



Midland States Bancorp, Inc.

NASDAQ: MSBI

First Quarter 2021 Earnings Call

Forward-Looking Statements. This presentation may contain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements expressing management’s current expectations, forecasts of future events or long-term goals may be based upon beliefs, expectations and assumptions of Midland’s management, and are generally identifiable by the use of words such as “believe,” “expect,” “anticipate,” “plan,” “intend,” “estimate,” “may,” “will,” “would,” “could,” “should” or other similar expressions. All statements in this presentation speak only as of the date they are made, and Midland undertakes no obligation to update any statement. A number of factors, many of which are beyond the ability of Midland to control or predict, could cause actual results to differ materially from those in its forward-looking statements including the effects of the Coronavirus Disease 2019 (“COVID-19”) pandemic, including its potential effects on the economic environment, our customers and our operations, as well as any changes to federal, state or local government laws, regulations or orders in connection with the pandemic. These risks and uncertainties should be considered in evaluating forward-looking statements, and undue reliance should not be placed on such statements. Additional information concerning Midland and its businesses, including additional factors that could materially affect Midland’s financial results, are included in Midland’s filings with the Securities and Exchange Commission.

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 1Q21

1Q21 Earnings

- Net income of \$18.5 million, or \$0.81 diluted EPS
- Adjusted Pre-Tax, Pre-Provision (PTPP) Income⁽¹⁾ of \$29.1 million

Improving Performance Metrics

- Efficiency ratio improves to 56.9% from 58.6% in 4Q20
- Return on average shareholders' equity of 12.04%
- Return on average tangible common equity⁽¹⁾ of 17.28%
- Adjusted PTPP ROAA⁽¹⁾ of 1.75%

Increases in Capital Ratios and Book Value

- All capital ratios increased between 21 and 49 basis points from prior quarter
- Book value and tangible book value per share⁽¹⁾ increased 2.2% and 3.5%, respectively

Loan and Deposit Trends

- Total loan balances declined \$192.5 million due to elevated payoffs/paydowns
- Stable asset quality resulted in decline in provision for credit losses
- Total deposits increased \$239.5 million driven by growth in demand deposits

Announced Acquisition of ATG Trust Company

- Further scales Wealth Management business
- Adds specialized expertise expected to positively impact new business development
- Continues to grow recurring fee income

Notes:

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

Paycheck Protection Program Overview

Paycheck Protection Program (as of 3/31/21)	
Loans Outstanding	\$211.6 million
Round 1	\$132.2 million
Round 2	\$79.3 million
Total Fees Earned	\$13.7 million
Fees Recognized in 1Q21	\$2.1 million
Remaining Fees to be Recognized	\$6.0 million

Paycheck Protection Program Loan Forgiveness		
	As of 12/31/20	As of 3/31/21
Loans Submitted to SBA	\$155.6 million	\$196.5 million
Loans Forgiven by SBA	\$93.2 million	\$146.0 million
Percentage of Total Round 1 PPP Loans Forgiven	33.6%	52.6%

Impact on 1Q21 Financials

	At or for the Three Months Ended 3/31/21	Metrics Excluding PPP Impact
Total Loans	\$4.91 billion	\$4.70 billion
Average Loans	\$4.99 billion	\$4.80 billion
Net Interest Income FTE ⁽¹⁾	\$52.3 million	\$49.6 million
Net Interest Margin ⁽¹⁾	3.45%	3.38%
ACL/Total Loans	1.28%	1.33%

