

Midland States Bancorp, Inc.
NASDAQ: MSBI

7th Annual Stephens Bank CEO Forum

September 20, 2017

Forward-Looking Statements. This presentation contains forward-looking statements within the meaning of the federal securities laws. Forward-looking statements express management's current expectations, forecasts of future events or long-term goals and, by their nature, are subject to assumptions, risks and uncertainties, many of which are beyond the control of Midland States Bancorp, Inc. (the "Company", "Midland States" or "MSBI"). Actual results could differ materially from those indicated. Forward-looking statements speak only as of the date they are made and are inherently subject to uncertainties and changes in circumstances, including those described under the heading "Risk Factors" in the Company's annual report on form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission ("SEC"). Forward-looking statements are not guarantees of future performance and should not be relied upon as representing management's views as of any subsequent date. The Company undertakes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

Use of Non-GAAP Financial Measures. This presentation contains certain financial information determined by methods other than in accordance with accounting principles generally accepted in the United States ("GAAP"). These non-GAAP financial measures include "Core Deposits," "Adjusted Return on Average Assets," "Adjusted Return on Average Tangible Common Equity," "Adjusted Diluted Earnings Per Share," "Core Loan Growth," "Adjusted Earnings," "Adjusted Earnings Available to Common Shareholders," "Yield on Loans Excluding Accretion Income," "Net Interest Margin Excluding Accretion Income," and "Tangible Book Value Per Share." The Company believes that these non-GAAP financial measures provide both management and investors a more complete understanding of the Company's funding profile and profitability. These non-GAAP financial measures are supplemental and are not a substitute for any analysis based on GAAP financial measures. Because not all companies use the same calculation of these measures, this presentation may not be comparable to other similarly titled measures as calculated by other companies. Reconciliations of these non-GAAP measures are provided in the Appendix section of this presentation.



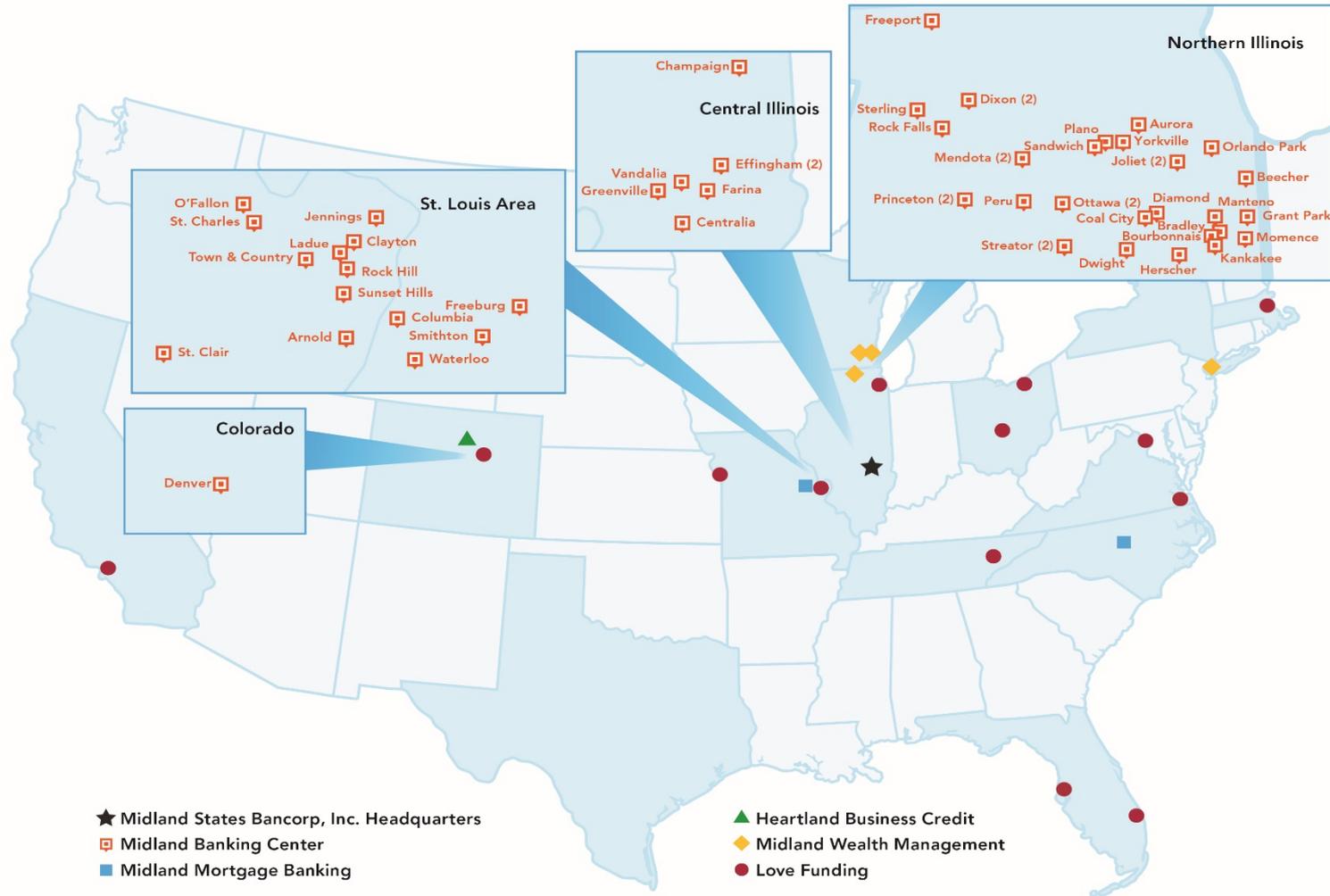
Company Snapshot

- **\$4.5 billion asset community bank established in 1881 and headquartered in Effingham, Illinois**
- **Five principal business lines**
 - Traditional community banking
 - Residential mortgage origination
 - Wealth management
 - Commercial FHA origination & servicing
 - Commercial equipment leasing
- **80+ offices throughout the U.S. including 56 traditional branches in Illinois and Missouri**
- **12 successful acquisitions announced since 2008**

Dynamic and diversified business model pairing organic and acquisitive growth



Financial Services & Banking Center Footprint



Residential Mortgage and Wealth Management services are also available through all Midland Banking Centers.



Investment Summary

- **Diversified financial holding company with community banking presence across Illinois, and in Missouri and Colorado**
- **Multiple complementary business lines provide continued organic growth opportunities and diversified revenue streams, with non-interest income accounting for 34.5% of total revenue⁽¹⁾**
- **Experienced and deep management team led by Board of Directors with considerable ownership**
- **Following management transition completed in 2007, consistent track record of driving compelling shareholder returns through disciplined strategic expansion and earnings growth**
- **Solid asset quality with low charge-off history driven by a diversified loan portfolio, conservative credit culture and disciplined underwriting process**
- **Attractive, stable and expandable core deposit franchise with 24% non-interest bearing accounts⁽²⁾**
- **Proven track record of successful acquisitions with a focus on enhancing shareholder value while building a platform for scalability**
- **Illinois and contiguous states provide ample opportunities for future acquisitions**
- **Comprehensive risk management standards applied throughout the entire business**

Notes:

(1) For the six months ended June 30, 2017

(2) As of June 30, 2017



Business and Corporate Strategy

- In conjunction with a new leadership team, MSBI's corporate initiative-driven strategic plan was adopted in late 2007 to build a diversified financial services company anchored by a strong community bank
- Five core strategic initiatives:

Revenue Diversification

Generate a diversified revenue mix and build customer loyalty; driven originally by a wealth management focus, this core initiative has expanded to include residential mortgage origination and servicing, commercial FHA origination and servicing, and commercial equipment leasing

Customer-Centric Culture

Drive our organic growth by focusing on customer service and accountability to our clients and colleagues; seek to develop bankers who create dynamic relationships; pursue continual investment in people; maintain a core set of institutional values

Operational Excellence

A corporate-wide focus on driving improvements in people, processes and technology in order to generate further improvement in Midland's operating efficiency and financial performance

Accretive Acquisitions

Maintain experienced acquisition team capable of identifying and executing transactions that build shareholder value through a disciplined approach to pricing; take advantage of relative strength in periods of market disruption

Enterprise-Wide Risk Management

Maintain a program designed to integrate controls, monitoring and risk-assessment at all key levels and stages of our operations and growth; ensure that all employees are fully engaged



Management Team

Highly experienced senior management in place:



- John M. Schultz:** Chairman of the Board
- Held the position since 2006
 - Chief Executive Officer of Agracel, Inc.
 - Author of *BoomtownUSA: the 7 ½ Keys to Big Success in Small Towns*



- Kevin L. Thompson:** Chief Financial Officer
- Joined Midland States in November 2016
 - Held various senior finance positions at multiple diversified, high growth financial institutions
 - Significant public company / SEC reporting experience



- Leon J. Holschbach:** President & Chief Executive Officer
- Joined Midland States in August 2007
 - 35+ years in community banking; 25+ years as bank president
 - Held various executive and senior roles at community banks



- Jeffrey S. Mefford:** EVP, Banking
- 25+ years in community banking
 - Recently promoted from SVP position
 - Oversees commercial, retail, and treasury sales



- Jeffrey G. Ludwig:** Executive Vice President
- Recently promoted to President of the Bank
 - Previously served 10 years as CFO
 - Joined Midland States in November 2006; 16+ years in banking industry



- Douglas J. Tucker:** SVP, Corporate Counsel and Director of IR
- 19+ years experience advising banks and bank holding companies
 - Significant IPO, SEC reporting and M&A experience
 - Served as lead outside counsel for all of Midland's acquisitions and capital raise transactions from 2007 prior to joining the Company

