

# Shareholder Letter 3rd Quarter 2017



The third quarter of 2017 was a very significant quarter for the Company from a long-term perspective, although some of these same factors weighed on our short-term financial results. We continue to grow our franchise and build long-term shareholder value through acquisitions and core growth, even while we, like the community banking sector in general, face the continued headwinds of historically low interest rates and the more challenging deposit environment that results.

Our net income on a GAAP basis in the quarter was \$0.10 per diluted share, which included \$8.3 million (\$0.27 per share) of integration and acquisition expenses and a loss of \$3.6 million (\$0.12 per share) on mortgage servicing rights (MSRs) booked in anticipation of the pending sale of approximately 72% of our residential MSRs in the fourth quarter. Taken together our fully diluted adjusted earnings for the quarter were \$0.49 per share. The sale of a significant portion of our residential MSRs is expected to reduce the volatility in our earnings that results from the quarterly fluctuations in the value of the MSRs from an accounting perspective, and will free up capital for the Alpine acquisition. Additional information concerning our third quarter results is contained in a press release dated October 26th and in the Company's Form 10-Q filed with the SEC on November 9th. Each of these documents is available on our website under the "Investors" tab.

From a long-term perspective the most important event in the third quarter was our announcement of

an agreement to acquire Alpine Bancorporation, Inc. Alpine has the lead market share by deposits in the Rockford, Illinois market, which is the second largest market in Illinois. The acquisition will increase our total assets by \$1.3 billion, to approximately \$5.8 billion, and will increase our assets under management in our Wealth Management group by \$1.0 billion, to just over \$3.0 billion (in each case based on Midland's and Alpine's third quarter ending data). As described in our September 16th press release announcing the transaction, when the transaction is completed we expect it to be immediately accretive to earnings and significantly improve our presence in our Northern Illinois region.

We also completed the data conversion and business integration of Centrue Bank in the third quarter, and are on track to realize the cost-savings we had originally projected from this acquisition. The third quarter was the first full quarter of having Centrue on our books, and we saw significant enhancements in a number of important metrics from that addition. including a 25% increase in net interest income and a 13.1% increase in fee income. Separate from Centrue, we were also able to increase our average interest rate on new and renewed loans in the quarter by 48 basis points as a result of being more selective in the commercial loans we originated in the quarter.

The Centrue and Alpine acquisitions, which in the aggregate account for almost \$3.0 billion in additional assets for our Bank and \$1.0 billion of assets under management for our wealth group, also help increase



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# 3rd Quarter 2017 Financial Results

