



Midland States Bancorp, Inc.

NASDAQ: MSBI

First Quarter 2022 Earnings Call

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Use of Non-GAAP Financial Measures. This presentation may contain 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 “Adjusted Earnings,” “Adjusted Pre-Tax, Pre-Provision Income,” “Adjusted Diluted Earnings Per Share,” “Adjusted Return on Average Assets,” “Adjusted Return on Average Shareholders’ Equity,” “Adjusted Return on Average Tangible Common Equity,” “Adjusted Pre-Tax, Provision Return on Average Assets,” “Efficiency Ratio,” “Tangible Common Equity to Tangible Assets,” “Tangible Book Value Per Share,” and “Return on Average Tangible Common Equity.” 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. Not all companies use the same calculation of these measures; therefore this presentation may not be comparable to other similarly titled measures as presented by other companies. Reconciliations of these non-GAAP measures are provided in the Appendix section of this presentation.

Overview of 1Q22

1Q22 Earnings

- Net income of \$20.7 million, or \$0.92 diluted EPS
- Pre-tax, pre-provision earnings⁽¹⁾ of \$32.0 million
- ROAA of 1.16%, ROATCE⁽¹⁾ of 17.84%, and Adjusted PTPP ROAA⁽¹⁾ of 1.79% all increased from prior year

Another Strong Quarter of Loan Production

- Total commercial and CRE loan production increased 115% compared to first quarter of 2021
- Total loans increased 24.1% annualized
- CRE loans, including multifamily, increased \$297 million from the end of the prior quarter

Significant Expansion in Net Interest Margin

- NIM increased 25 basis points to 3.50%
- Strong loan production enabled redeployment of excess liquidity into loan portfolio
- Higher interest rates leading to improved loan pricing on new originations

Strong Expense Management

- Efficiency Ratio⁽¹⁾ of 55.7%
- Adjusted noninterest expense⁽¹⁾ consistent with prior quarter
- More productive commercial banking teams driving strong loan growth without materially impacting expense levels

Notes:

(1) Represents a non-GAAP financial measure. See "Non-GAAP Reconciliation" in the appendix.

Loan Portfolio

- Total loans increased \$315.2 million from prior quarter to \$5.54 billion
- Growth in CRE loans, equipment finance, conventional commercial loans, and consumer loans offset lower end-of-period balances on commercial FHA warehouse credit lines, residential real estate loans, and lower PPP loans
- Equipment finance balances increased \$12.3 million, or 1.3% from end of prior quarter
- Excluding PPP loans and commercial FHA warehouse credit lines, total loans increased at an annualized rate of 27.8% during 1Q22
- PPP loans were \$22.9 million at Mar. 31, 2022, a decrease of \$29.6 million from Dec. 31, 2021

Loan Portfolio Mix

(in millions, as of quarter-end)

	1Q 2022	4Q 2021	1Q 2021
Commercial loans and leases	\$ 1,867	\$ 1,873	\$ 1,977
Commercial real estate	2,114	1,817	1,494
Construction and land development	189	194	192
Residential real estate	329	338	399
Consumer	1,041	1,003	849
Total Loans	\$5,540	\$5,225	\$4,911
Total Loans ex. Commercial FHA Lines and PPP	\$5,433	\$5,080	\$4,494

Total Loans and Average Loan Yield

(in millions, as of quarter-end)



Total Deposits

- Total deposits decreased \$53.1 million from prior quarter to \$6.06 billion
- Decrease in deposits primarily attributable to fluctuations in end-of-period balances of commercial FHA servicing deposits
- Decrease in noninterest-bearing deposits partially offset by increases in lower-cost interest-bearing deposits
- Strong business development momentum in St. Louis resulted in \$120 million increase in commercial deposit balances in that market during 1Q22

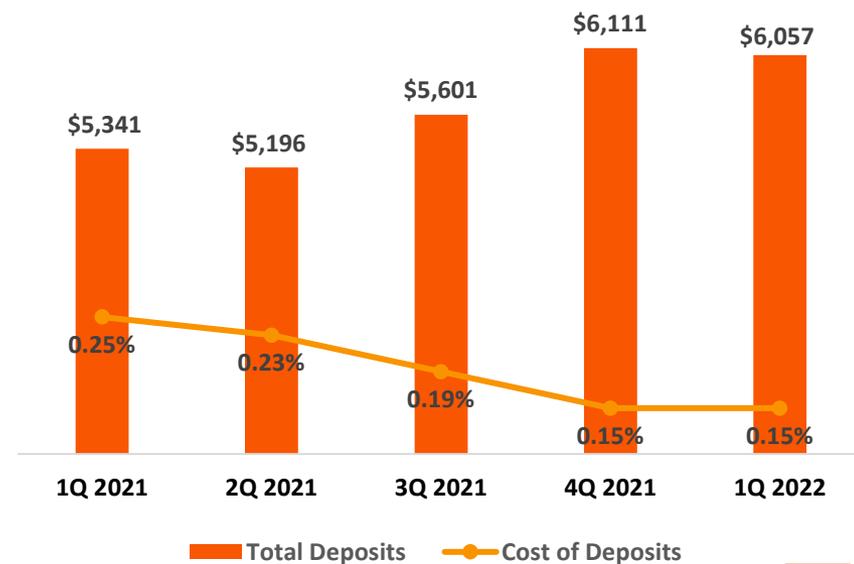
Deposit Mix

(in millions, as of quarter-end)

	1Q 2022	4Q 2021	1Q 2021
Noninterest-bearing demand	\$ 1,965	\$ 2,246	\$ 1,522
Interest-bearing:			
Checking	1,779	1,663	1,601
Money market	964	869	819
Savings	711	679	653
Time	619	631	719
Brokered time	19	23	25
Total Deposits	\$6,057	\$6,111	\$5,341