- Risk-focused corporate culture, promoting responsibility and accountability
- MSBI common shares are 12.2%⁽¹⁾ owned by the Board of Directors and executive officers

Note:

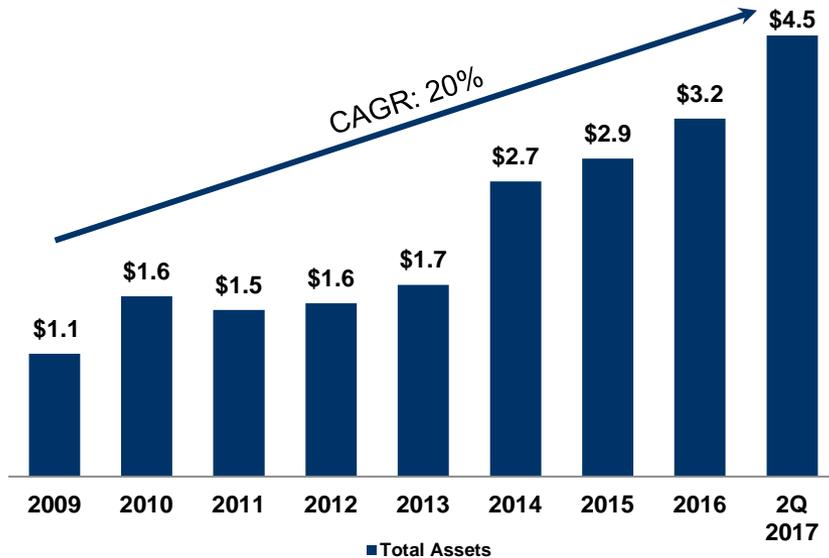
(1) As of June 30, 2017; beneficial ownership includes shares of unvested restricted stock that officers are entitled to vote, but does not include common stock equivalent units owned by directors or officers under the Deferred Compensation Plan



Strategic Growth History

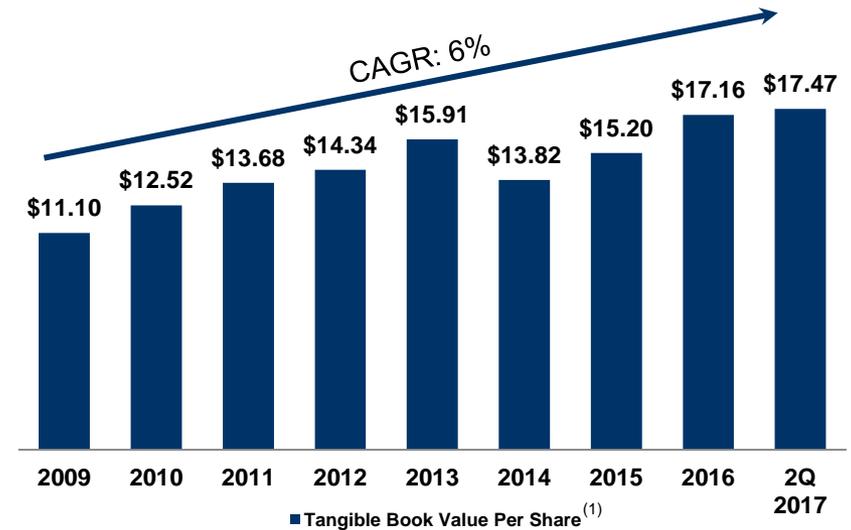
Successful Execution of Strategic Plan...

(at period-end in Billions)



...Driving Consistent TBV Growth

(at period-end)



Note:

(1) Tangible book value per share is a non-GAAP financial measure; tangible book value per share is defined as tangible common equity divided by shares of common stock outstanding (in the case of the "as converted" measure, assuming the conversion of all preferred shares that were outstanding prior to December 31, 2014)



Successful Acquisition History

- Midland States has completed 12 transactions since 2008, including FDIC-assisted, branch, whole bank, asset purchase, business line, and a New York trust asset acquisition
- Demonstrated history of earnings expansion
- Deliberate diversification of geographies and revenue channels
- Successful post-closing integration of systems and businesses

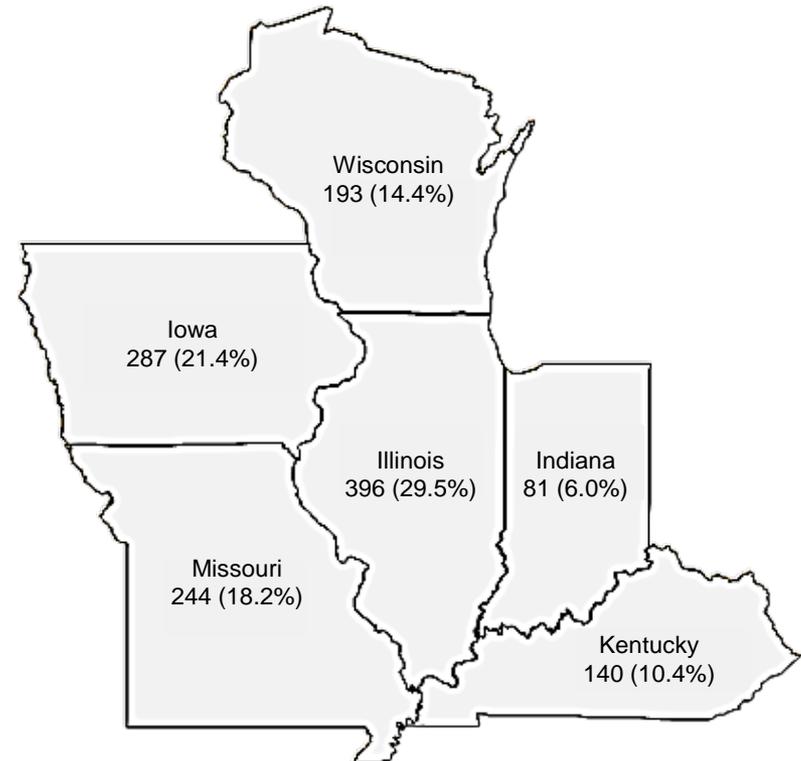
	Selected Acquisitions							
	2009	2010			2013	2014	2016	2017
	Waterloo Bancshares	Strategic Capital Bank	AMCORE Bank, N.A.	Westbridge Bank & Trust	Grant Park Bancshares	Love Savings / Heartland Bank	Sterling Bancorp	Centrue Financial
Acquisition Type	Whole Bank	FDIC-Assisted	Branch	FDIC-Assisted	Whole Bank	Whole Bank	Trust Administration	Whole Bank
Assets Acquired (\$mm)	\$116.1	\$540.4	\$499.5	\$84.7	\$108.7	\$889.0	-	\$993.0
City, State	Waterloo, IL	Champaign, IL	Rockford, IL	Chesterfield, MO	Grant Park, IL	St. Louis, MO	Yonkers, NY	Ottawa, IL
		Financially Transformative	Operationally Transformative			Revenue Diversification		Enhanced Scale and Market Presence



Market Opportunities & Acquisition Strategy

- MSBI believes there will be numerous small to mid-sized banking organizations available for acquisition within Illinois and contiguous states
- There are more than 1,300 institutions in the six-state region with less than \$1.0 billion in assets ⁽¹⁾
 - Illinois and Missouri combine for nearly half of those institutions
- MSBI targets institutions with demographics similar to current markets that are strategically compelling and financially accretive
- Remain a community bank focused on customer service

Number of Banks & Thrifts With less than \$1.0 Billion in Assets ⁽¹⁾



Be a “partner of choice” for community banks
with scale and/or succession challenges

Note:

(1) Based on December 31, 2016 financial data

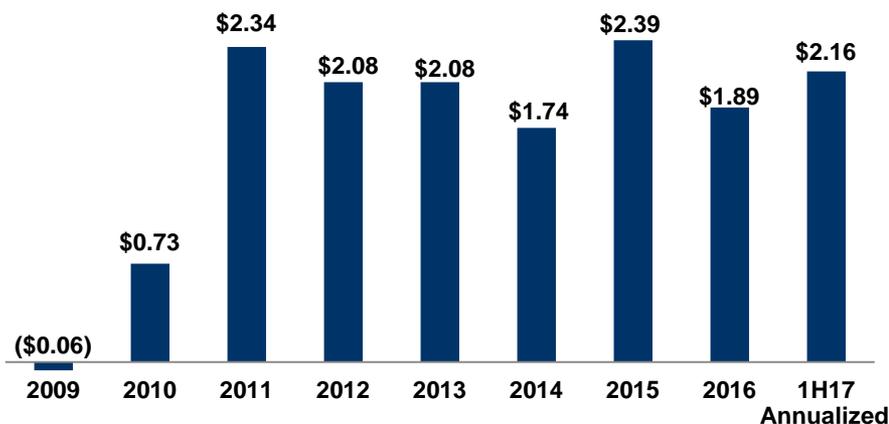
Source: SNL Financial



Compelling Earnings and Dividend History

- Profitability and earnings per share are driven by MSBI's attractive asset base, core funding structure and growing fee generating businesses
- 10%+ annual dividend growth over the past 15 years

Adjusted Diluted Earnings Per Share ⁽¹⁾



Dividends Declared Per Share



MSR Impairment Impact ⁽²⁾ :	2015	2016	2017
Pre-tax aggregate	\$0.4mm	\$3.1mm	\$1.7mm
After-tax per share	\$0.02	\$0.14	\$0.07