# **Summary Consolidated Financial Data**

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

Numary Income Statement Data - Unaudited   Interest income   1,40		Th	Three Months Ended September 30,				Nine Months Ended September 30,			
Interest income		2	017		2016		2017		2016	
Net interest income   6.481   3.27   5.967   79.274   79.274   79.275   7	Summary Income Statement Data - Unaudited									
Net interest income         36,765         27,265         39,626         79,294           Provision for loan losses         1,489         1,392         3,346         3,146           Noninterest income after provision for loan losses         35,276         25,873         90,146         76,148           Noninterest income         3,777         3,260         14,625         18,360           Residential mortgage banking revenue         2,317         4,990         7,563         7,148           Wealth management revenue         3,475         1,941         4,147         2,916           Interchange revenue         1,724         90         3,816         2,829           FDIC loss-sharing expense         1,772         2,762         5,459         6,334           Total noninterest income         15,403         14,937         45,54         41,552           Noninterest expense:         22,411         16,558         16,138         48,947           Occupancy and equipment         4,144         3,271         10,800         9,815           Data processing         5,786         2,586         11,533         7,831           Loss on mortgage servicing rights held for sale         1,187         1,54         2,271         1,613      <	Interest income	\$	43,246	\$	31,186	\$	109,613	\$	91,268	
Provision for loan losses         1,489         1,329         3,480         3,146           Nt interest income after provision for loan losses         3,676         25,873         90,146         76,148           Noninterest income:         3,777         3,260         14,625         18,360           Residential mortgage banking revenue         2,317         4,990         7,553         1,714           Wealth management revenue         3,475         1,941         9,754         5,596           Service charges on deposit accounts         1,124         900         3,816         2,829           FDIC loss-sharing expense         1,127         2,762         5,545         6,384           Total noninterest income         1,977         2,762         5,545         6,384           Total noninterest income         1,977         2,762         5,545         6,384           Total noninterest income         2,2411         16,558         61,368         48,967           Occupancy and equipment         4,141         1,677         1,058         5,181           Data processing         5,786         2,586         61,368         48,967           Amortization of intangible assets         1,187         1,613         3,412         1,613	Interest expense		6,481		3,921		15,987		11,974	
Neninterest income after provision for loan losses         35,276         25,873         90,146         76,148           Noninterest income:         Commercial FHA revenue         3,777         3,260         11,625         118,360           Residential mortgage banking revenue         3,375         1,941         9,755         5,596           Service charges on deposit accounts         2,133         1,044         4,147         2,916           Interchange revenue         1,777         2,782         5,596         6,384           Other income         15,707         2,782         5,596         6,384           Total noninterest income         15,403         14,957         5,596         6,384           Noninterest expense:         2,411         16,568         5,158         6,384           Occupancy and equipment         4,144         3,271         10,800         9,815           Observation of intangible assets         2,411         1,658         11,531         7,836           Data processing         5,786         2,586         111,531         7,832           Data processing         4,151         1,877         10,285         5,151           Amortization of intangible assets         1,187         5,14         2,291	Net interest income		36,765		27,265		93,626		79,294	
Noninterest income:	Provision for loan losses		1,489		1,392		3,480		3,146	
Noninterest income:   Commercial FIA revenue	Net interest income after provision for loan losses		35,276		25,873		90,146		76,148	
Residential mortgage banking revenue         2,317         4,909         7,563         7,148           Wealth management revenue         3,475         1,941         4,744         2,905           Service charges on deposit accounts         1,1724         920         3,816         2,829           FDIC loss-sharing expense         1         7         2,782         5,459         6,818           TOtal noninterest income         1,977         2,782         5,459         6,818           Assaries and employee benefits         22,411         16,568         61,368         48,967           Occupancy and equipment         4,141         3,271         1,050         1,518           Abarrization of intangible assets         1,187         1,187         1,028         5,151           Amortization of intangible assets         1,187         5,14         2,291         1,618           Abarrization of intangible assets         2,316         12,153         18,005	Noninterest income:									
Wealth management revenue         3,475         1,941         4,754         5,596           Service charges on deposit accounts         2,133         1,044         4,147         2,916           Interchange revenue         1,72         2,728         3,816         2,829           FDIC loss-sharing expense         1,77         2,782         5,459         6,334           Total noninterest income         15,403         14,337         45,364         41,572           Noninterest expenser:         22,411         16,568         61,368         48,967           Occupancy and equipment         4,144         3,271         10,800         9,815           Data processing         5,786         2,586         11,531         7,830           Professional         4,144         3,271         10,800         9,815           Amortization of intangible assets         1,187         514         2,921         1,613           Loss on mortgage servicing rights held for sale         3,617         1,887         116,805         3,815           Total noninterest expense         48,363         28,657         116,805         3,815           Income taxes         2,316         2,153         18,005         3,815           Income taxes <td>Commercial FHA revenue</td> <td></td> <td>3,777</td> <td></td> <td>3,260</td> <td></td> <td>14,625</td> <td></td> <td>18,360</td>	Commercial FHA revenue		3,777		3,260		14,625		18,360	