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

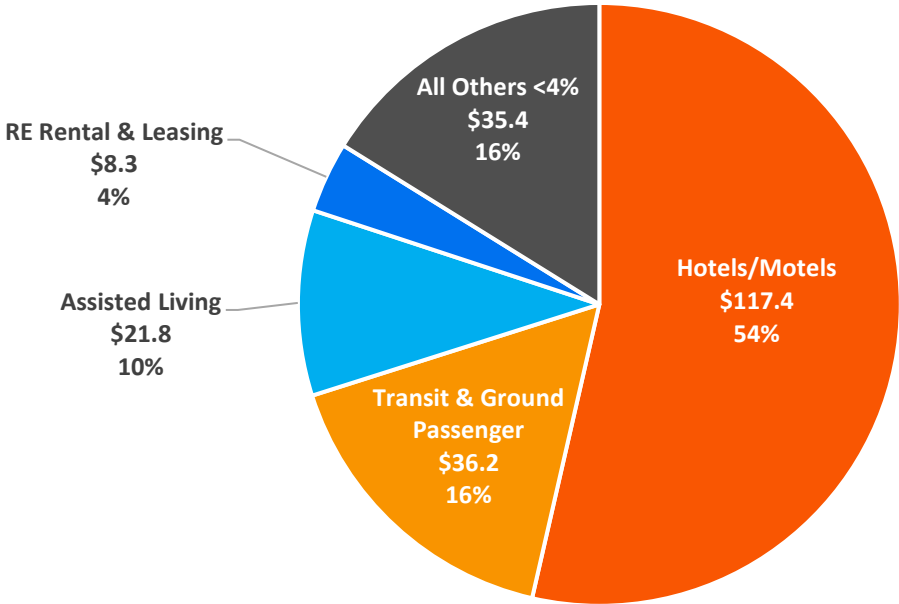
Loan Deferral Overview

Total Loan Deferrals			
	As of Sept. 30, 2020	As of Dec. 31, 2020	As of Mar. 31, 2021
Total Loans Deferred	\$279.3 million	\$209.1 million	\$219.1 million
% of Total Loans	5.7%	4.1%	4.5%

Deferral Type (as of March 31, 2021)	
Full Payment Deferral	\$131.9 million
Deferred Loans Making I/O or Other Payments	\$87.2 million

Deferrals by Industry
(as of March 31, 2021)

(\$ in millions)



Loan Portfolio

- **Total loans decreased \$192.5 million from prior quarter to \$4.91 billion**
- **Decline due to elevated payoffs/paydowns including lower line utilization by ag borrowers and continued runoff in residential real estate portfolio driven by refinancing activity**
- **Average balances on commercial FHA warehouse credit lines increased in 1Q21, but end of period balances were \$68.2 million lower than 4Q20**
- **PPP loans were \$211.6 million at March 31, 2021, an increase of \$27.2 million from December 31, 2020**

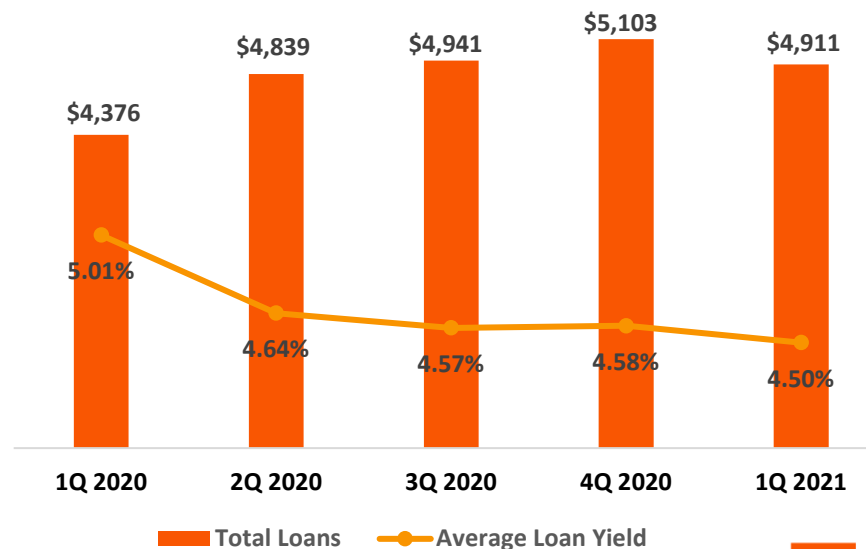
Loan Portfolio Mix

(in millions, as of quarter-end)

	1Q 2021	4Q 2020	1Q 2020
Commercial loans and leases	\$ 1,977	\$ 2,096	\$ 1,439
Commercial real estate	1,494	1,526	1,507
Construction and land development	192	173	208
Residential real estate	399	443	548
Consumer	849	866	673
Total Loans	\$4,911	\$5,103	\$4,376

Total Loans and Average Loan Yield

(in millions, as of quarter-end)