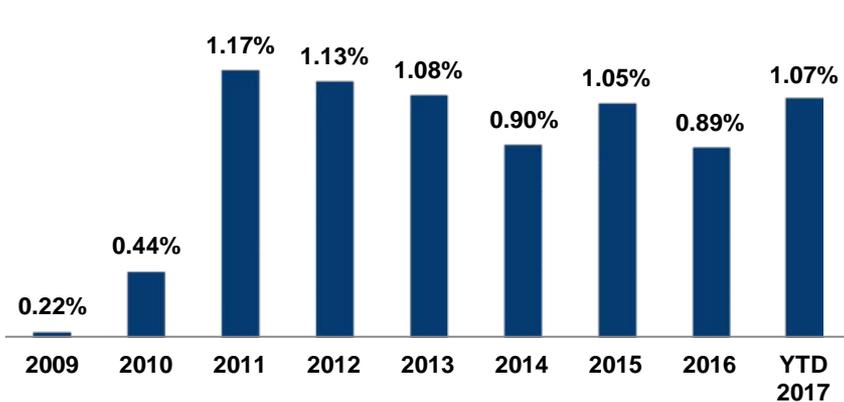
Notes:

- (1) Adjusted diluted earnings per share is a non-GAAP financial measure; please see page 31 for a reconciliation
- (2) 2017 results included \$1.7 million pre-tax impairment on mortgage servicing rights, which impacted diluted earnings per share by \$0.07; 2016 results include \$3.1 million pre-tax impairment on mortgage servicing rights; 2016, the after-tax MSR impairment impact per diluted share is \$0.14 based on 14,428,839 weighted average diluted common shares outstanding and the Company's 35% effective tax rate; 2015 results include \$0.4 million pre-tax impairment on mortgage servicing rights; for 2015, the after-tax MSR impairment impact per diluted share is \$0.02 based on 12,112,403 weighted average diluted common shares outstanding and the Company's 35% effective tax rate

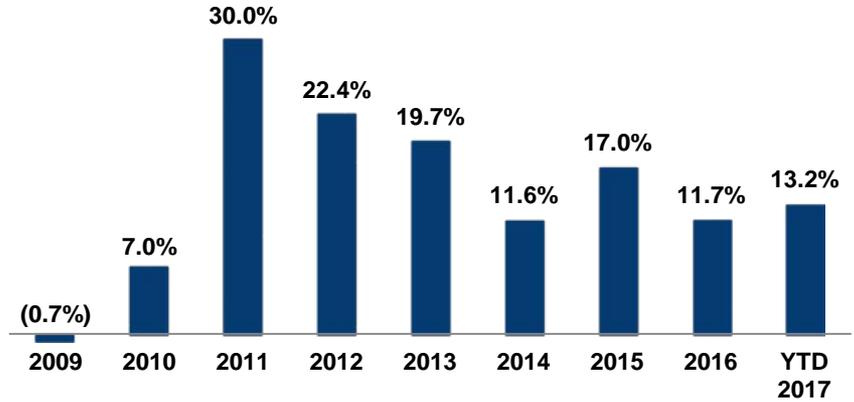


Performance Metrics

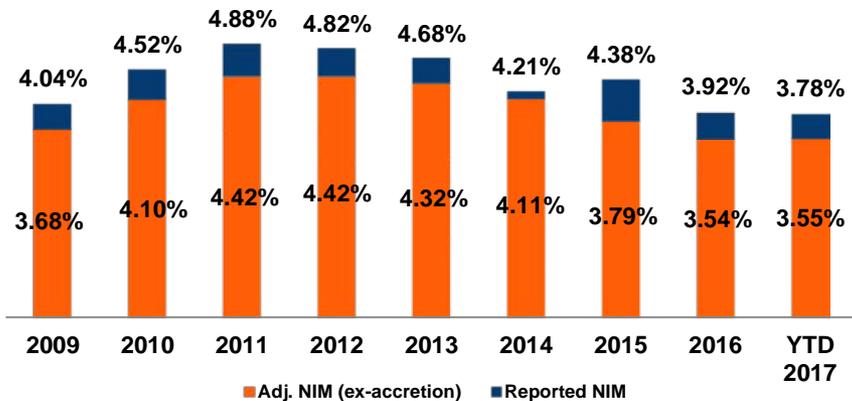
Adjusted Return on Average Assets ⁽¹⁾



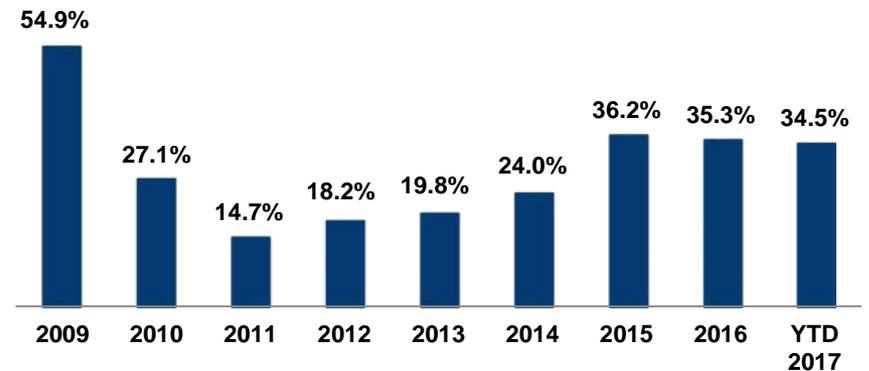
Adjusted Return on Avg. Tangible Common Equity ⁽¹⁾



Net Interest Margin ⁽²⁾



Noninterest Income / Total Revenue



Notes:

(1) Adjusted return on average assets and adjusted return on average tangible common equity are non-GAAP financial measures; please see page 31 for a reconciliation

(2) Net interest margin excluding accretion income is a non-GAAP financial measure management uses to assess the impact of purchase accounting on the yield on loans and net interest margin, excluding loan accretion from acquired loans; please see page 30 for a reconciliation

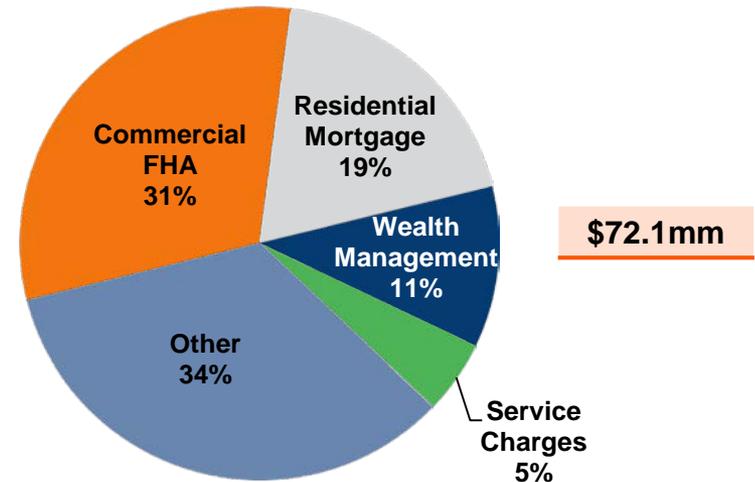
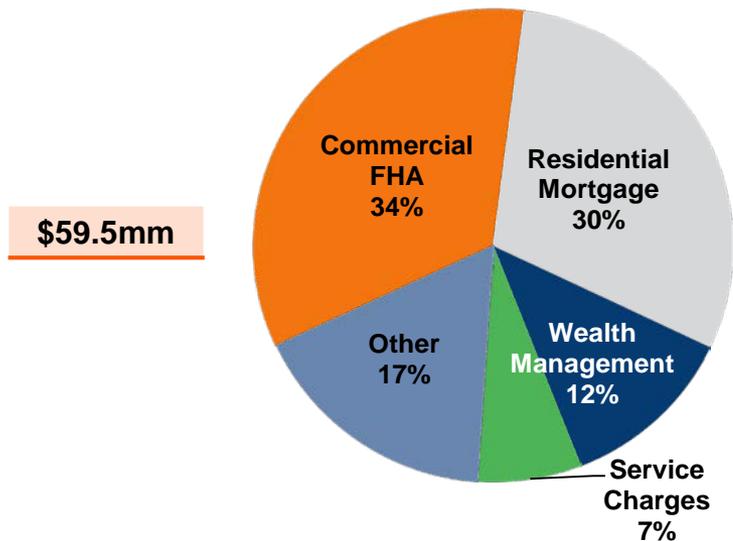


Diversified Revenue Streams

- **Significant base of four non-interest income sources diversify earnings across various operating environments while reducing sensitivity to changes in the yield curve**
 - Love Savings/Heartland Bank acquisition augmented mortgage banking revenue and provided further noninterest income diversification
 - FHA financing subsidiary, Love Funding, generates income from GNMA securitization fees, origination fees and retained servicing rights

Full Year Ended December 31, 2015

Full Year Ended December 31, 2016

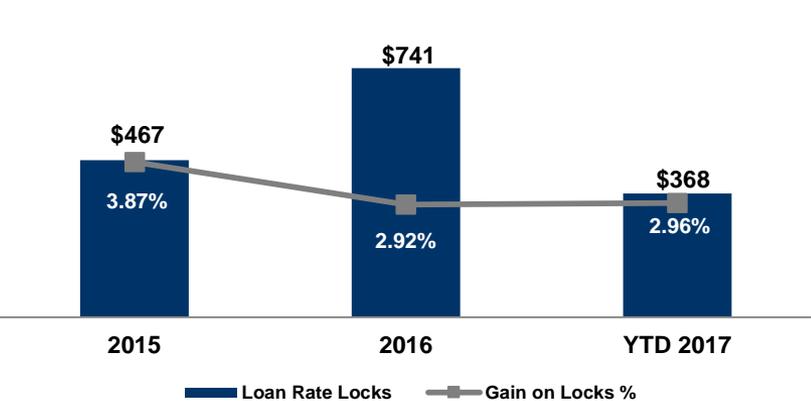


Business Unit Review - Love Funding

- Commercial FHA origination and servicing business focused on multifamily and healthcare facilities
- One of the top originators of government sponsored mortgages for multifamily and healthcare facilities in the U.S.
- CEO with 17 years tenure and previously with HUD for 12 years
- Long-term replacement reserve deposits for maintenance/capex of properties and escrow deposits are low-cost sources of funds
- \$3.9 billion servicing portfolio with average deposits of \$304 million in 2Q17