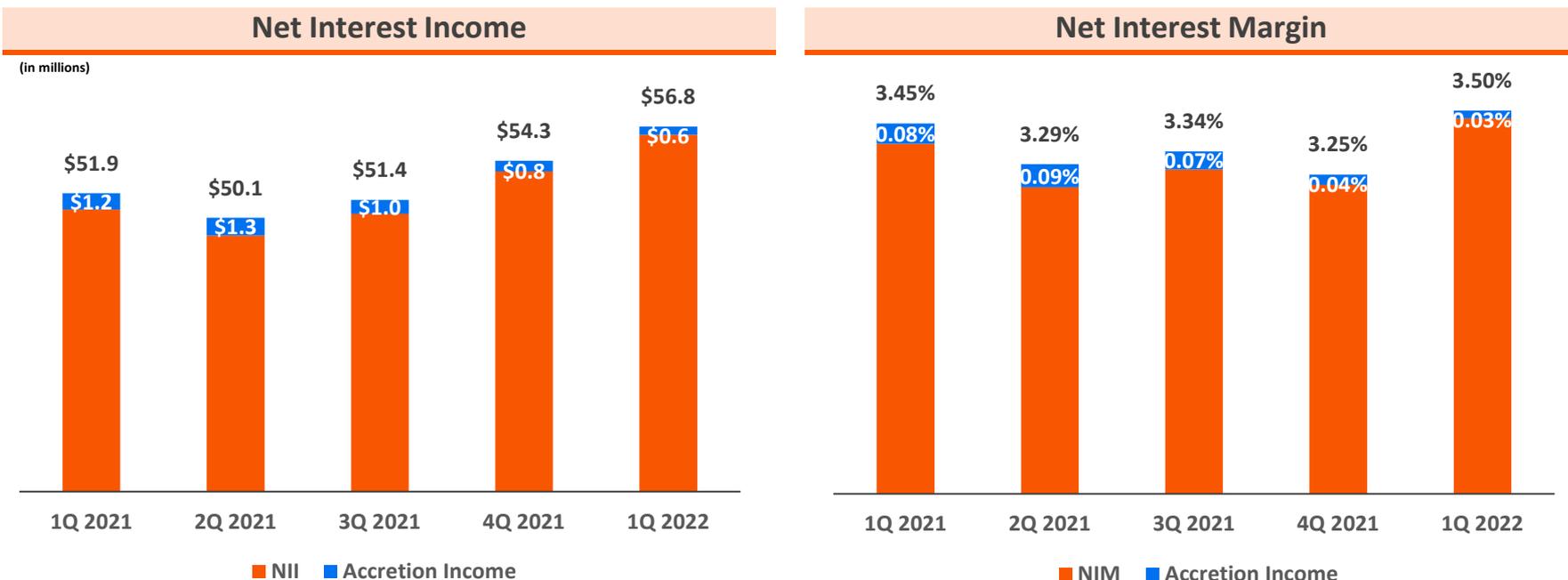
Total Deposits and Cost of Deposits

(in millions, as of quarter-end)



Net Interest Income/Margin

- Net interest income increased 4.7% from the prior quarter due primarily to higher average loan balances and an increase in net interest margin
- Net interest margin, excluding accretion income, increased 26 bps from prior quarter due primarily to the redeployment of excess liquidity into the loan portfolio
- Cash and cash equivalents declined by \$348.1 million from end of prior quarter
- Average rate on new and renewed loan originations increased 17 bps to 4.10% in March 2022 from 3.93% in December 2021
 - Midland Equipment Finance yields increased 76 bps, while other commercial loan yields increased 7 bps

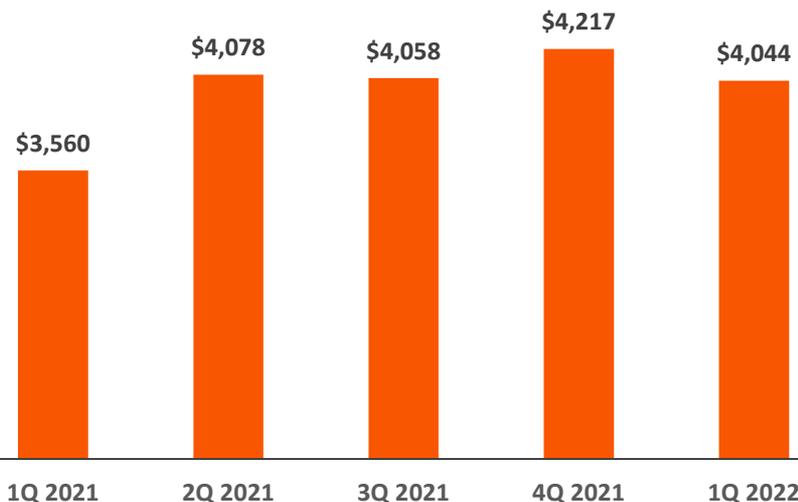


Wealth Management

- During 1Q22, assets under administration decreased \$173.3 million, primarily due to market performance
- Wealth Management revenue was consistent with prior quarter, as seasonal tax preparation fees offset the decrease in AUA

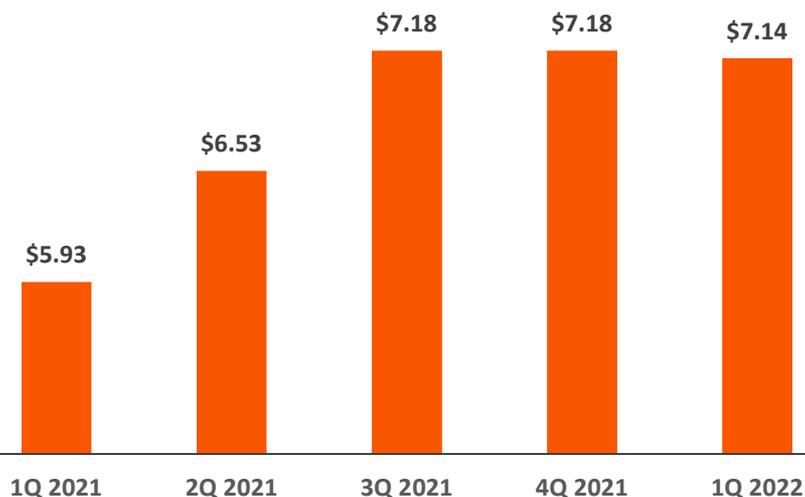
Assets Under Administration

(in millions)



