Shareholder Letter

1st Quarter 2018

Dear Shareholders:

Our 2018 fiscal year got off to a good start in the first quarter, most especially with the closing of the Alpine acquisition. In my view, our acquisition of Alpine, taken together with the mid-2017 Centrue acquisition, represents the same type of transformational change we experienced in 2009/2010 with the Strategic Capital and AMCORE acquisitions, and then again in 2014 with the Heartland Bank transaction. Like those prior acquisitions, the Centrue/Alpine transactions greatly increased our scope of operations, allowed for significant operating efficiencies through economies of scale, brought us deeper into very strong markets that we already had familiarity with, and were well within our financial models for accretive acquisitions, including rapid accretion to earnings. While each of the 14 acquisitions we have done in the past ten years has helped us build our Bank to $5.7 billion in assets and another $3.1 billion in wealth assets under administrations, I believe it is fair to say that these five transactions represent the genuinely pivotal points in our growth trajectory over the past 10 years.

In addition to a number of other benefits from the Centrue and Alpine transactions, each has helped us further our goals of increasing fee income and reducing volatility in our quarter over quarter operating performance. The combined growth in fee income after these transactions results in us now generating 30% of our overall revenue from fee based revenue, which is far above peer. Indeed, our Wealth Management business has become our second largest revenue producer, with only the overall bank operations being larger. This improvement in revenue mix, taken together with the sale of a large portion of our residential mortgage servicing rights at the beginning of the year, will provide more stable, predictable net earnings.

Overall operating results for the first quarter were largely in line with our expectations. Earnings per share, after adding back $11.9 million of integration and acquisition expenses, were $11.3 million, or $0.52 per diluted share, including one month of contribution from Alpine Bank's operations. This compares to $0.42 per share in the fourth quarter of 2017, inclusive of $7.7 million in expenses relating to integration and acquisition expenses, revaluation of deferred tax assets resulting from the changes in federal tax rates, and revaluation of our mortgage servicing rights. For further information on our first quarter financial performance, including a full reconciliation of our adjusted earnings to GAAP measures, please see our press release dated April 26, 2018.

Apart from closing the Alpine acquisition, the addition of a tremendous team of approximately 25 equipment finance and leasing professionals in the first quarter is also particularly noteworthy. This team, under the leadership of Fred Van Etten, greatly expands our equipment financing business. With Fred and most of his team located in

Midland States Bancorp, Inc.

Summary Consolidated Financial Data

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Summary Income Statement Data - Unaudited		
Interest income	$ 46,505	$ 31,839
Interest expense	8,320	4,378
Net interest income	38,185	27,461
Provision for loan losses	2,006	1,533
Net interest income after provision for loan losses	36,179	25,928
Noninterest income:		
Commercial FHA revenue	3,330	6,695
Residential mortgage banking revenue	1,418	2,916
Wealth management revenue	4,182	2,872
Service charges on deposit accounts	1,967	892
Interchange revenue	2,090	977
Other income	3,618	1,978
Total noninterest income	16,605	16,330
Noninterest expense:		
Salaries and employee benefits	28,395	17,115
Occupancy and equipment	4,252	3,184
Data processing	4,288	2,796
Professional	4,499	2,992
Amortization of intangible assets	1,675	525
Other	6,493	4,173
Total noninterest expense	49,602	30,785
Income before income taxes	3,182	11,473
Income taxes	1,376	2,983
Net income	$ 1,806	$ 8,490
Per Common Share Data		
Earnings per share:		
Basic	$ 0.08	$ 0.54
Diluted	0.08	0.52
Dividends declared	0.22	0.20
Weighted average common shares outstanding:		
Basic	20,901,738	15,736,412
Diluted	21,351,511	16,351,637
Selected Performance Metrics		
Return on average assets	0.15%	1.05%
Return on average shareholders' equity	1.47%	10.58%
Return on average tangible common shareholders' equity	2.08%	12.78%
Yield on earning assets	4.49%	4.47%
Cost of average interest-bearing liabilities	0.98%	0.75%
Net interest margin	3.69%	3.87%
Efficiency ratio	68.45%	66.34%
Common stock dividend payout ratio	275.00%	37.04%
Net charge-offs to average loans	0.09%	0.10%
Net charge-offs to average loans - excludes PCI	0.08%	0.11%