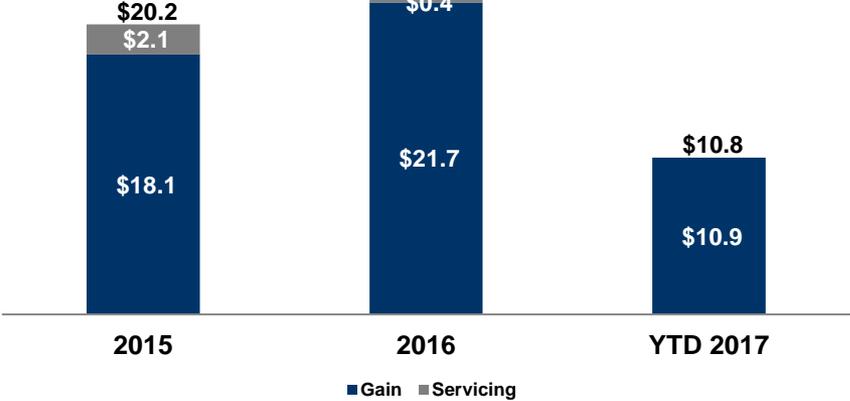
Loan Rate Locks and Gain on Locks

(Loan Rate Locks in millions)



Commercial FHA Revenue Mix

(Gain and Servicing in millions)

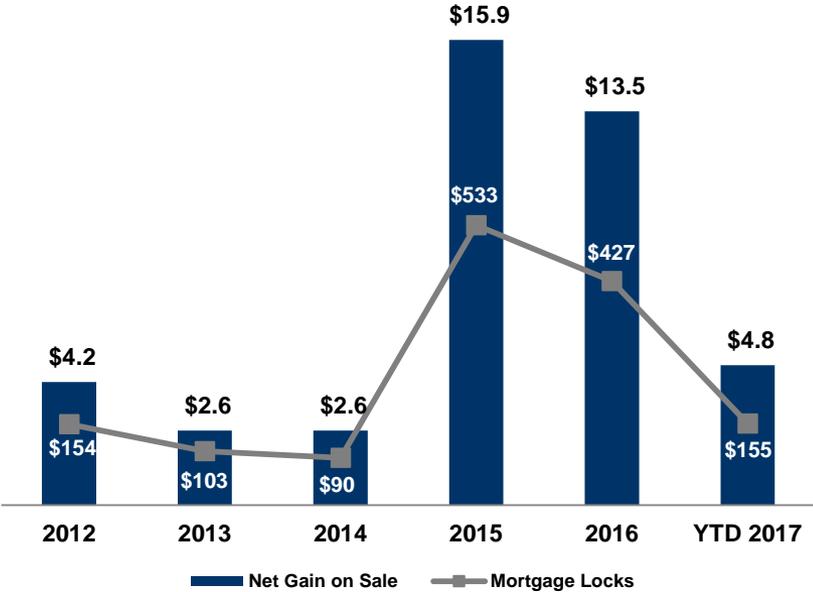


Business Unit Review - Residential Mortgage

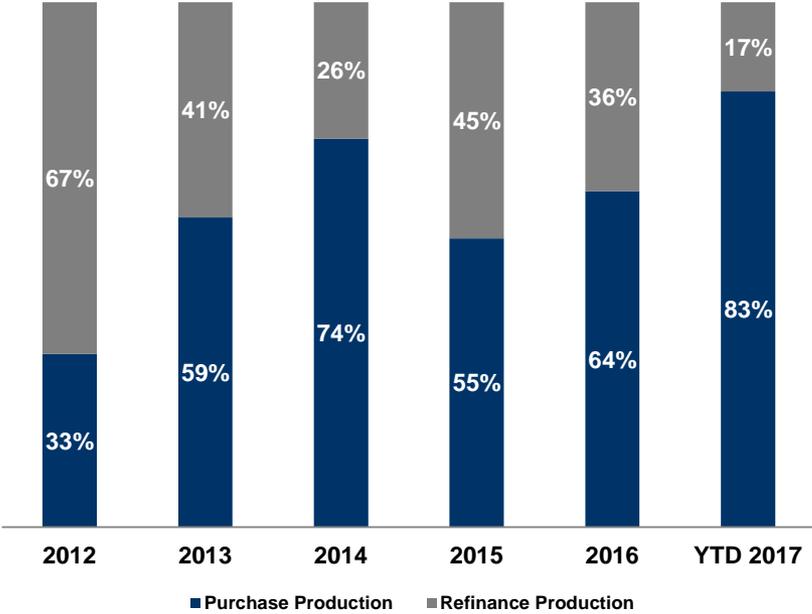
- Residential mortgage loan origination and servicing
- Cornerstone product – contributes substantial fee income for the Bank
- 15 fold increase in mortgage originations from eight years ago

Net Gain on Sale and Mortgage Locks

(in millions)



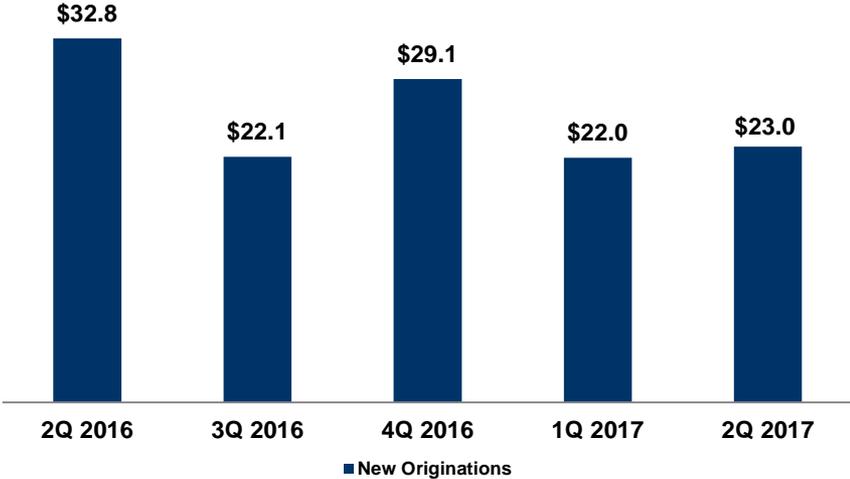
Purchase / Refinance Mix



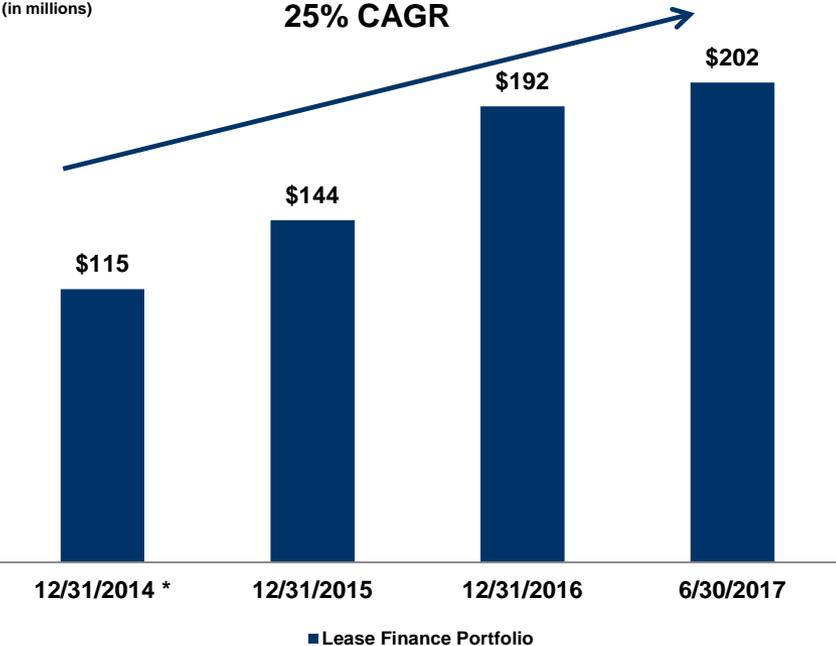
Business Unit Review - Heartland Business Credit

- Equipment leasing sourced from a network of equipment manufacturers and brokers
- Target industries include: Healthcare, Petroleum, Telecommunications and Lighting
- Attractive yields – average rate (ex. accretion) on lease finance portfolio was 5.34% in 2Q17