Wealth Management Revenue

(in millions)

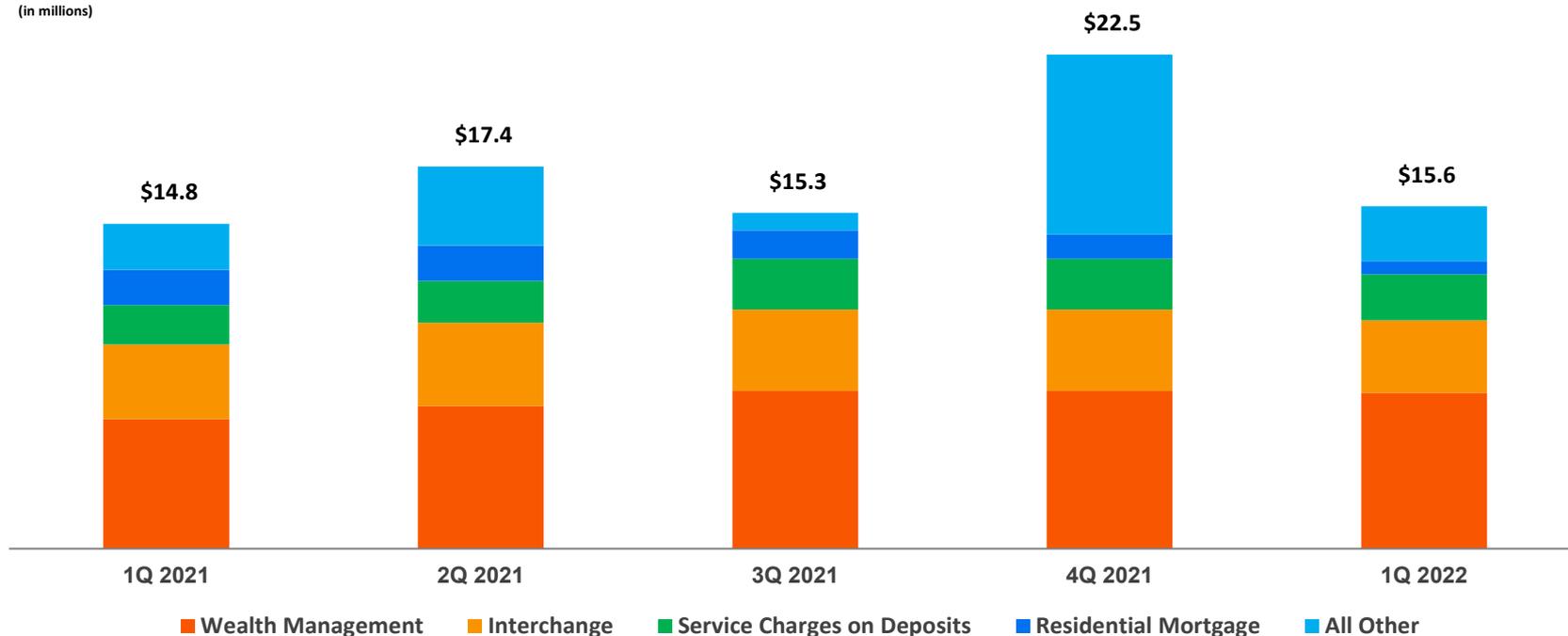


Noninterest Income

- Noninterest income decreased 30.7% from prior quarter, which was positively impacted by a number of one-time items
- Impairment on commercial MSR's impacted noninterest income by \$0.4 million and \$2.1 million in 1Q22 and 4Q21, respectively
- Excluding the impact of the one-time items and impairment of commercial MSR's, noninterest income was lower than the prior quarter due to slight declines in most areas

Noninterest Income

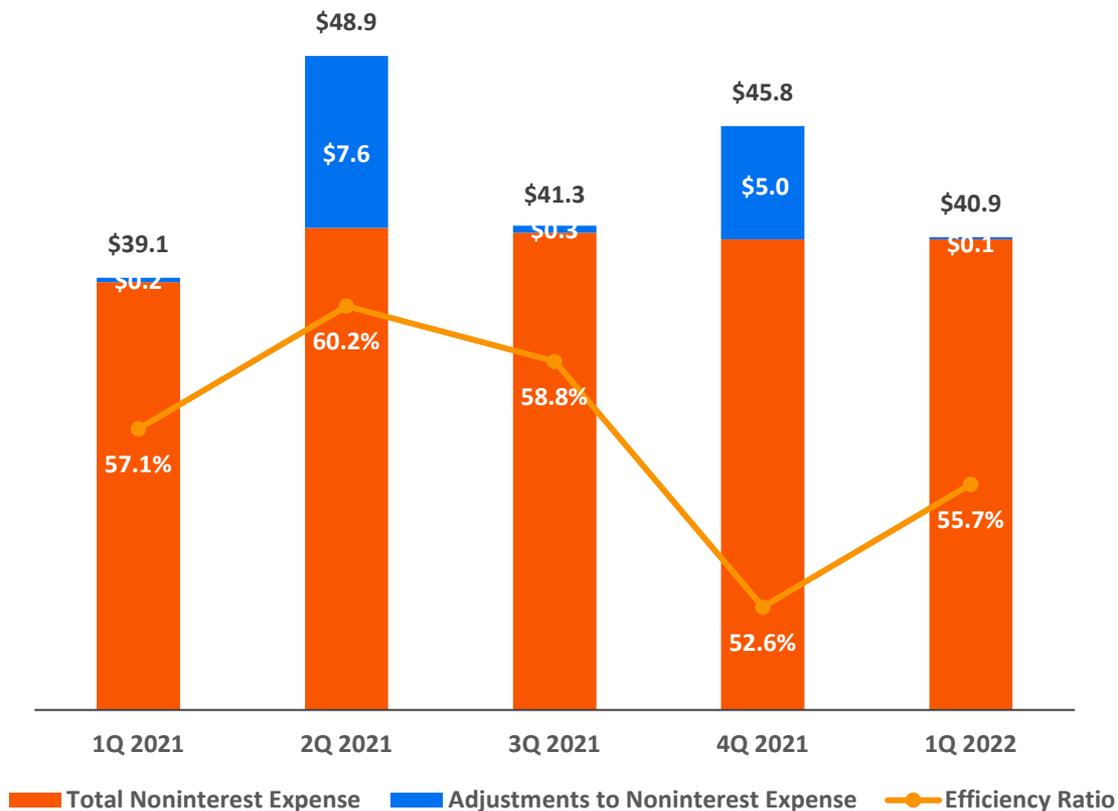
(in millions)