Service charges on deposit accounts         2,133         1,044         4,145         2,926           Interchange revenue         1,724         920         3,816         2,829           FDIC loss-sharing expenses         1,977         2,728         5,459         6,384           Other income         15,00         15,00         14,373         45,364         41,572           Noninterest expenses         3,141         16,568         61,368         48,967           Salaries and employee benefits         22,411         16,568         61,368         48,967           Data processing         5,786         2,586         11,531         7,830           Professional         4,151         1,677         10,255         5,151           Amortization of intangible assets         1,161         3,617         1,619         3,812           Aber Other         7,067         3,841         1,619         3,823           Total noninterest expense         43,361         12,153         18,705         30,521           Income before income taxes         2,361         12,153         18,705         30,521           Income before income taxes         2,301         2,515         1,505         3,617         1,505         3,617	Residential mortgage banking revenue		2,317		4,990		7,563		7,148	
Interchange revenue	Wealth management revenue		3,475		1,941		9,754		5,596	
Interchange revenue	Service charges on deposit accounts		2,133		1,044		4,147		2,916	
FDIC loss-sharing expense   1,977   2,726   5,456   6,084   7,000   1,000			1,724		920		3,816		2,829	
Other income         1,977         2,782         5,459         6,384           Total noninterest expenses         15,403         14,975         45,762           Salaries and employee benefits         22,411         16,568         61,368         48,967           Occupancy and equipment         4,144         3,277         10,809         9,815           Data processing         5,151         1,877         10,285         5,151           Amortization of intangible assets         1,187         51         2,291         1,613           Amortization of intangible assets         1,187         51         2,291         1,613           Amortization of intangible assets         1,187         51         2,291         1,613           Amortization of intangible assets         1,187         51         1,613         3,617           Other         7,067         3,841         16,913         13,829           Total noninterest expense         28,03         28,65         116,050         3,819         16,913         13,625           Income taxes         28         4,010         4,640         10,525         1,750         1,750         1,750         1,750         1,750         1,750         1,750         1,750         1,750			_		-		-		(1,661)	
Total noninterest income         15,403         14,937         45,364         41,727           Noninterest expenses:         Salaries and employee benefits         22,411         16,568         61,368         48,967           Occupancy and equipment         4,144         3,271         10,800         9,815           Data processing         5,786         2,586         11,531         7,830           Professional         4,145         1,187         10,285         5,151           Amortization of intangible assets         1,187         514         2,291         1,613           Loss on mortgage servicing rights held for sale         3,617         -         3,617         -           Other         7,067         3,841         16,913         13,823           Total noninterest expense         48,363         28,657         116,805         87,199           Income before income taxes         2,316         12,153         18,705         30,521           Income taxes         2,316         12,153         18,705         30,521           Net income         2         3,00         20         18,00         10,562           Sernings per share:         2         3,00         20         10,0         20,1         1,	•		1,977		2,782		5,459			
Noninterest expenses:         22,411         16,568         61,368         48,967           Cocupancy and equipment         4,144         3,271         10,800         9,815           Data processing         5,786         2,586         11,531         7,830           Professional         4,151         1,877         10,285         5,151           Amortization of intangible assets         1,187         514         2,291         1,613           Loss on mortgage servicing rights held for sale         3,617         514         2,291         1,613           Other         7,067         3,841         16,913         13,823           Total noninterest expense         48,363         28,657         116,805         87,190           Income before income taxes         2,316         12,153         18,705         30,521           Not income         50 control         2,316         12,153         18,705         30,522           Per Common Share Data         2,280         4,102         4,640         10,522           Basic         9,01         9,01         9,08         1,43           Dividend declared         0,02         0,1         9,06         0,5           Basic         19,26,540	Total noninterest income				14,937					