New Originations



Lease Finance Portfolio



* Date of acquisition

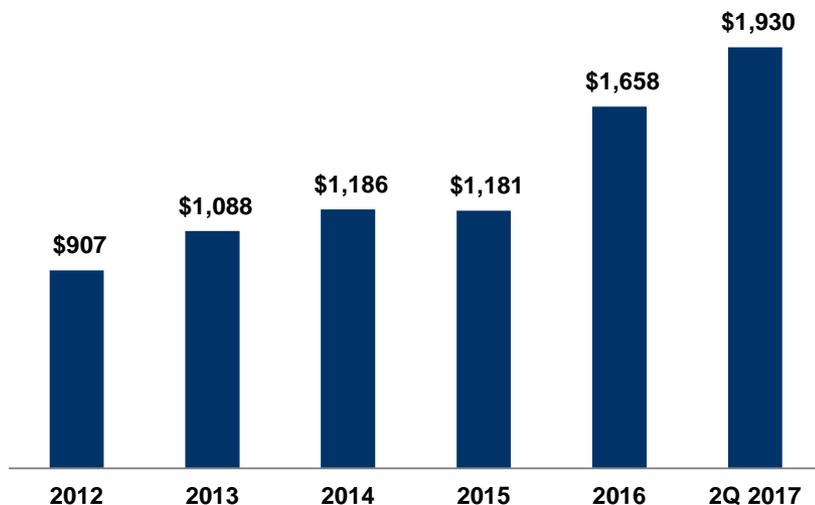


Business Unit Review – Wealth Management

- Offers comprehensive suite of Trust and Wealth Management products
- Acquisition of Sterling Trust (Nov. 2016) added \$400 million in Assets Under Administration
- Acquisition of CedarPoint Investment Advisors (Mar. 2017 - \$180 million in AUA) added RIA platform
- Year-over-year organic growth in assets under administration in 2Q17 was \$146 million, or 12%, excluding both the Sterling Trust and CedarPoint acquisitions

Assets Under Administration

(in millions)



Wealth Management Revenue

(in millions)

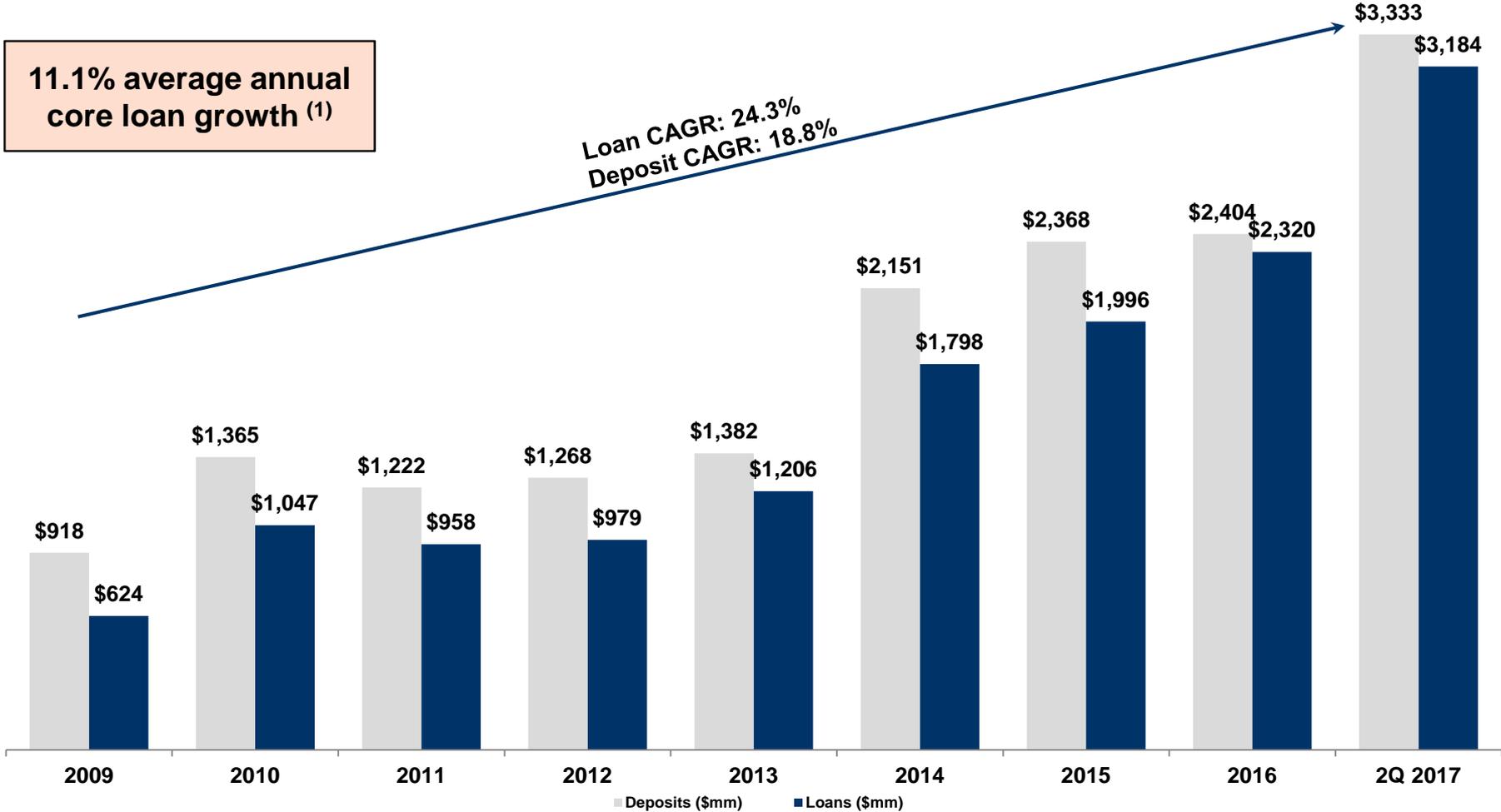


Delivering Organic Loan Growth

Total Loans and Deposits

11.1% average annual core loan growth ⁽¹⁾

Loan CAGR: 24.3%
Deposit CAGR: 18.8%



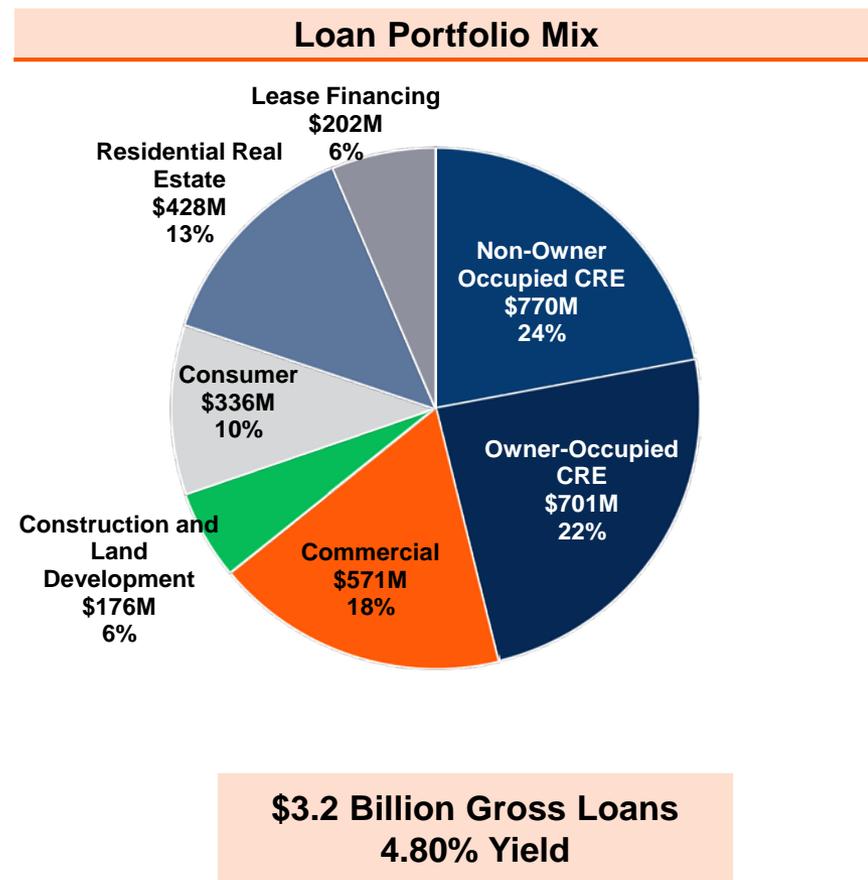
Note:

(1) Average annual core loan growth represents average percentage change in the Company's core loans from December 31, 2008 to June 30, 2017; core loans represent non-PCI loans, less non-PCI loans acquired, plus non-PCI loans sold as of the date the loans were acquired or sold, and exclude certain short-term loans that the Company does not consider to be core loans; acquired non-PCI loans become core loans subsequent to the acquisition date and will negatively affect core loan growth in future periods as these loans are repaid or prepaid



Loan Portfolio Overview⁽¹⁾

- Broadly diversified loan portfolio by type of customer and loan type
- Current loan origination efforts focus on high quality commercial loan segments
- 57% of portfolio is fixed; 43% is floating
- In addition to growth via acquisition, MSBI has generated organic loan growth of 7.8% in 2014, 11.6% in 2015, 16.7% in 2016 and 15.0% annualized during the six months ended June 30, 2017



