

Shareholder Letter

3rd Quarter 2016

Dear Shareholders:

I am pleased to report that our third quarter financial results were solid, with net income of \$8.1 million, or \$0.51 diluted earnings per share, which was up from net income of \$6.8 million, or \$0.50 diluted earnings per share, for the second quarter of 2016. We also had an outstanding quarter of business development and our total loan portfolio increased by \$152 million. Average loans grew at an annualized rate of 17.7% in the quarter. Our loan production was very well balanced, with double-digit annualized increases in the commercial real estate, residential real estate, consumer and equipment leasing portfolios. Additional information concerning our third quarter results were announced in an earnings release on October 27th and our Form 10-Q filed with the SEC on November 9th. Each of these documents is available on our website under the "Investors" tab.

While we had strong financial performance during the third quarter, July was also marked with the passing of Jeff Lovett, Regional Market President of our Northern Region. I have known Jeff for almost 20 years,

and will always remember him as a dear friend. Jeff was everything a banker could strive to be. His devotion to his community and to helping others achieve their goals was exceeded only by his love for his family. Speak to almost any business owner in Dixon, Illinois and they will share their own story about how "Jeff was there for me when..." Jeff was a tireless advocate for a wide variety of organizations far too numerous to name. Just two of his most recent community efforts included serving on the boards of directors of the Ronald Reagan Boyhood home and Sinnissippi Centers, a non-profit focusing on child and family health care. He loved horses, was an avid student of the Civil War and was passionate about tracing his family's genealogy. We miss Jeff dearly and wish his family the best.

On a more positive note, I am hopeful that the recent elections will result in, among other changes, an eventual decrease in the federal regulatory burden under which Midland and all other community banks operate. A significant reduction in regulation would not only reduce the costs of running our business, but would likely also result in consumers being able to

3rd Quarter 2016 Financial Results

Summary Consolidated Financial Data

(in thousands, except for share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Summary Income Statement Data - Unaudited				
Interest income	\$ 31,186	\$ 28,949	\$ 91,268	\$ 87,496
Interest expense	3,921	3,512	11,974	9,041
Net interest income	27,265	25,437	79,294	78,455
Provision for loan losses	1,392	6,699	3,146	10,075
Net interest income after provision for loan losses	25,873	18,738	76,148	68,380
Noninterest income:				
Commercial FHA revenue	3,260	5,914	18,360	17,130
Residential mortgage banking revenue	4,990	3,490	7,148	14,305
Wealth management revenue	1,941	1,808	5,596	5,461
Service charges on deposit accounts	1,044	1,022	2,916	2,990
Interchange revenue	920	895	2,829	2,703
FDIC loss-sharing expense	-	(57)	(1,661)	(354)
Other income	2,782	1,392	6,384	4,448
Total noninterest income	14,937	14,464	41,572	46,683
Noninterest expense:				
Salaries and employee benefits	16,568	14,932	48,967	49,588
Occupancy and equipment	3,271	3,114	9,815	9,727
Data processing	2,586	2,541	7,830	7,651
Professional	1,877	2,075	5,151	6,608
Amortization of intangible assets	514	597	1,613	1,863
Other	3,847	4,564	13,829	14,634
Total noninterest expense	28,663	27,823	87,205	90,071
Income before income taxes	12,147	5,379	30,515	24,992
Income taxes	4,102	1,928	10,562	8,281
Net income	8,045	3,451	19,953	16,711
Net income attributable to noncontrolling interests	(6)	6	(6)	82
Net income attributable to Midland States Bancorp, Inc.	\$ 8,051	\$ 3,445	\$ 19,959	\$ 16,629
Per Common Share Data				
Earnings per share:				
Basic	\$ 0.51	\$ 0.29	\$ 1.46	\$ 1.39
Diluted	0.51	0.28	1.43	1.36
Dividends declared	0.18	0.16	0.54	0.48
Weighted average common shares outstanding:				
Basic	15,578,703	11,911,414	13,637,997	11,895,337
Diluted	15,858,273	12,130,529	13,902,664	12,111,695
Selected Performance Metrics				
Return on average assets	1.03%	0.49%	0.88%	0.81%
Return on average shareholders' equity	10.04%	5.88%	9.70%	9.82%
Return on average tangible common shareholders' equity	12.01%	7.72%	12.01%	13.05%
Yield on earning assets	4.57%	4.73%	4.60%	4.95%
Cost of average interest-bearing liabilities	0.71%	0.69%	0.73%	0.62%
Net interest spread	3.86%	4.04%	3.87%	4.33%
Net interest margin	4.00%	4.17%	4.01%	4.45%
Efficiency ratio	64.56%	64.32%	66.43%	65.32%
Common stock dividend payout ratio	35.29%	55.17%	36.99%	34.53%
Net charge-offs to average loans	0.11%	1.57%	0.23%	0.51%
Net charge-offs to average loans - excludes PCI	0.10%	1.57%	0.23%	0.52%