Noninterest Expense and Operating Efficiency

Noninterest Expense and Efficiency Ratio ⁽¹⁾

(Noninterest expense in millions)



- **Efficiency Ratio ⁽¹⁾ was 55.7% in 1Q22 vs. 52.6% in 4Q21**
- **Adjustments to non-interest expense:**

(\$ in millions)	1Q22	4Q21
Integration and acquisition related expenses	(\$0.1)	(\$0.2)
FHLB advance prepayment fee	--	(\$4.9)

- **Excluding these adjustments, noninterest expense was consistent with the prior quarter**
- **Operating expense run-rate expected to be \$41.0 - \$42.0 million in 2022**

Notes:

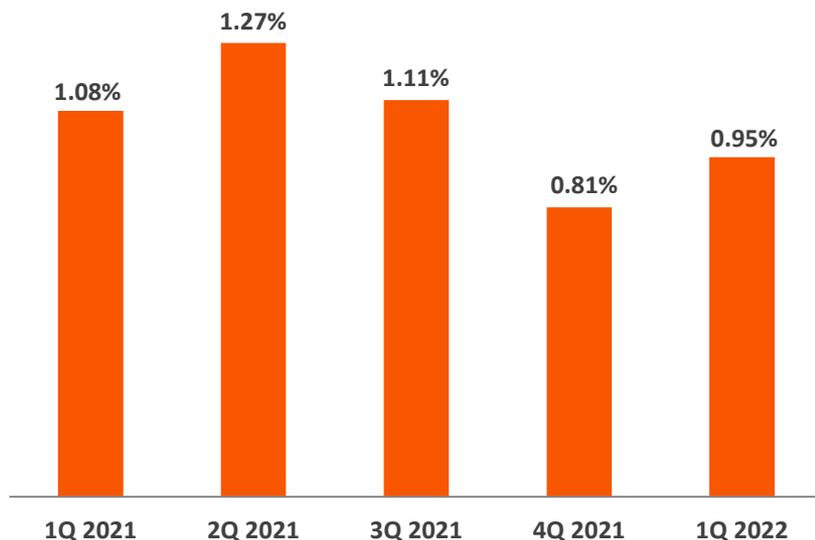
(1) Represents a non-GAAP financial measure. See "Non-GAAP Reconciliation" in the appendix.

Asset Quality

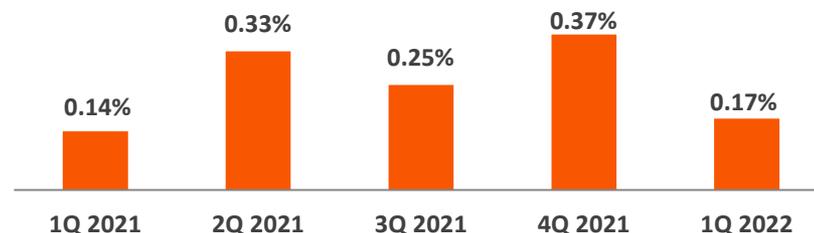
- **Nonperforming loans increased \$10.3 million due to the addition of one commercial real estate loan where no loss is currently expected**
- **Generally positive trends in the loan portfolio with continued upgrades of watch list loans**
- **Net charge-offs of \$2.3 million, or 0.17% of average loans**
- **Provision for credit losses on loans of \$4.1 million primarily related to the growth in total loans**

Nonperforming Loans / Total Loans

(Total Loans as of quarter-end)