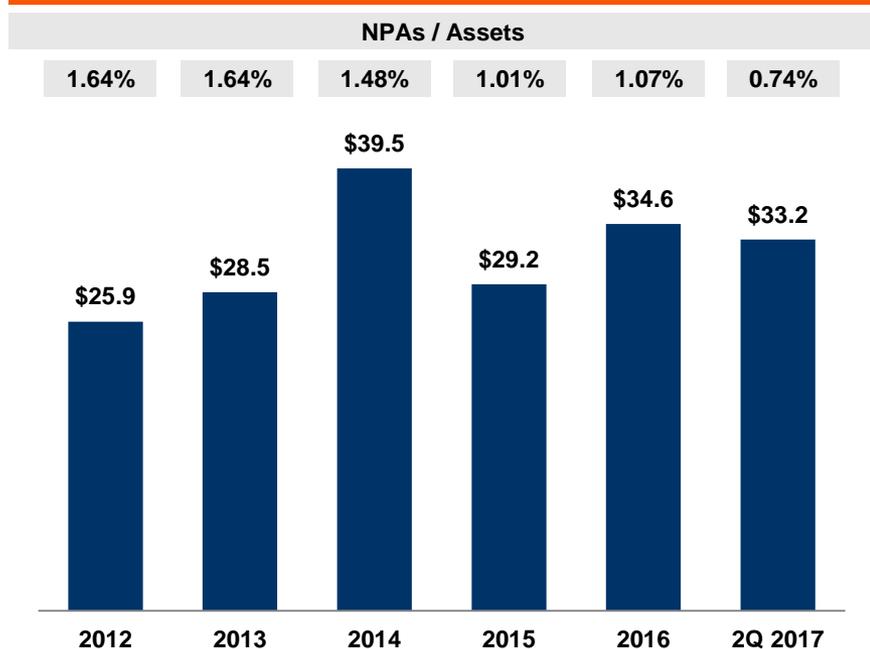
Note:
(1) Includes purchased credit-impaired loans of \$30.0 million as of June 30, 2017



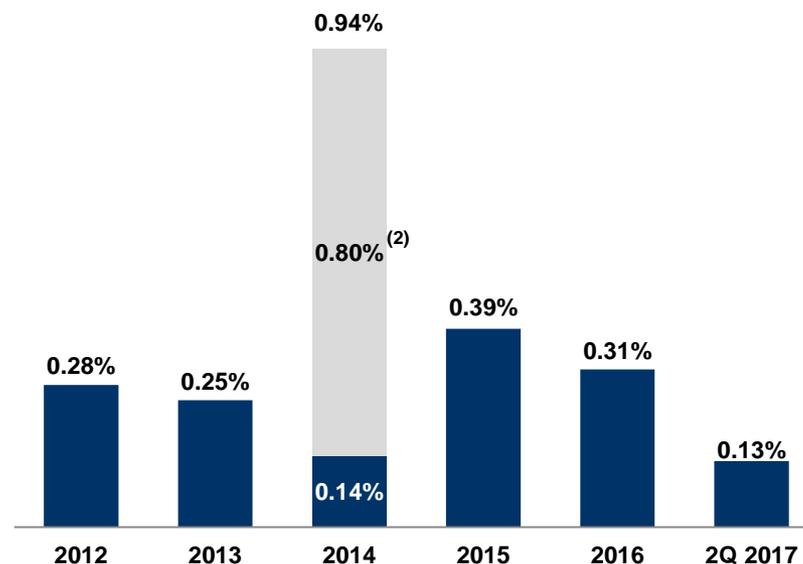
Strong Credit Quality

- Managed by experienced personnel, MSBI maintains a disciplined approval process and conservative credit culture
- Credit losses have steadily declined since 2015

Nonperforming Assets (\$mm) ⁽¹⁾



NCOs / Average Loans



Notes:

(1) Nonperforming assets include nonperforming loans, other real estate owned and other repossessed assets; nonperforming assets exclude covered other real estate owned related to our two FDIC-assisted transactions; nonperforming loans include nonaccrual loans, loans past due 90 days or more and still accruing interest and loans modified under troubled debt restructurings; nonperforming loans exclude purchased credit-impaired loans, or PCI loans, acquired in our prior acquisitions; PCI loans had carrying values of \$43.0 million, \$30.4 million, \$44.2 million, \$38.5 million, \$29.4 million and \$30.0 million as of December 31, 2012, 2013, 2014, 2015, 2016 and June 30, 2017, respectively; this ratio may therefore not be comparable to a similar ratio of our peers

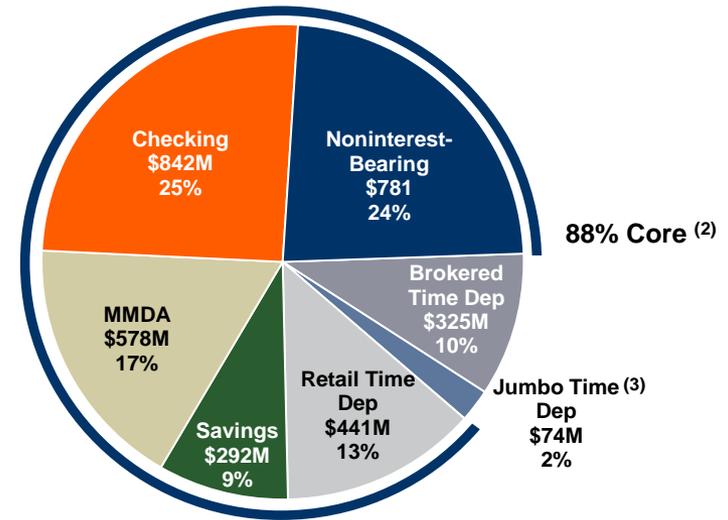
(2) NCOs for 2014 include a \$9.8 million charge-off of a PCI loan related to a pool of commercial real estate loans from a previous FDIC acquisition being closed out in 2014 due to no more active loans remaining in the pool; excluding this charge-off, NCOs / Average Loans for the period would be 0.14%



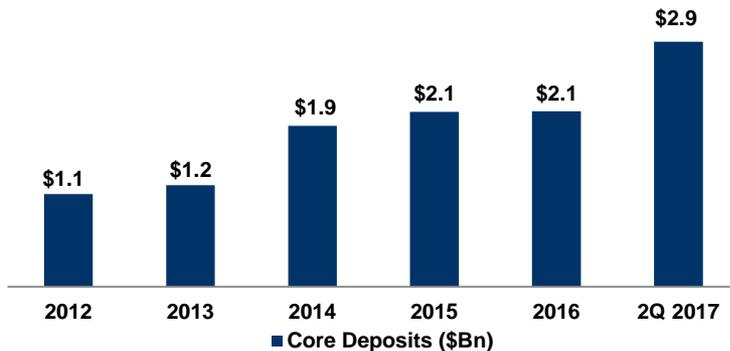
Attractive and Growing Core Deposit Base⁽¹⁾

- 88% core deposits⁽²⁾
- 24% non-interest bearing deposits
- Low cost of deposits at 41 basis points
- Recent acquisitions have improved overall funding mix

Deposit Mix



Core Deposits⁽²⁾



\$3.3 Billion Total Deposits
0.41% Cost

Notes:

(1) As of or for the six months ended June 30, 2017

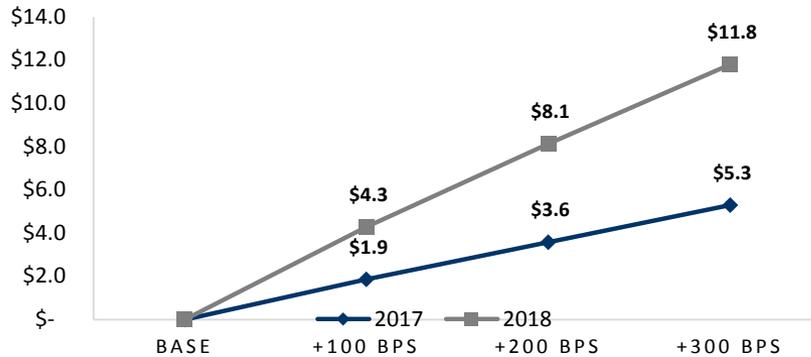
(2) Core deposits defined as total deposits less brokered deposits and certificates of deposit greater than \$250,000

(3) Jumbo time deposits classified as time certificates of \$250,000 or more



Well Positioned for Higher Interest Rates

Earnings Sensitivity (1)

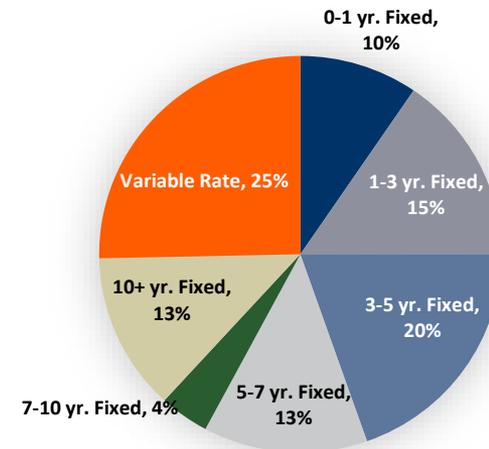


- Midland's modeled base case earnings projections as of June 30, 2017 and 2018 in an +100 bps Ramp scenario would boost net interest income by \$1.9mm in Year 1 and \$4.3mm in Year Two.
- Conservative asset sensitive position reflects the impacts from shorter-duration investment and loan portfolios as of 6/30/2017.

Asset & Liability Durations

Securities	2.5
Loans	1.3
Non-interest Checking	5.5
NOW	3.2
Money Market	0.9
Savings	6.1
Time Deposits	1.1
Borrowings	0.9

Loan Maturities



Note:

(1) Base case scenarios incorporate implied forward rates and uses a balance sheet as of June 30, 2017, without any additional FOMC projected rate hikes.