Salaries and employee benefits         22,411         16,568         61,368         48,967           Occupancy and equipment         4,144         3,27         10,800         9,785           Data processing         5,786         2,586         11,531         7,836           Professional         4,151         1,877         10,285         5,151           Amortization of intangible assets         1,187         514         2,291         1,613           Other         3,617         514         2,291         1,613           Other         4,036         3,617         1,691         3,617           Income before income taxes         48,363         28,657         116,695         30,725           Income taxes         2,316         2,153         18,705         30,725           Net income         2,323         4,602         19,505         30,725           Per Common Share Data         2,236         4,002         4,640         10,502         3,637         1,646         10,502         3,637         1,646         10,502         1,646         1,646         1,646         1,646         1,646         1,646         1,646         1,646         1,646         1,646         1,646         1,646         1,6	Noninterest expense:					_				
Occupancy and equipment         4,144         3,271         10,800         9,815           Data processing         5,786         2,258         11,531         7,835           Professional         4,151         1,877         10,268         5,151           Amortization of intangible assets         1,187         514         2,291         1,613           Loss on mortgage servicing rights held for sale         3,617         514         2,291         1,613           Other         7,067         3,841         1,613         3,617           Income before income taxes         2,316         12,153         116,805         8,719           Income taxes         2,316         12,153         18,705         30,521           Income         4,812         4,910         10,505         \$15,550         \$15,550         \$15,550         \$15,550         \$15,550         \$15,550         \$14,550         \$15,550         \$14,550         \$14,550         \$14,550         \$14,550			22,411		16,568		61,368		48,967	
Data processing Professional Profe							-		-	
Professional         4,151         1,877         10,285         5,151           Amortization of intangible assets         1,187         514         2,291         1,613           Loss on mortgage servicing rights held for sale         3,617          3,617            Other         7,067         3,841         16,913         13,823           Total noninterest expense         48,363         28,657         116,805         87,199           Income before income taxes         2,316         1,2153         18,705         30,521           Income taxes         280         4,102         4,640         15,652           Net income         82,03         8,051         14,640         15,652           Net income         82,03         8,051         1,464         15,518           Per Common Share Data         8         0,01         0,51         1,464         1,464           Diluted         0,01         0,51         1,08         1,44           Diluted         0,01         0,51         1,08         1,44           Diluted         1,00         1,558,73         17,274,74         13,637,97           Return on average assets         0,18         1,03         1,079			-							
Amortization of intangible assets         1,187         514         2,291         1,613           Loss on mortgage servicing rights held for sale         3,617			-		-		-		-	
Loss on mortgage servicing rights held for sale         3,617         3,617         3,617         1,620         3,841         1,6,913         1,3,823           Total noninterest expense         48,363         28,657         116,805         87,190           Income before income taxes         2,316         12,153         18,705         30,521           Income taxes         2,208         4,102         4,640         10,562           Net income         8         2,803         8,010         314,065         10,562           Per Common Share Data         8         0.10         0.51         3,081         1,46           Earnings per share:         8         0.10         0.51         3,081         1,46           Diluted         0.10         0.51         0.08         1,44           Dividends declared         0.20         0.18         0.09         0.54           Weighted average common shares outstanding:         15,578,703         17,274,74         13,637,997           Diluted         19,704,21         15,578,703         17,274,74         13,637,997           Return on average assets         10,88         1,08         0.59         0.88           Adjusted return on average shareholders' equity         1,88	Amortization of intangible assets		-		-					
Other         7,064         3,441         16,165         31,828           Total noninterest expense         48,363         28,567         116,055         87,179           Income before income taxes         2,316         12,153         18,065         30,521           Net income         2,206         8,000         4,640         10,565           Net income         8,000         8,000         14,000         10,000           Basic         9,000         0,018         0,00         0,01           Diluted         0,00         0,00         0,00         0,00           Weighted average common shares outstanding:         8,000         15,578,70         17,274,74         13,637,976           Basic         19,000         15,578,70         17,274,74         13,637,976           Dividends declared         19,000         15,578,70         17,274,74         13,637,976           Basic         19,000         15,578,70         17,274,74         13,637,976           Dividends declared         19,000         15,578,70         17,274,74         13,637,976           Basic         10,000         15,578,70         17,274,74         13,637,976           Basic         10,000         10,000         10,					_				-	
Total noninterest expense         48,363         28,657         116,805         87,199           Income before income taxes         2,316         12,153         18,705         30,521           Income taxes         280         4,102         4,640         10,562           Net income         8,200         8,001         \$14,005         \$19,952           Per Common Share Data           Earnings per share:           Basic         \$0,10         0.51         0.81         1,46           Dividends declared         0.0         0.51         0.60         0.54           Weighted average common shares outstanding:         8         19,265,409         15,578,703         17,274,746         13,637,997           Diluted         19,704,217         15,585,273         17,797,235         13,002,664           Selected Performance Metrics           Return on average assets         0.18%         1.03%         0.50         0.88%           Adjusted return on average shareholders' equity         0.87%         1.06%         0.99%         0.93%           Return on average shareholders' equity         1,78%         10,04%         4,94%         9,68%           Return on average tangible common shareholders' equity					3 841				13 823	