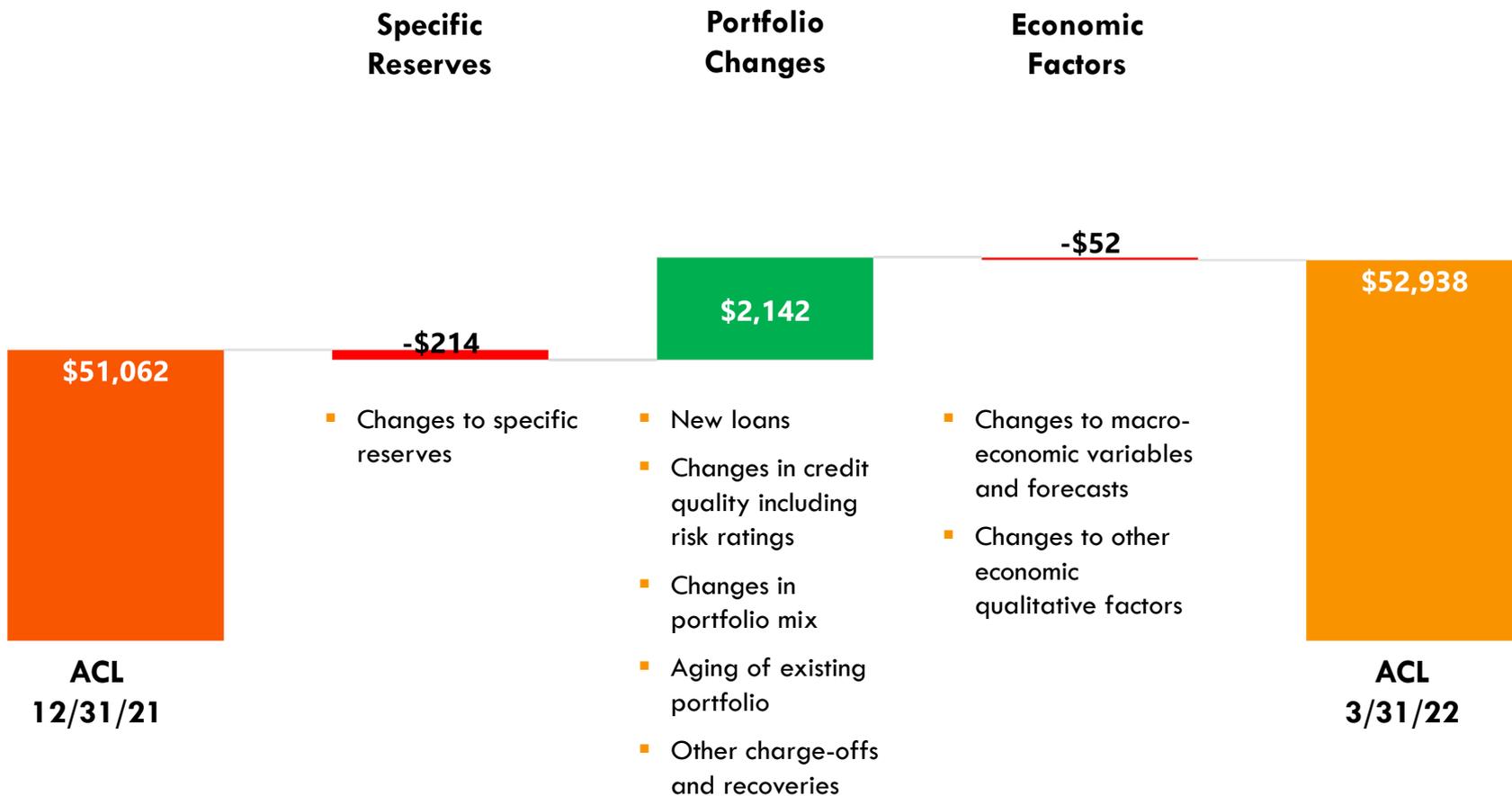


NCO / Average Loans



Changes in Allowance for Credit Losses

(\$ in thousands)



ACL by Portfolio

(\$ in thousands)

Portfolio	Total Loans at 3/31/22	ACL	% of Total Loans	Total Loans at 12/31/21	ACL	% of Total Loans
Commercial	\$ 796,498	\$ 5,078	0.64%	\$ 770,670	\$ 5,783	0.75%
Warehouse Lines	83,999	-	0.00%	91,927	-	0.00%
Commercial Other	641,628	7,543	1.18%	679,518	8,592	1.26%
Equipment Finance	528,572	7,288	1.38%	521,973	8,262	1.58%
Paycheck Protection Program	22,862	34	0.15%	52,477	79	0.15%
Lease Financing	429,000	7,264	1.69%	423,280	7,469	1.76%
CRE non-owner occupied	1,291,239	18,132	1.40%	1,105,333	14,771	1.34%
CRE owner occupied	499,871	5,646	1.13%	469,658	5,941	1.26%
Multi-family	252,507	2,163	0.86%	171,875	1,740	1.01%
Farmland	70,424	336	0.48%	69,962	541	0.77%
Construction and Land Development	188,668	816	0.43%	193,749	972	0.50%
Residential RE First Lien	268,787	2,924	1.09%	274,412	2,314	0.84%
Other Residential	60,544	364	0.60%	63,738	381	0.60%
Consumer	101,692	310	0.30%	106,008	307	0.29%
Consumer Other ⁽¹⁾	939,104	2,362	0.25%	896,598	2,251	0.25%
Total Loans	5,539,961	52,938	0.96%	5,224,801	51,062	0.98%
Loans (excluding GreenSky, PPP and warehouse lines)	4,452,413	50,401	1.13%	4,148,188	48,608	1.17%

Notes:

(1) Primarily consists of loans originated through GreenSky relationship

Outlook

- **Loan pipeline remains very healthy and should support continued strong loan growth**
- **Continued loan growth and asset sensitive balance sheet expected to drive further expansion in net interest margin as interest rates increase**
- **Closing of FNBC branch acquisition in 2Q22 will provide additional low-cost deposits to fund loan growth**
- **Strong expense management should lead to further operating leverage as loan growth and NIM expansion generate higher levels of revenue**
- **Consistent investment in technology platform and development of additional fintech partnerships building the foundation for growth in Banking-as-a-Service over the coming years**
- **Evaluating best options to strengthen capital ratios to support continued strong loan growth, while optimizing capital stack**



APPENDIX

Paycheck Protection Program Overview

Paycheck Protection Program (as of 3/31/22)	
Loans Outstanding	\$22.9 million
Total Fees Earned	\$15.3 million
Fees Recognized in 1Q22	\$1.1 million
Remaining Fees to be Recognized	\$0.9 million