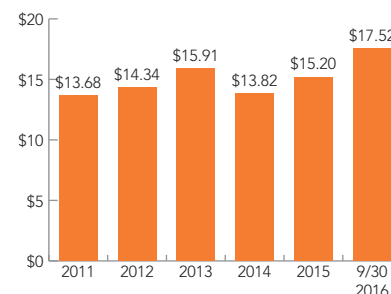
Summary Consolidated Financial Data - Continued

(in thousands, except for share and per share data)

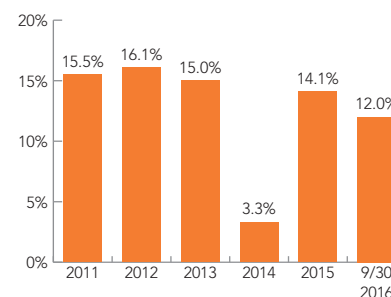
	September 30, 2016	December 31, 2015
Summary Balance Sheet Data - Unaudited		
Total assets	\$ 3,247,727	\$ 2,884,824
Loans	2,312,778	1,995,589
Allowance for loan losses	(15,559)	(15,988)
Investment securities	335,153	324,148
Cash and cash equivalents	228,030	212,475
Deposits	2,420,032	2,367,648
Borrowings	375,832	147,716
Subordinated debt and trust preferred debentures	91,800	98,916
Total Midland States Bancorp, Inc shareholders' equity	321,749	232,880
Per Common Share Data		
Book value	\$ 20.89	\$ 19.74
Tangible book value	17.52	15.20
Common shares outstanding	15,404,423	11,797,404
Regulatory and Other Capital Ratios - Consolidated		
Tier 1 leverage ratio	9.82%	7.49%
Tier 1 capital to risk-weighted assets	10.94%	8.62%
Total capital to risk-weighted assets	13.53%	11.82%
Tier 1 common capital to risk-weighted assets	9.03%	6.50%
Tangible common equity to tangible assets	8.44%	6.33%
Regulatory Capital Ratios - Bank Only		
Tier 1 leverage ratio	10.00%	9.01%
Tier 1 capital to risk-weighted assets	11.14%	10.39%
Total capital to risk-weighted assets	11.72%	11.06%
Credit Quality Data		
Allowance for loan losses to total loans	0.67%	0.80%
Allowance for loan losses plus credit marks to total loans	1.06%	1.39%

Performance Metrics

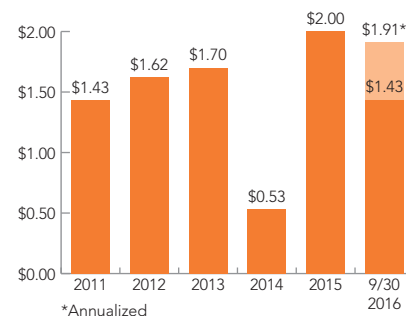
Tangible Book Value / Share⁽¹⁾



Return on Average Tangible Common Equity



Diluted Earnings Per Share



(1) Amounts shown assume the conversion of all preferred shares that were outstanding prior to December 31, 2014.

obtain financial services more easily and with less cost. Nevertheless, we will continue to do our best to run our businesses as efficiently as possible and continue to drive shareholder value.

Enclosed is your quarterly dividend of \$0.18 per common share. As always, we appreciate your continued support.

Very truly yours,



Leon J. Holschbach
President and CEO
Midland States Bancorp, Inc.



1201 Network Centre Drive
Effingham, IL 62401
1-855-MY-MIDLAND
midlandsb.com/investors