Income before income taxes										
Net income taxes   280   2,003   2,005   2,0	•					_				
Net income         \$2,036         8,051         14,065         19,959           Per Common Share Data         Earnings per share:           Basic         \$0,10         0.51         0.61         1,46           Diluted         0.0         0.51         0.78         1,43           Dividends declared         0.0         0.51         0.78         1,43           Weighted average common shares outstanding:         8         19,265,409         15,578,703         17,274,746         13,637,997           Diluted         19,704,217         15,588,273         17,797,235         13,902,648           Selected Performance Metrics           Return on average assets         0.18%         1.03%         0.50%         0.88%           Adjusted return on average assets         0.18%         1.06%         0.99%         0.93%           Return on average shareholders' equity         0.87%         1.06%         0.99%         0.93%           Return on average tangible common shareholders' equity         2.39%         12.01%         6.29%         12.01%           Adjusted return on average tangible common shareholders' equity         1.1,43%         12.35%         12.53%         12.73%           Yield on earning assets         4.44 <th< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></th<>										
Per Common Share Data           Earnings per share:         \$ 0.10         \$ 0.51         \$ 0.81         \$ 1.46           Diluted         0.10         0.51         0.78         1.43           Dividends declared         0.20         0.18         0.60         0.54           Weighted average common shares outstanding:         88sic         19,265,409         15,578,703         17,274,746         13,637,997           Diluted         19,704,217         15,858,273         17,797,235         13,902,664           Selected Performance Metrics           Return on average assets         0.18%         1.03%         0.50%         0.88%           Adjusted return on average assets of the color of average shareholders' equity         0.87%         1.06%         0.99%         0.93%           Return on average tangible common shareholders' equity         2.39%         12.01%         6.29%         12.01%           Adjusted return on average tangible common shareholders' equity         2.39%         12.01%         6.29%         12.01%           Adjusted return on average tangible common shareholders' equity         1.43%         12.35%         12.53%         12.73%           Yield on earning assets         4.44%         4.57%         4.41%         4.60%		\$		\$		\$		\$		
Earnings per share:           Basic         \$ 0.10         \$ 0.51         \$ 0.81         \$ 1.46           Diluted         0.10         0.51         0.78         1.43           Dividends declared         0.20         0.18         0.60         0.54           Weighted average common shares outstanding:         8 0.20         15,578,703         17,274,746         13,637,997         15,578,701         17,797,235         13,902,664         10,100		<u> </u>		<u> </u>	0,001	<u></u>	/000	<u> </u>	.,,,,,,,	
Basic         \$ 0.10         \$ 0.51         \$ 0.81         \$ 1.46           Diluted         0.10         0.51         0.78         1.43           Dividends declared         0.20         0.18         0.60         0.54           Weighted average common shares outstanding:         8         15,578,703         17,274,746         13,637,997         15,958,273         17,797,235         13,902,664           Selected Performance Metrics           Return on average assets         0.18%         1.03%         0.50%         0.88%           Adjusted return on average shareholders' equity         0.87%         1.06%         0.99%         0.93%           Return on average tangible common shareholders' equity         1.78%         10.04%         4.94%         9.68%           Return on average tangible common shareholders' equity         2.39%         12.01%         6.29%         12.01%           Adjusted return on average tangible common shareholders' equity         11.43%         12.35%         12.53%         12.73%           Yield on earning assets         4.44%         4.57%         4.41%         4.60%           Cost of average interest-bearing liabilities         0.79%         0.71%         0.77%         0.73%           Net interest margin         3.78%										
Diluted         0.10         0.51         0.78         1.43           Dividends declared         0.20         0.18         0.60         0.54           Weighted average common shares outstanding:         19,265,409         15,578,703         17,274,746         13,637,997           Diluted         19,704,217         15,858,273         17,797,235         13,902,664           Selected Performance Metrics           Return on average assets         0.18%         1.03%         0.50%         0.88%           Adjusted return on average shareholders' equity         0.87%         1.06%         0.99%         0.93%           Return on average shareholders' equity         1.78%         10.04%         4.94%         9.68%           Return on average tangible common shareholders' equity         2.39%         12.01%         6.29%         12.01%           Adjusted return on average tangible common shareholders' equity         2.39%         12.01%         6.29%         12.73%           Yield on earning assets         4.44%         4.57%         4.41%         4.60%           Cost of average interest-bearing liabilities         0.79%         0.71%         0.77%         0.73%           Net interest margin         3.78%         4.00%         3.78%         4.01%	•									