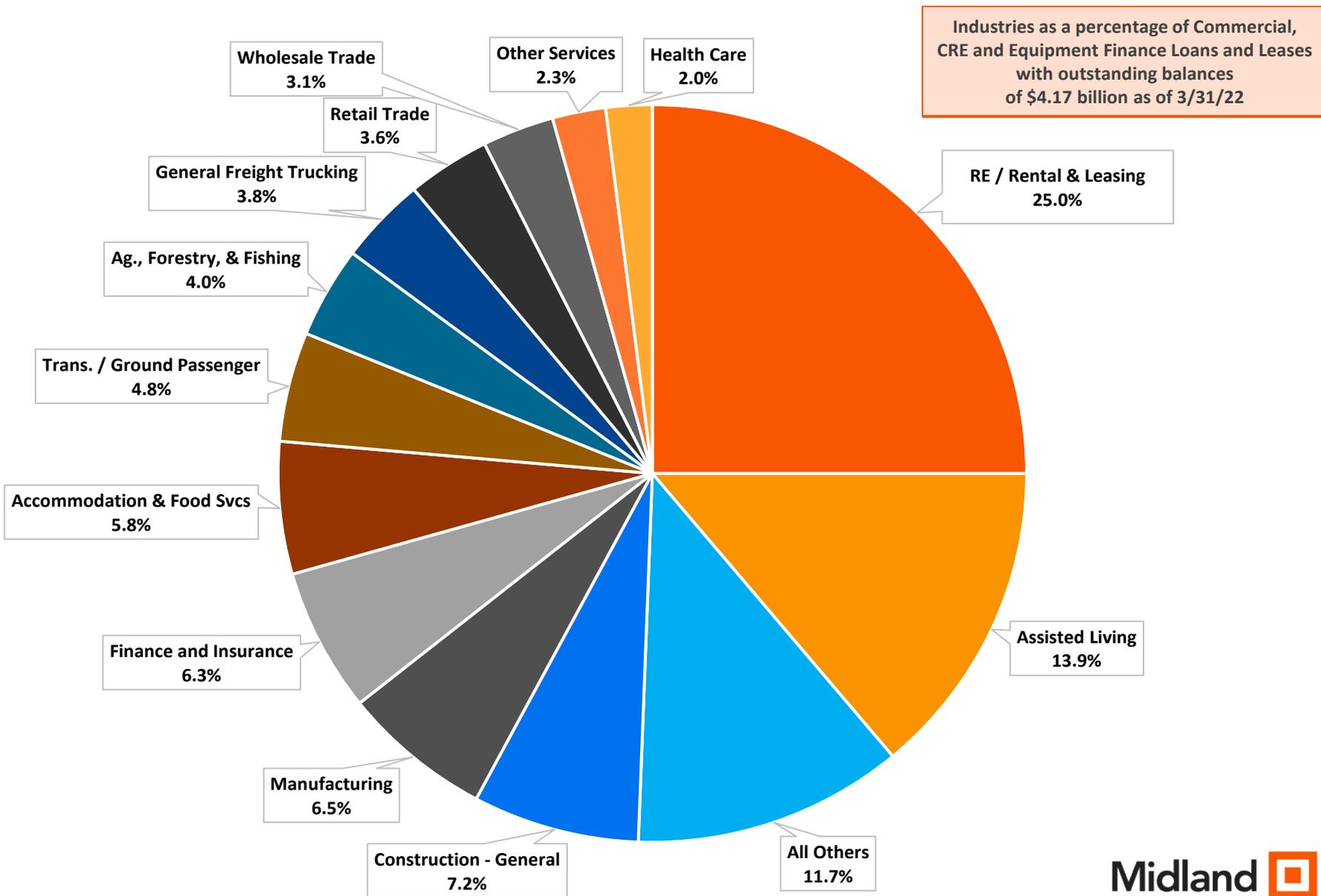
Paycheck Protection Program Loan Forgiveness		
	As of 12/31/21	As of 3/31/22
Loans Submitted to SBA	\$342.4 million	\$362.7 million
Loans Forgiven by SBA	\$333.0 million	\$357.2 million
Percentage of PPP Loans Forgiven	87.5%	93.9%

Impact on 1Q22 Financials

	At or for the Three Months Ended 3/31/22	Metrics Excluding PPP Impact
Total Loans	\$5.54 billion	\$5.52 billion
Average Loans	\$5.27 billion	\$5.24 billion
Net Interest Income FTE ⁽¹⁾	\$57.2 million	\$56.0 million
Net Interest Margin ⁽¹⁾	3.50%	3.45%
ACL/Total Loans	0.96%	0.96%

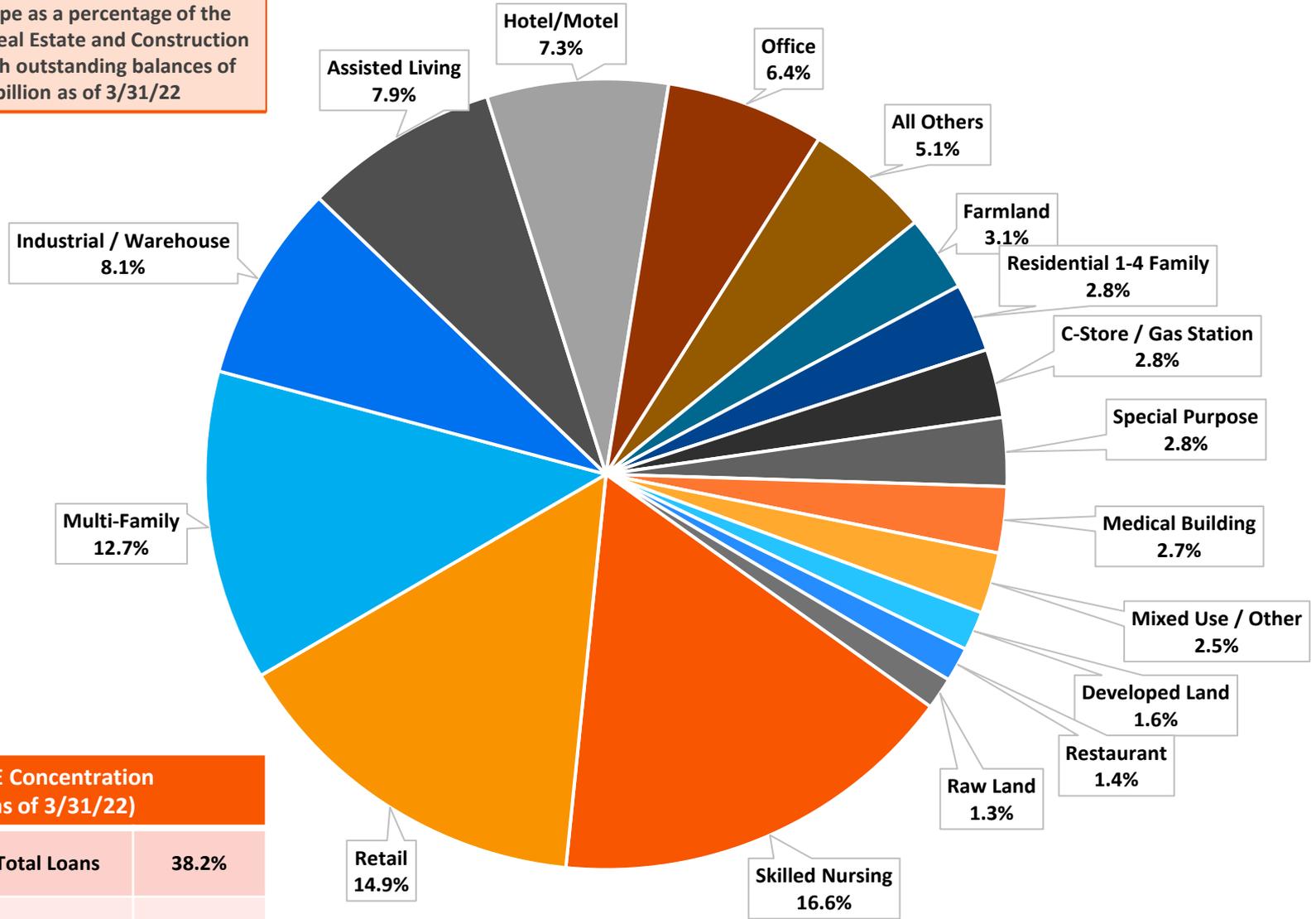
1. Loan fees and deferred loan origination costs being amortized over an estimated 24 to 60 month life of PPP loans