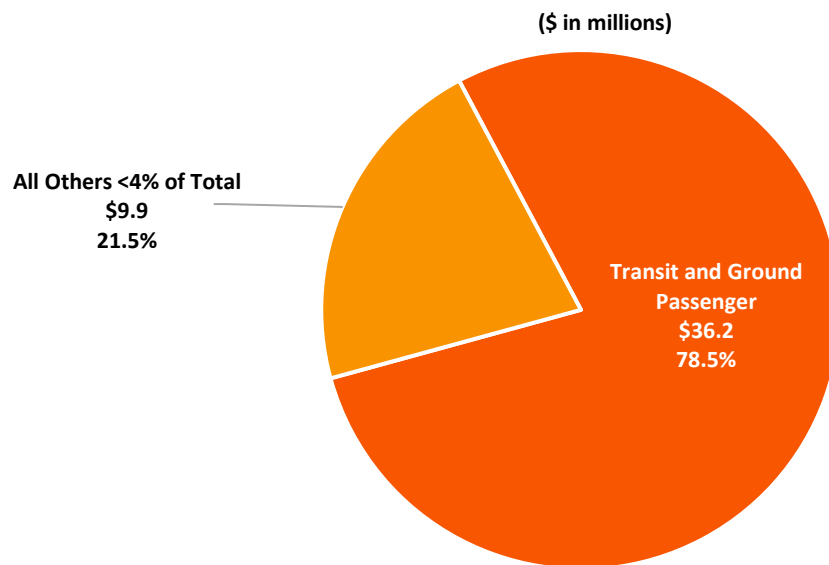


Midland Equipment Finance Portfolio Overview

Portfolio Characteristics (as of 3/31/21)	
<i>Nationwide portfolio providing financing solutions to equipment vendors and end-users</i>	
Total Outstanding Loans and Leases	\$858.6 million (17.5% of total loans)
Number of Loans and Leases	6,904
Average Loan/Lease Size	\$122,291
Largest Loan/Lease	\$1.5 million
Weighted Average Rate	4.89%

Total Deferred Loans and Leases			
	As of 9/30/20	As of 12/31/20	As of 3/31/21
Total Deferrals	\$75.2 million	\$50.1 million	\$46.1 million
Percentage of Portfolio	9.2%	5.8%	5.4%
Deferred Loans Making I/O or Other Payments	-	\$28.2 million	\$35.8 million

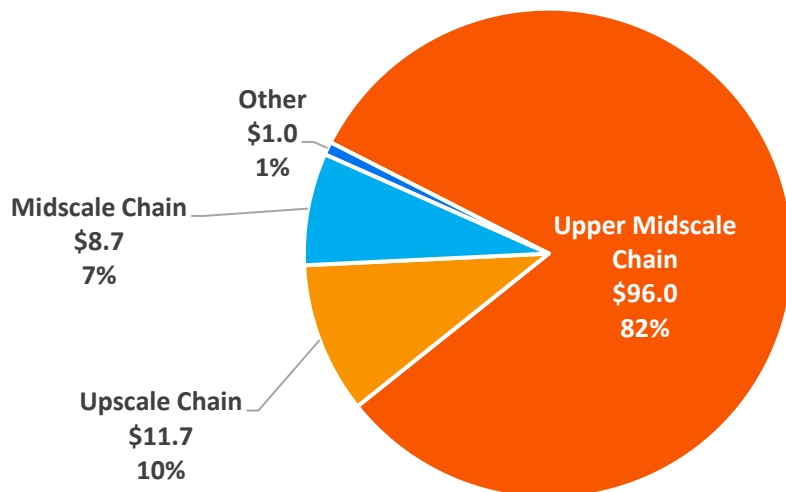
Equipment Finance Deferrals by Industry
(as of March 31, 2021)



Hotel/Motel Portfolio Overview

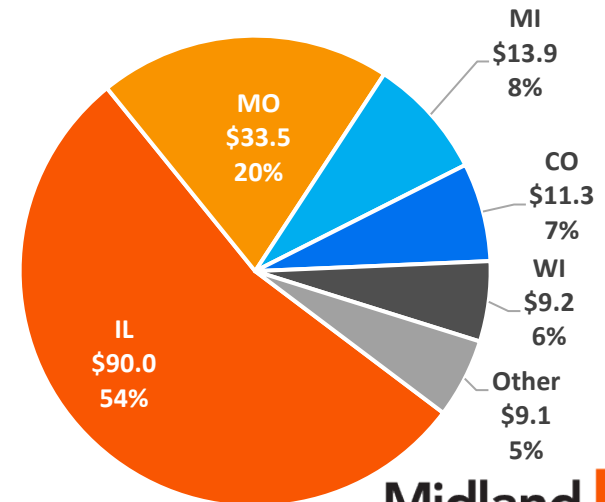
Portfolio Characteristics (CRE & C&I) (as of 3/31/21)	
Total Outstanding	\$167.0 million (3.4% of total loans)
Number of Loans	46
Average Loan Size	\$3.6 million
Largest Loan	\$11.3 million
Average LTV	57%
Total Deferred Loans as of 12/31/20	\$82.6 million (45.8% of portfolio)
Total Deferred Loans as of 3/31/21	\$117.4 million (70.3% of portfolio)
Average LTV of Deferred Loans as of 3/31/21	59%
Deferred Loans Making I/O or Other Payments	\$24.8 million (21.1% of deferrals)