Recent Financial Performance and Outlook

Second Quarter 2017 Summary

Centrue Acquisition

Closed on June 9, 2017

Strong EPS Accretion

Centrue expected to be 8-9% accretive to EPS

2Q17 Earnings

Net income of \$3.5 million, or \$0.20 diluted EPS

- Integration and acquisition expenses of \$7.5 million, or \$0.31 per diluted share
- MSR impairment of \$1.7 million, or \$0.07 per diluted share

Continued Loan Growth

15% annualized organic loan growth through first half of 2017

Strong Growth in Wealth Management

Wealth Management revenue increased 19% from prior quarter



Catalysts for Continued Profitable Growth

- **Healthy economic conditions in our markets**
- **New RIA platform enhances ability to recruit new talent to Wealth Management business**
- **Operational Excellence initiative driving improvement in efficiencies**
- **Asset-sensitive balance sheet will benefit from rising interest rates**
- **Centrue acquisition will add to scale, market penetration and earnings power**
- **Target rich M&A landscape provides opportunities for additional transactions that will enhance the value of the franchise**



APPENDIX

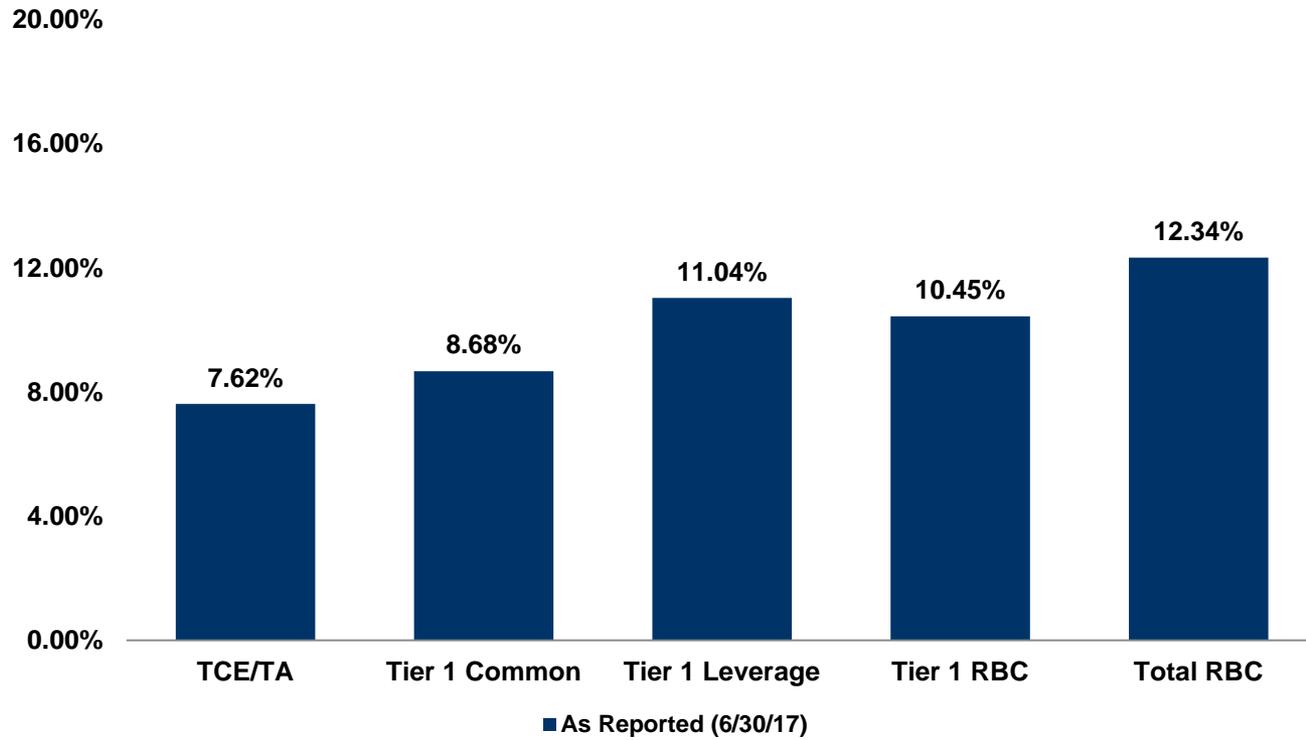


Appendix: Board of Director Profiles

Name:	Background:
John M. Schultz <i>Chairman of the Board</i>	<ul style="list-style-type: none"> Mr. Schultz serves as CEO of Agracel Inc, an industrial developer of facilities for manufacturing and high tech entities in small to midsized communities, and is the author of BoomtownUSA: The Keys to Big Success in Small Towns. He serves on the Board of Trustees of Monmouth College and the Board of Directors of Altorfer Inc.
Leon J. Holschbach <i>Vice Chairman of the Board President & CEO</i>	<ul style="list-style-type: none"> Mr. Holschbach is Vice Chairman, President & CEO of the Company and Vice Chairman and CEO of the Bank. Prior to joining MSBI, he held positions of Region Market President, Community Bank Group at AMCORE Bank, N.A., from 2000 to 2007; President and CEO of AMCORE Bank North Central N.A. from 1997 to 2000; and President of Citizen's State Bank in Wisconsin, from 1979 to 1997.
Deborah A. Golden	<ul style="list-style-type: none"> Ms. Golden is Executive Vice President, General Counsel and Secretary of GATX Corporation, a global leader in railcar leasing. She previously held positions with Midwest Generation LLC, Office of the Governor of the State of Illinois, and various executive positions at Ameritech Corporation.
Jerry L. McDaniel	<ul style="list-style-type: none"> Mr. McDaniel is President of Superior Fuels, a wholesale supplier of petroleum products. He is also a principal in other businesses including real estate development and carwash operations. Mr. McDaniel also serves on the Southeastern Illinois Community Foundation.
Jeffery M. McDonnell	<ul style="list-style-type: none"> Mr. McDonnell is CEO of J&J Management Services, Inc., a private management company, and also serves on the boards of St. Louis public television station KETC, The Center for Emerging Technologies, and previously Love Savings Holding Company and Heartland Bank. He also serves on the investment advisory committees for the venture capital firms Oakwood Medical and Rivervest.
Dwight A. Miller	<ul style="list-style-type: none"> Mr. Miller is CEO and owner of Dash Management, a 12 unit McDonald's franchisee in Illinois, and he has served in a number of management positions with McDonald's Corp. He serves as President of the Greater Chicago Region-Regional Leadership Council, representing McDonald's franchisees, and currently serves on McDonald's National Leadership Committee. He is the past Chairman for the Champaign County Chamber of Commerce.
Richard T. Ramos <i>Audit Committee Chair</i>	<ul style="list-style-type: none"> Mr. Ramos is CFO and Board member for Maritz Holdings, based in St. Louis, which specializes in design and development of corporate incentive, reward and loyalty programs. Previously he served as CFO for Purcell Tire & Rubber, practiced corporate law in St. Louis and was a senior manager at KPMG. He is a CPA and member of the Missouri Bar.
Laurence A. Schiffer	<ul style="list-style-type: none"> Mr. Schiffer was Co-CEO and a principal owner of Love Savings Holding Company, and Chairman of Heartland Bank, prior to Midland's acquisition. He is also President and Co-CEO of Hallmark Investment and Chairman and CEO of Allegro Senior Living. Over the past four decades, Mr. Schiffer has directed the development, ownership, acquisition, and management of commercial real estate properties.
Robert F. Schultz <i>Compensation Committee Chair</i>	<ul style="list-style-type: none"> Mr. Schultz serves as Managing Partner of J.M. Schultz Investment, a family investment firm. Since 1996, he has served as Chairman of AKRA Builders, a national construction, design build and management firm. Prior to joining the Midland board he served on the boards of directors of Prime Banc Corp. and First National Bank of Dieterich.
Thomas D. Shaw	<ul style="list-style-type: none"> Mr. Shaw is the former CEO of Shaw Media, a media business formed in 1851, which currently has more than 60 print, online, and mobile publications as well as commercial printing and video services. He is a former board member of several entities, including Dixon National Bank since 1976, and following its acquisition by a larger bank in 1993, on that bank's regional board until 2001.
Jeffrey C. Smith <i>Governance Committee Chair</i>	<ul style="list-style-type: none"> Mr. Smith serves as Principal/Managing Partner of Walters Golf Management, a golf club management company headquartered in St. Louis, Missouri, which also offers turn key management, construction management, acquisition, consulting, agronomics and remodeling services.