Commercial Loans and Leases by Industry



Commercial Real Estate Portfolio by Collateral Type

Collateral type as a percentage of the Commercial Real Estate and Construction Portfolio with outstanding balances of \$2.30 billion as of 3/31/22



CRE Concentration (as of 3/31/22)

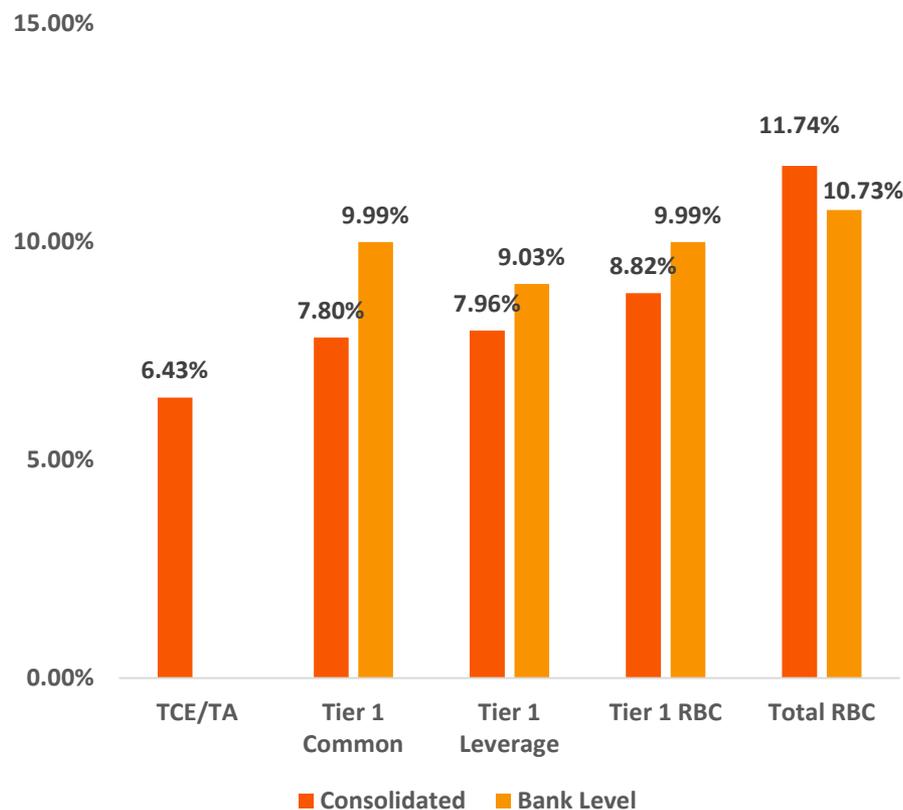
CRE as a % of Total Loans	38.2%
CRE as a % of Total Risk-Based Capital ⁽¹⁾	246.8%

Notes:

(1) Represents non-owner occupied CRE loans only

Capital and Liquidity Overview

Capital Ratios (as of 3/31/22)



Liquidity Sources (as of 3/31/22)

(\$ in millions)

Cash and Cash Equivalents	\$ 332.3
Unpledged Securities	362.0
FHLB Committed Liquidity	1,007.1
FRB Discount Window Availability	64.8
Total Estimated Liquidity	\$ <u>1,766.2</u>

Conditional Funding Based on Market Conditions

Additional Credit Facility	\$ 250.0
Brokered CDs (additional capacity)	\$ 500.0

Other Liquidity

Holding Company Cash Position of \$41.2 Million
Holding Company Line of Credit of \$15.0 Million

MIDLAND STATES BANCORP, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES (unaudited)