Deferrals by Chain Scale



Portfolio by State

(\$ in millions)

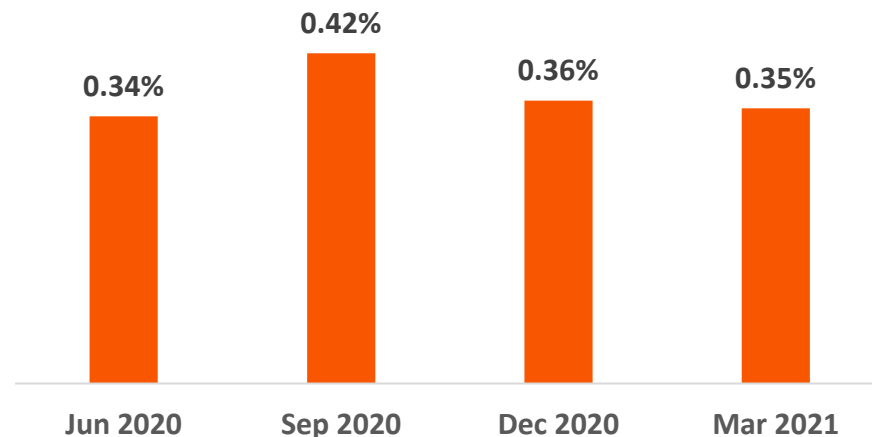


GreenSky Consumer Loan Portfolio Overview

Portfolio Characteristics (as of 3/31/21)

Total Outstanding	\$754.6 million (15.4% of total loans)
Number of Loans	351,417
Average Loan Size	\$2,147
Average FICO Score	771
Total Deferred Loans (as of December 31, 2020)	\$3.1 million (0.4% of portfolio)
Total Deferred Loans (as of March 31, 2021)	\$3.8 million (0.5% of portfolio)

Delinquency Rate (greater than 60 days)



Prime Credit

- Average FICO score of 771
- No losses to MSBI in 10 year history of portfolio
- Portfolio can be sold to provide liquidity; Loan sales were executed at par in Mar 2021

Credit Enhancement

- Cash flow waterfall structure
 - Cash flow from portfolio covers servicing fee, credit losses and our target margin
 - Excess cash flow is an incentive fee to GreenSky that is available to cover additional losses
 - GreenSky received incentive fees in 26 of past 27 months including every month in 2020 and 2021
- Escrow deposits
 - Escrow deposits absorb losses in excess of cash flow waterfall
 - Escrow account totaled \$30.1 million at 3/31/21 or 4.0% of the portfolio

Total Deposits

- Total deposits increased \$239.5 million, or 4.7% from prior quarter, to \$5.34 billion
- Growth in deposits largely attributable to increase in demand deposits from commercial clients and retail deposits resulting from stimulus payments
- \$159 million of CDs maturing in 2Q21 with a weighted average rate of 1.06%

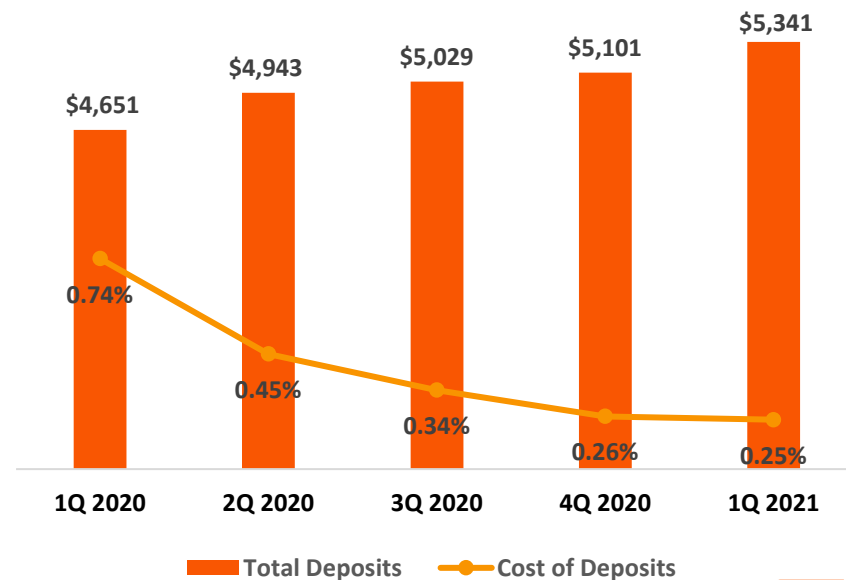
Deposit Mix

(in millions, as of quarter-end)