Dividends declared         0.20         0.18         0.60         0.54           Weighted average common shares outstanding:         19,265,409         15,578,703         17,274,746         13,637,977           Diluted         19,704,217         15,858,273         17,797,235         13,902,664           Selected Performance Metrics           Return on average assets         0.18%         1.03%         0.50%         0.88%           Adjusted return on average assets <sup>(1)</sup> 0.87%         1.06%         0.99%         0.93%           Return on average shareholders' equity         1.78%         10.04%         4.94%         9.68%           Return on average tangible common shareholders' equity         2.39%         12.01%         6.29%         12.01%           Adjusted return on average tangible common shareholders' equity <sup>(2)</sup> 11.43%         12.35%         12.53%         12.73%           Yield on earning assets         4.44%         4.57%         4.41%         4.60%           Cost of average interest-bearing liabilities         0.79%         0.71%         0.77%         0.73%           Net interest margin         3.78%         4.00%         3.78%         4.01%           Efficiency ratio         69.00%         64.54%         67.39%         66		\$		\$		\$		\$		
Weighted average common shares outstanding:           Basic         19,265,409         15,578,703         17,274,746         13,637,977           Diluted         19,704,217         15,858,273         17,797,235         13,902,664           Selected Performance Metrics           Return on average assets         0.18%         1.03%         0.50%         0.88%           Adjusted return on average shareholders' equity         0.87%         1.06%         0.99%         0.93%           Return on average tangible common shareholders' equity         2.39%         12.01%         6.29%         12.01%           Adjusted return on average tangible common shareholders' equity <sup>[2]</sup> 11.43%         12.35%         12.53%         12.73%           Yield on earning assets         4.44%         4.57%         4.41%         4.60%           Cost of average interest-bearing liabilities         0.79%         0.71%         0.77%         0.73%           Net interest margin         3.78%         4.00%         3.78%         4.01%           Efficiency ratio         69.00%         64.54%         67.39%         66.20%           Common stock dividend payout ratio         200.00%         35.29%         74.07%         36.99%           Net charge-offs to average loans										
Basic Diluted         19,265,409 15,578,703         17,274,746 13,637,997           Diluted         19,704,217         15,858,273         17,797,235         13,902,664           Selected Performance Metrics           Return on average assets         0.18%         1.03%         0.50%         0.88%           Adjusted return on average shareholders' equity         0.87%         1.06%         0.99%         0.93%           Return on average shareholders' equity         1.78%         10.04%         4.94%         9.68%           Return on average tangible common shareholders' equity         2.39%         12.01%         6.29%         12.01%           Adjusted return on average tangible common shareholders' equity         11.43%         12.35%         12.53%         12.73%           Yield on earning assets         4.44%         4.57%         4.41%         4.60%           Cost of average interest-bearing liabilities         0.79%         0.71%         0.77%         0.73%           Net interest margin         3.78%         4.00%         3.78%         4.01%           Efficiency ratio         69.00%         64.54%         67.39%         66.20%           Common stock dividend payout ratio         200.00%         35.29%         74.07%         36.99%			0.20		0.18		0.60		0.54	
Diluted         19,704,217         15,858,273         17,797,235         13,902,664           Selected Performance Metrics           Return on average assets         0.18%         1.03%         0.50%         0.88%           Adjusted return on average shareholders' equity         0.87%         1.06%         0.99%         0.93%           Return on average shareholders' equity         1.78%         10.04%         4.94%         9.68%           Return on average tangible common shareholders' equity         2.39%         12.01%         6.29%         12.01%           Adjusted return on average tangible common shareholders' equity <sup>(2)</sup> 11.43%         12.35%         12.53%         12.73%           Yield on earning assets         4.44%         4.57%         4.41%         4.60%           Cost of average interest-bearing liabilities         0.79%         0.71%         0.77%         0.73%           Net interest margin         3.78%         4.00%         3.78%         4.01%           Efficiency ratio         69.00%         64.54%         67.39%         66.20%           Common stock dividend payout ratio         200.00%         35.29%         74.07%         36.99%           Net charge-offs to average loans         0.01%         0.11%         0.07% <t< td=""><td>Weighted average common shares outstanding:</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>	Weighted average common shares outstanding:									
Selected Performance Metrics         Return on average assets       0.18%       1.03%       0.50%       0.88%         Adjusted return on average assets <sup>(1)</sup> 0.87%       1.06%       0.99%       0.93%         Return on average shareholders' equity       1.78%       10.04%       4.94%       9.68%         Return on average tangible common shareholders' equity       2.39%       12.01%       6.29%       12.01%         Adjusted return on average tangible common shareholders' equity <sup>(2)</sup> 11.43%       12.35%       12.53%       12.73%         Yield on earning assets       4.44%       4.57%       4.41%       4.60%         Cost of average interest-bearing liabilities       0.79%       0.71%       0.77%       0.73%         Net interest margin       3.78%       4.00%       3.78%       4.01%         Efficiency ratio       69.00%       64.54%       67.39%       66.20%         Common stock dividend payout ratio       200.00%       35.29%       74.07%       36.99%         Net charge-offs to average loans       0.01%       0.11%       0.07%       0.23%										