Summary Consolidated Financial Data - Continued

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

	March 31, 2018	December 31, 2017
Summary Balance Sheet Data - Unaudited		
Total assets	$ 5,723,372	$ 4,412,701
Loans	4,029,150	3,226,678
Allowance for loan losses	(17,704)	(16,431)
Investment securities	738,172	450,525
Cash and cash equivalents	331,183	215,202
Deposits	4,233,815	3,131,089
Borrowings	718,186	652,562
Subordinated debt and trust preferred debentures	141,456	141,302
Shareholders' equity	585,385	449,545
Per Common Share Data		
Book value	$ 24.67	$ 23.35
Tangible book value	16.11	17.31
Common shares outstanding	23,612,430	19,122,049
Regulatory and Other Capital Ratios - Consolidated		
Tier 1 leverage ratio	9.55%	8.63%
Tier 1 capital to risk-weighted assets	9.84%	10.19%
Total capital to risk-weighted assets	12.37%	13.26%
Common equity Tier 1 capital	8.30%	8.45%
Tangible common equity to tangible assets	6.89%	7.70%
Regulatory Capital Ratios - Midland States Bank		
Tier 1 leverage ratio	10.39%	10.04%
Tier 1 capital to risk-weighted assets	12.20%	11.84%
Total capital to risk-weighted assets	12.71%	12.32%
Common equity Tier 1 capital	12.20%	11.84%
Credit Quality Data		
Allowance for loan losses to total loans	0.44%	0.51%
Allowance for loan losses plus credit marks to total loans	1.14%	1.02%

the St. Louis area, it has also permitted us to move our overall equipment finance business to St. Louis. We are also in the process of bringing that business directly into the Bank under the "Midland Equipment Finance" name, and phasing out the separate "Heartland Business Credit" entity we acquired in the Heartland Bank acquisition, which was located in Denver. After just four months the team has hit the ground running, both in terms of new business generated and pipeline of future business.

With respect to our leadership and succession planning, it was my pleasure during the first quarter to announce the promotions of Jeff Ludwig to President of the Company and Chief Executive Officer of the Bank, and Jeff Mefford to President of the Bank. Both have been right by my side over the past 10 years and been an integral part of our growth and success. Steve Erickson, who has been with us for six years, was promoted to Chief Financial Officer. Together with our other senior executives, I believe we have the right team in place to continue executing on our Strategic Plan.

Looking ahead for the rest of the year, we expect to principally focus on the upcoming integration of Alpine Bank's operations and data processing systems into Midland's in mid-July, and on other internal projects designed to help reduce expenses and improve the services and overall experience we offer our customers. These efforts, together with a robust risk management program, will again provide the basis for further growth. In short, we expect to continue executing on our Strategic Plan, both in the short and longer terms.

Enclosed is your quarterly dividend in the amount of $0.22 per common share.

Yours very truly,

L. J. Holschbach

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

Forward-Looking Statements
Readers should note that in addition to the historical information contained herein, this letter includes "forward-looking statements," including but not limited to statements about the Company's growth plans, asset dispositions, and integration of the Centrue and Alpine acquisitions. These statements are subject to many risks and uncertainties, including changes in interest rates and other general economic, business and political conditions, including changes in the financial markets; changes in business plans as circumstances warrant; and other risks detailed from time to time in filings made by the Company with the Securities and Exchange Commission (SEC). Readers should note that the forward-looking statements included in this press release are not a guarantee of future events, and that actual events may differ materially from those made in or suggested by the forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "will," "propose," "may," "plan," "seek," "expect," "intend," "estimate," "anticipate," "believe" or "continue," or similar terminology. Any forward-looking statements presented herein are made only as of the date of this press release, and we do not undertake any obligation to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

Midland
States Bancorp, Inc.

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