Adjusted Earnings Reconciliation

	For the Quarter Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
<i>(dollars in thousands, except per share data)</i>					
Income before income taxes - GAAP	\$ 27,389	\$ 30,600	\$ 25,431	\$ 19,041	\$ 24,040
Adjustments to noninterest income:					
Gain on sales of investment securities, net	-	-	160	377	-
Gain on termination of hedged interest rate swap	-	1,845	-	-	314
Other income	-	-	-	(27)	75
Total adjustments to noninterest income	-	1,845	160	350	389
Adjustments to noninterest expense:					
Loss on mortgage servicing rights held for sale	-	-	79	143	-
FHLB advances prepayment fees	-	4,859	-	3,669	8
Integration and acquisition expenses	91	171	176	3,771	238
Total adjustments to noninterest expense	91	5,030	255	7,583	246
Adjusted earnings pre tax	27,480	33,785	25,526	26,274	23,897
Adjusted earnings tax	6,665	8,369	5,910	6,519	5,463
Adjusted earnings - non-GAAP	\$ 20,815	\$ 25,416	\$ 19,616	\$ 19,755	\$ 18,434
Adjusted diluted earnings per common share	\$ 0.92	\$ 1.12	\$ 0.86	\$ 0.86	\$ 0.81
Adjusted return on average assets	1.16 %	1.39 %	1.15 %	1.17 %	1.11 %
Adjusted return on average shareholders' equity	12.84 %	15.44 %	11.94 %	12.36 %	11.97 %
Adjusted return on average tangible common equity	17.89 %	21.65 %	16.82 %	17.52 %	17.18 %

Adjusted Pre-Tax, Pre-Provision Earnings Reconciliation

	For the Quarter Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
<i>(dollars in thousands)</i>					
Adjusted earnings pre tax - non-GAAP	\$ 27,480	\$ 33,785	\$ 25,526	\$ 26,274	\$ 23,897
Provision for credit losses	4,167	467	(184)	(455)	3,565
Impairment on commercial mortgage servicing rights	394	2,072	3,037	1,148	1,275
Adjusted pre-tax, pre-provision earnings - non-GAAP	\$ 32,041	\$ 36,324	\$ 28,379	\$ 26,967	\$ 28,737
Adjusted pre-tax, pre-provision return on average assets	1.79 %	1.98 %	1.67 %	1.60 %	1.73 %

MIDLAND STATES BANCORP, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES (unaudited) (continued)

Efficiency Ratio Reconciliation

	For the Quarter Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
<i>(dollars in thousands)</i>					
Noninterest expense - GAAP	\$ 40,884	\$ 45,757	\$ 41,292	\$ 48,941	\$ 39,079
Loss on mortgage servicing rights held for sale	-	-	(79)	(143)	-
FHLB advances prepayment fees	-	(4,859)	-	(3,669)	(8)
Integration and acquisition expenses	(91)	(171)	(176)	(3,771)	(238)
Adjusted noninterest expense	<u>\$ 40,793</u>	<u>\$ 40,727</u>	<u>\$ 41,037</u>	<u>\$ 41,358</u>	<u>\$ 38,833</u>
Net interest income - GAAP	\$ 56,827	\$ 54,301	\$ 51,396	\$ 50,110	\$ 51,868
Effect of tax-exempt income	369	372	402	383	386
Adjusted net interest income	<u>57,196</u>	<u>54,673</u>	<u>51,798</u>	<u>50,493</u>	<u>52,254</u>
Noninterest income - GAAP	15,613	22,523	15,143	17,417	14,816
Impairment on commercial mortgage servicing rights	394	2,072	3,037	1,148	1,275
Gain on sales of investment securities, net	-	-	(160)	(377)	-
Gain on termination of hedged interest rate swap	-	(1,845)	-	-	(314)
Other	-	-	-	27	(75)
Adjusted noninterest income	<u>16,007</u>	<u>22,750</u>	<u>18,020</u>	<u>18,215</u>	<u>15,702</u>
Adjusted total revenue	<u>\$ 73,203</u>	<u>\$ 77,423</u>	<u>\$ 69,818</u>	<u>\$ 68,708</u>	<u>\$ 67,956</u>
Efficiency ratio	55.73 %	52.61 %	58.78 %	60.19 %	57.14 %

MIDLAND STATES BANCORP, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES (unaudited) (continued)

Tangible Common Equity to Tangible Assets Ratio and Tangible Book Value Per Share

	As of				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
<i>(dollars in thousands, except per share data)</i>					
Shareholders' Equity to Tangible Common Equity					
Total shareholders' equity—GAAP	\$ 644,986	\$ 663,837	\$ 657,844	\$ 648,186	\$ 635,467
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(22,976)	(24,374)	(26,065)	(27,900)	(26,867)
Tangible common equity	<u>\$ 460,106</u>	<u>\$ 477,558</u>	<u>\$ 469,875</u>	<u>\$ 458,382</u>	<u>\$ 446,696</u>
Total Assets to Tangible Assets:					
Total assets—GAAP	\$ 7,338,715	\$ 7,443,805	\$ 7,093,959	\$ 6,630,010	\$ 6,884,786
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(22,976)	(24,374)	(26,065)	(27,900)	(26,867)
Tangible assets	<u>\$ 7,153,835</u>	<u>\$ 7,257,527</u>	<u>\$ 6,905,990</u>	<u>\$ 6,440,206</u>	<u>\$ 6,696,015</u>
Common Shares Outstanding	22,044,626	22,050,537	22,193,141	22,380,492	22,351,740
Tangible Common Equity to Tangible Assets	6.43 %	6.58 %	6.80 %	7.12 %	6.67 %
Tangible Book Value Per Share	\$ 20.87	\$ 21.66	\$ 21.17	\$ 20.48	\$ 19.98

Return on Average Tangible Common Equity (ROATCE)

	For the Quarter Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
<i>(dollars in thousands)</i>					
Net income available to common shareholders	\$ 20,749	\$ 23,107	\$ 19,548	\$ 20,124	\$ 18,538
Average total shareholders' equity—GAAP	\$ 657,327	\$ 652,892	\$ 651,751	\$ 641,079	\$ 624,661
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(23,638)	(25,311)	(27,132)	(26,931)	(27,578)
Average tangible common equity	<u>\$ 471,785</u>	<u>\$ 465,677</u>	<u>\$ 462,715</u>	<u>\$ 452,244</u>	<u>\$ 435,179</u>
ROATCE	17.84 %	19.69 %	16.76 %	17.85 %	17.28 %