Return on average assets       0.18%       1.03%       0.50%       0.88%         Adjusted return on average assets <sup>(1)</sup> 0.87%       1.06%       0.99%       0.93%         Return on average shareholders' equity       1.78%       10.04%       4.94%       9.68%         Return on average tangible common shareholders' equity       2.39%       12.01%       6.29%       12.01%         Adjusted return on average tangible common shareholders' equity <sup>(2)</sup> 11.43%       12.35%       12.53%       12.73%         Yield on earning assets       4.44%       4.57%       4.41%       4.60%         Cost of average interest-bearing liabilities       0.79%       0.71%       0.77%       0.73%         Net interest margin       3.78%       4.00%       3.78%       4.01%         Efficiency ratio       69.00%       64.54%       67.39%       66.20%         Common stock dividend payout ratio       200.00%       35.29%       74.07%       36.99%         Net charge-offs to average loans       0.01%       0.11%       0.07%       0.23%	Diluted	19,7	704,217	1	5,858,273		17,797,235	1	3,902,664	
Adjusted return on average assets(1)       0.87%       1.06%       0.99%       0.93%         Return on average shareholders' equity       1.78%       10.04%       4.94%       9.68%         Return on average tangible common shareholders' equity       2.39%       12.01%       6.29%       12.01%         Adjusted return on average tangible common shareholders' equity(2)       11.43%       12.35%       12.53%       12.73%         Yield on earning assets       4.44%       4.57%       4.41%       4.60%         Cost of average interest-bearing liabilities       0.79%       0.71%       0.77%       0.73%         Net interest margin       3.78%       4.00%       3.78%       4.01%         Efficiency ratio       69.00%       64.54%       67.39%       66.20%         Common stock dividend payout ratio       200.00%       35.29%       74.07%       36.99%         Net charge-offs to average loans       0.01%       0.11%       0.07%       0.23%	Selected Performance Metrics									
Adjusted return on average assets(1)       0.87%       1.06%       0.99%       0.93%         Return on average shareholders' equity       1.78%       10.04%       4.94%       9.68%         Return on average tangible common shareholders' equity       2.39%       12.01%       6.29%       12.01%         Adjusted return on average tangible common shareholders' equity(2)       11.43%       12.35%       12.53%       12.73%         Yield on earning assets       4.44%       4.57%       4.41%       4.60%         Cost of average interest-bearing liabilities       0.79%       0.71%       0.77%       0.73%         Net interest margin       3.78%       4.00%       3.78%       4.01%         Efficiency ratio       69.00%       64.54%       67.39%       66.20%         Common stock dividend payout ratio       200.00%       35.29%       74.07%       36.99%         Net charge-offs to average loans       0.01%       0.11%       0.07%       0.23%	Return on average assets		0.18%		1.03%		0.50%		0.88%	
Return on average shareholders' equity       1.78%       10.04%       4.94%       9.68%         Return on average tangible common shareholders' equity       2.39%       12.01%       6.29%       12.01%         Adjusted return on average tangible common shareholders' equity <sup>(2)</sup> 11.43%       12.35%       12.53%       12.73%         Yield on earning assets       4.44%       4.57%       4.41%       4.60%         Cost of average interest-bearing liabilities       0.79%       0.71%       0.77%       0.73%         Net interest margin       3.78%       4.00%       3.78%       4.01%         Efficiency ratio       69.00%       64.54%       67.39%       66.20%         Common stock dividend payout ratio       200.00%       35.29%       74.07%       36.99%         Net charge-offs to average loans       0.01%       0.11%       0.07%       0.23%							0.99%			
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Yield on earning assets       4.44%       4.57%       4.41%       4.60%         Cost of average interest-bearing liabilities       0.79%       0.71%       0.77%       0.73%         Net interest margin       3.78%       4.00%       3.78%       4.01%         Efficiency ratio       69.00%       64.54%       67.39%       66.20%         Common stock dividend payout ratio       200.00%       35.29%       74.07%       36.99%         Net charge-offs to average loans       0.01%       0.11%       0.07%       0.23%		2)								
Cost of average interest-bearing liabilities       0.79%       0.71%       0.77%       0.73%         Net interest margin       3.78%       4.00%       3.78%       4.01%         Efficiency ratio       69.00%       64.54%       67.39%       66.20%         Common stock dividend payout ratio       200.00%       35.29%       74.07%       36.99%         Net charge-offs to average loans       0.01%       0.11%       0.07%       0.23%										
Net interest margin       3.78%       4.00%       3.78%       4.01%         Efficiency ratio       69.00%       64.54%       67.39%       66.20%         Common stock dividend payout ratio       200.00%       35.29%       74.07%       36.99%         Net charge-offs to average loans       0.01%       0.11%       0.07%       0.23%	•									
Efficiency ratio       69.00%       64.54%       67.39%       66.20%         Common stock dividend payout ratio       200.00%       35.29%       74.07%       36.99%         Net charge-offs to average loans       0.01%       0.11%       0.07%       0.23%	g g									
Common stock dividend payout ratio         200.00%         35.29%         74.07%         36.99%           Net charge-offs to average loans         0.01%         0.11%         0.07%         0.23%	S .									
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ivet charge-offs to average loans - excludes PCI U.01% U.10% U.08% U.23%										
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Adjusted return on average assets represents a non-GAAP financial measure calculated as Adjusted Earnings<sup>(3)</sup> divided by average assets.
 Adjusted return on average tangible common shareholders' equity represents a non-GAAP financial measure calculated as Adjusted Earnings<sup>(3)</sup> available to common shareholders divided by average tangible common shareholders' equity
 Adjusted Earnings is a non-GAAP financial measure that represents income before income taxes adjusted for certain other income and expense items that are not part of