Capital Position



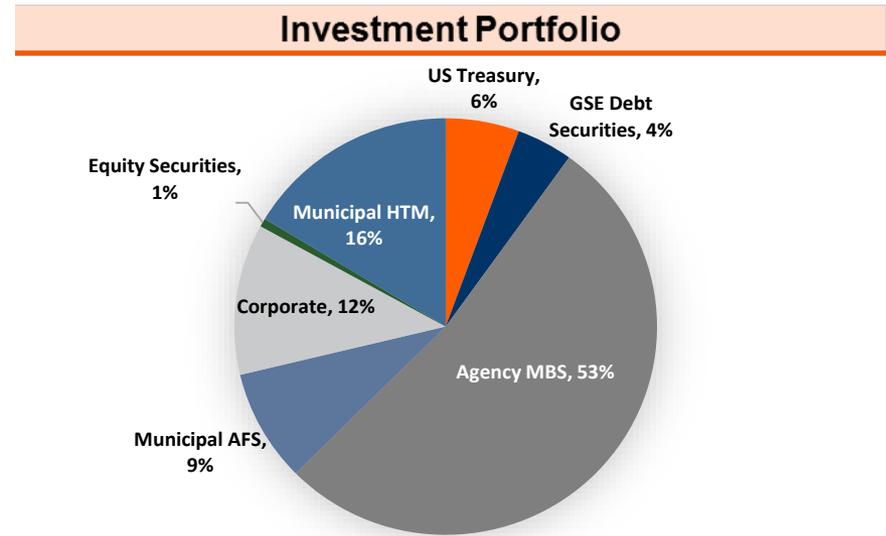
Appendix: Solid Reserve Coverage

(dollars in thousands)	As of December 31, 2015				As of December 31, 2016				As of June 30, 2017			
	Non-Purchased Credit-Impaired Loans	Purchased Credit-Impaired Loans	Total	% of the Allowance to Total Loans in the Respective Category	Non-Purchased Credit-Impaired Loans	Purchased Credit-Impaired Loans	Total	% of the Allowance to Total Loans in the Respective Category	Non-Purchased Credit-Impaired Loans	Purchased Credit-Impaired Loans	Total	% of the Allowance to Total Loans in the Respective Category
Loans:												
Commercial	\$ 6,542	\$ 375	\$ 6,917	1.38%	\$ 5,421	\$ 499	\$ 5,920	1.29%	\$ 4,891	\$ 490	\$ 5,381	0.94%
Commercial real estate	4,176	1,003	5,179	0.59%	2,993	232	3,225	0.33%	3,645	351	3,996	0.27%
Construction and land development	419	16	435	0.29%	345	-	345	0.19%	146	1	147	0.08%
Total commercial loans	\$ 11,137	\$ 1,394	\$ 12,531	0.82%	\$ 8,759	\$ 731	\$ 9,490	0.59%	\$ 8,682	\$ 842	\$ 9,524	0.43%
Residential real estate	1,626	494	2,120	1.30%	2,572	357	2,929	1.15%	2,985	392	3,377	0.79%
Consumer	742	7	749	0.46%	900	30	930	0.34%	1,232	153	1,385	0.41%
Lease financing	588	-	588	0.41%	1,513	-	1,513	0.79%	1,138	-	1,138	0.56%
Total allowance for loan losses	\$ 14,093	\$ 1,895	\$ 15,988	0.80%	\$ 13,744	\$ 1,118	\$ 14,862	0.64%	\$ 14,037	\$ 1,387	\$ 15,424	0.48%
Net charge-offs to average loans				0.39%				0.31%				0.12%



Appendix: Investments⁽¹⁾

- Midland has optimized the investment portfolio to enhance portfolio quality, flexibility, and yield while maintaining an effective duration of approximately 2.5 years. The addition of Centrue's ARM portfolio reduced the portfolio duration.
- Portfolio weighted average yield of 3.20% as of 6/30/2017 reflects the addition of lower yielding Centrue ARMs.



(dollars in thousands)	Book Value	% of Total Investment Securities	Weighted Average Yield
Investment Securities Available for Sale:			
US Treasury securities	\$ 25,936	5.6%	0.69%
Government sponsored entity debt securities	19,843	4.3%	2.31%
Agency mortgage-backed securities	242,550	52.7%	2.26%
State and municipal	40,182	8.7%	3.18%
Corporate securities	54,049	11.7%	4.78%
Equity securities	2,780	0.6%	0.00%
Total Securities Available for Sale	\$ 385,340	83.6%	2.68%
Investment Securities Held to Maturity:			
State and municipal	75,371	16.4%	6.34%
Total Investment Securities	\$ 460,711	100.0%	3.20%

(1) Financial data as of June 30, 2017



Appendix: Reconciliation of Net Interest Margin Excluding Accretion Income

	Year Ended December 31,								Six Months
	2009	2010	2011	2012	2013	2014	2015	2016	Ended June 30, 2017
Reported yield on loans	6.58%	6.48%	6.17%	5.73%	5.33%	4.65%	5.21%	4.83%	4.80%
Effect of accretion income on acquired loans	<u>(0.56%)</u>	<u>(0.62%)</u>	<u>(0.65%)</u>	<u>(0.56%)</u>	<u>(0.50%)</u>	<u>(0.14%)</u>	<u>(0.73%)</u>	<u>(0.47%)</u>	<u>(0.28%)</u>
Yield on loans excluding accretion income	<u>6.02%</u>	<u>5.86%</u>	<u>5.52%</u>	<u>5.17%</u>	<u>4.83%</u>	<u>4.51%</u>	<u>4.48%</u>	<u>4.36%</u>	<u>4.52%</u>
Reported net interest margin	4.04%	4.52%	4.88%	4.82%	4.68%	4.21%	4.38%	3.92%	3.78%
Effect of accretion income on acquired loans	<u>(0.36%)</u>	<u>(0.42%)</u>	<u>(0.46%)</u>	<u>(0.40%)</u>	<u>(0.36%)</u>	<u>(0.10%)</u>	<u>(0.59%)</u>	<u>(0.38%)</u>	<u>(0.23%)</u>
Net interest margin excluding accretion income	<u>3.68%</u>	<u>4.10%</u>	<u>4.42%</u>	<u>4.42%</u>	<u>4.32%</u>	<u>4.11%</u>	<u>3.79%</u>	<u>3.54%</u>	<u>3.55%</u>



Appendix: Reconciliation of Adjusted Earnings/Profitability⁽¹⁾

(dollars in thousands, except per share data)	Year Ended December 31,								Six Months
	2009	2010	2011	2012	2013	2014	2015	2016	Ended June 30, 2017
Adjusted Earnings									
Income before income taxes - GAAP	\$ 23,662	\$ 17,924	\$ 15,347	\$ 18,499	\$ 20,528	\$ 15,467	\$ 35,498	\$ 50,422	\$ 16,389
Adjustments to other income:									
Provision for loan losses from Purchase Credit Impaired loan pool	(10,500)	-	-	-	-	-	-	-	-
Gain on sales of investment securities, net	399	2	466	953	321	77	193	14,702	122
Other than-temporary-impairment on investment securities	-	(63)	(742)	(319)	(190)	(190)	(461)	(824)	-
Gain on bargain purchase	19,218	8,704	-	-	2,154	-	-	-	-
FDIC settlement	-	-	-	-	-	1,709	-	-	-
FDIC loss-sharing income (expense)	10,496	4,012	4,455	1,477	(1,149)	(3,491)	(566)	-	-
Accretion (amortization) of FDIC indemnification asset, net	1,912	(1,232)	(8,047)	(5,172)	(2,705)	(954)	(397)	-	-
Reversal of contingent consideration accrual	-	-	-	-	-	-	-	350	-
Gain (loss) on sale of other assets	-	-	-	-	-	2,972	12	-	(149)
Total adjusted other income	<u>21,525</u>	<u>11,423</u>	<u>(3,868)</u>	<u>(3,061)</u>	<u>(1,569)</u>	<u>123</u>	<u>(1,219)</u>	<u>14,228</u>	<u>(27)</u>
Adjustments to other expense:									
Foundation contribution	-	-	-	-	-	900	-	-	-
Professional fees and other expenses for aborted stock offering	-	-	3,413	-	-	-	-	-	-
Expenses associated with payoff of subordinated debt	-	-	-	-	-	-	-	511	-
Net expense from FDIC loss share termination agreement	-	-	-	-	-	-	-	351	-
Branch network optimization plan charges	-	-	-	-	-	-	-	2,099	-
Integration and acquisition expenses	893	2,964	1,807	1,424	2,727	6,229	6,101	2,343	8,701
Total adjusted other expense	<u>893</u>	<u>2,964</u>	<u>5,220</u>	<u>1,424</u>	<u>2,727</u>	<u>7,129</u>	<u>6,101</u>	<u>5,304</u>	<u>8,701</u>
Adjusted earnings pre tax	3,030	9,465	24,435	22,984	24,824	22,473	42,818	41,498	25,117
Adjusted earnings tax	985	2,653	6,326	6,015	7,283	6,758	13,625	14,055	6,779
Adjusted earnings	<u>\$ 2,045</u>	<u>\$ 6,812</u>	<u>\$ 18,109</u>	<u>\$ 16,969</u>	<u>\$ 17,541</u>	<u>\$ 15,715</u>	<u>\$ 29,193</u>	<u>\$ 27,443</u>	<u>\$ 18,338</u>
Preferred stock dividends	2,291	3,668	4,205	5,211	4,718	7,601	-	-	19
Preferred stock dividends paid upon early conversion ⁽¹⁾	-	-	-	-	-	(3,346)	-	-	-
Adjusted earnings available to common shareholders	<u>\$ (246)</u>	<u>\$ 3,144</u>	<u>\$ 13,904</u>	<u>\$ 11,758</u>	<u>\$ 12,823</u>	<u>\$ 11,460</u>	<u>\$ 29,193</u>	<u>\$ 27,443</u>	<u>\$ 18,319</u>
Adjusted Diluted EPS	\$ (0.06)	\$ 0.73	\$ 2.34	\$ 2.08	\$ 2.08	\$ 1.74	\$ 2.39	\$ 1.89	\$ 1.08
Weighted average diluted common shares outstanding	4,180,620	4,279,630	8,089,492	7,862,361	8,379,455	7,528,641	12,112,403	14,428,839	16,838,416
Average Assets	\$ 917,798	\$ 1,533,344	\$ 1,542,456	\$ 1,508,232	\$ 1,630,565	\$ 1,753,286	\$ 2,768,879	\$ 3,075,134	\$ 3,459,327
Adjusted Return on Average Assets	0.22%	0.44%	1.17%	1.13%	1.08%	0.90%	1.05%	0.89%	1.07%
Average Tangible Common Equity	\$ 35,649	\$ 45,198	\$ 46,279	\$ 52,406	\$ 65,083	\$ 98,546	\$ 172,064	\$ 234,898	\$ 279,336
Adjusted Return on Average Tangible Common Equity	(0.69%)	6.96%	30.04%	22.44%	19.70%	11.63%	16.97%	11.68%	13.22%

Notes:
(1) Represents preferred stock dividends paid through applicable call dates with respect to the early conversion of Series D, E and F preferred shares, which the holders agreed to convert into common shares on December 31, 2014.

