite 405
Itasca, Illinois 60143-9768
(630) 875-7459
investor.relations@firstmidwest.com

SEC Reports and General Information

First Midwest files an annual report to the Securities and Exchange Commission on Form 10-K and three quarterly reports on Form 10-Q. Requests for such reports and general inquiries may be directed to Ms. Briick at the above address or can be obtained through the Investor Relations section of the Company's website, www.firstmidwest.com.

Board of Directors

Vernon A. Brunner⁽¹⁾

Former Executive Vice President-Marketing
Walgreen Company
(Retail Drugstore Chain)

Bruce S. Chelberg^(1, 2, 4)

Former Chairman and Chief Executive Officer
Whitman Corporation
(Diversified, Multinational Holding Company)

William J. Cowlin⁽¹⁾

Attorney and Counselor at Law
William J. Cowlin, LTD

O. Ralph Edwards^(3, 4)

Former Corporate Vice President
Abbott Laboratories
(Health Care Products Manufacturer)

Joseph W. England⁽²⁾

Former Senior Vice President
Deere & Company
(Mobile Power Equipment Manufacturer)

Brother James Gaffney, F.S.C.⁽¹⁾

President
Lewis University

Thomas M. Garvin^(1, 2)

Former Chairman and Chief Executive Officer
G.G. Products Company
(Food Business Acquiror)

John M. O'Meara⁽¹⁾

President and Chief Operating Officer
First Midwest Bancorp, Inc.

Robert P. O'Meara⁽¹⁾

Chairman and Chief Executive Officer
First Midwest Bancorp, Inc.

John L. Sterling⁽³⁾

President
Sterling Lumber Company
(Wholesale/Retail Lumber)

J. Stephen Vanderwoude⁽³⁾

Chairman and Chief Executive Officer
Madison River Communications
(Integrated Communications Provider)

Richard T. Wojcik⁽¹⁾

Former Chairman & Chief Executive Officer
Heritage Financial Services, Inc.

Board Committees:

(1) Executive Committee

(2) Audit Committee

(3) Compensation Committee

(4) Nominating Committee

Executive Management Group

First Midwest Bancorp, Inc.

Robert P. O'Meara

Chairman and CEO

John M. O'Meara

President and COO

Donald J. Swistowicz

Executive Vice President and CFO

First Midwest Bank, N.A.

John M. O'Meara

Chairman and CEO

Kent S. Belasco

Executive Vice President

Gary A. Breidenbach

Executive Vice President

Mark M. Dietrich

Executive Vice President

Ralph R. Leonard

Executive Vice President

Thomas J. Schwartz

Group President Commercial Banking

Michael L. Scudder

Executive Vice President

Janet M. Viano

Group President Retail Banking

Stephanie R. Wise

Executive Vice President

First Midwest Trust Company

Robert P. O'Meara

Chairman and CEO

Terry G. Beaudry

President and COO



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