our core business. Other income adjustments primarily include gain on sales of investment securities and other expense adjustments are comprised primarily of integration and acquisition related expenses.

# **Summary Consolidated Financial Data - Continued** (in thousands, except for share and per share data)

	Sep	tember 30, 2017	December 31, 2016			
Summary Balance Sheet Data - Unaudited						
Total assets	\$	4,347,761	\$	3,233,723		
Loans		3,157,972		2,319,976		
Allowance for loan losses		(16,861)		(14,862)		
Investment securities		467,852		325,011		
Cash and cash equivalents		183,572		190,716		
Deposits		3,114,467		2,404,366		
Borrowings		642,313		369,075		
Subordinated debt and trust preferred debentures		99,848		91,913		
Shareholders' equity		450,689		321,770		
Per Common Share Data						
Book value	\$	23.45	\$	20.78		
Tangible book value		17.41		17.16		
Common shares outstanding		19,093,153		15,483,499		
Regulatory and Other Capital Ratios - Consolidated						
Tier 1 leverage ratio		8.54%		9.76%		
Tier 1 capital to risk-weighted assets		10.20%		11.27%		
Total capital to risk-weighted assets		12.21%		13.85%		
Common equity Tier 1 capital		8.50%		9.35%		
Tangible common equity to tangible assets		7.85%		8.36%		
Regulatory Capital Ratios - Midland States Bank						
Tier 1 leverage ratio		10.05%		10.05%		
Tier 1 capital to risk-weighted assets		11.99%		11.61%		
Total capital to risk-weighted assets		12.47%		12.17%		
Common equity Tier 1 capital		11.99%		11.61%		
Credit Quality Data						
Allowance for loan losses to total loans		0.53%		0.64%		
Allowance for loan losses plus credit marks to total loans		0.99%		1.02%		
•						

the magnitude of our core bank and wealth management operations as a percentage of total revenue. This should also help mitigate the volatility in other areas of our business, including in the residential and commercial mortgage areas. Also as a result of these acquisitions we have been able to quickly and effectively deploy the capital generated by our 2016 IPO, and our shareholders have seen an approximate 50% increase in the price of our shares since the IPO. We currently expect to hold a Special Meeting of Shareholders early next year with respect to the acquisition, so please watch for the notice of the meeting to come in the mail.

Alpine will also help us to drive further core growth. As is the case with many top-performing banks, we currently are operating at a comparatively high loan-to-deposit ratio, and attracting additional core deposits is high on our list of priorities. Alpine will bring us approximately \$300 million in lowcost deposits that can support future loan growth. Nevertheless, remain focused on generating additional deposits. Just as I have challenged our bankers to reach out to individuals and businesses in this regard, I also want to ask you to consider increasing your deposits (or open a new deposit

account) with Midland. This is a great way for you to help increase the value of your investment in the Company while also banking at one of the best banks in the nation. We have included a flyer describing our current deposit promotion. Please contact any of our bankers for more information or assistance opening a new account.

As a final note for the quarter, Kevin Thompson, who we had hired as Chief Financial Officer in late 2016, decided that he wanted to return to the West coast and continue his career in a larger market. We are fortunate to have Jeff Ludwig, who held that position for 10 years prior to Kevin joining us, to step in and fill that position while we conduct a search for a permanent replacement.

Enclosed is your quarterly dividend in the amount of 0.20 per common share.

Yours very truly,

3.1. Holechlack

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



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, integration of the Centrue acquisition, and the completion of the Alpine transaction. 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 forwardlooking 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.

### Additional Information

This letter includes disclosure in respect of the Alpine transaction and does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval.

Midland will file a registration statement on Form S-4 with the SEC in connection with the proposed transaction. The registration statement will include a joint proxy statement of Midland and Alpine that will also constitute a prospectus of Midland, which will be sent to Midland's and Alpine's respective shareholders. Shareholders are advised to read the joint proxy statement/ prospectus and other documents filed with the SEC when they become available because they will contain important information about Midland, Alpine and the proposed transaction. When filed, this document and other documents relating to the Merger filed by Midland can be obtained free of charge from the website maintained by the SEC at www.sec.gov. These documents also can be obtained free of charge by accessing Midland's website at www.midlandsb.com under "Investors" and then under the "SEC Filings" tab. Alternatively, once they become available any of these filed documents can be obtained free of charge upon written request to Midland States Bancorp, Inc., Corporate Secretary, 1201 Network Centre Drive, Effingham, Illinois 62401, by calling (217) 342-7321 or by emailing corpsec@midlandsb.com.

## Participants in this Transaction

Midland, Alpine and certain of their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from shareholders in connection with the proposed transaction under applicable SEC rules. Information about Midland and its directors and executive officers may be found in Midland's annual report on Form 10-K for the year ended December 31, 2016, filed with the SEC on March 10, 2017, and Midland's definitive proxy statement for its 2017 annual meeting of shareholders, filed with the SEC on March 17, 2017. These documents can be obtained free of charge from the sources indicated above. Information regarding Alpine and its directors and executive officers may be found in the joint proxy statement/prospectus when it becomes available. Additional information regarding the interests of these participants will also be included in the joint proxy statement/ prospectus regarding the proposed transaction when it becomes available.