	1Q 2021	4Q 2020	1Q 2020
Noninterest-bearing demand	\$ 1,522	\$ 1,470	\$ 1,053
Interest-bearing:			
Checking	1,601	1,569	1,425
Money market	819	786	850
Savings	653	598	534
Time	719	656	766
Brokered time	25	23	23
Total Deposits	\$5,341	\$5,101	\$4,651

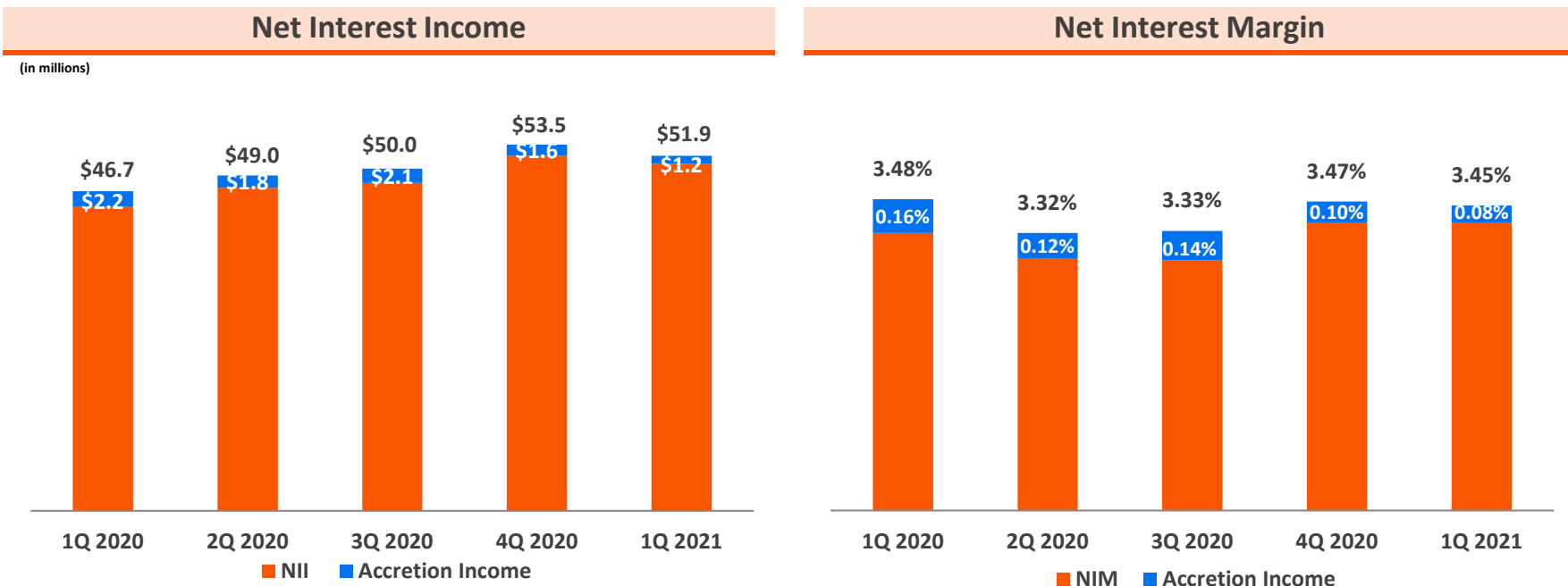
Total Deposits and Cost of Deposits

(in millions, as of quarter-end)



Net Interest Income/Margin

- Net interest income decreased 3.1% from the prior quarter due to lower accretion income and lower PPP income
- Net interest margin, excluding accretion income, was unchanged from prior quarter as a favorable shift in the mix of earning assets and a reduction in the average cost of funds were offset by a decline in the average yield on loans and securities
- Redeployment of excess liquidity and higher rates on new securities purchases expected to keep NIM relatively stable, excluding impact of accretion and PPP income

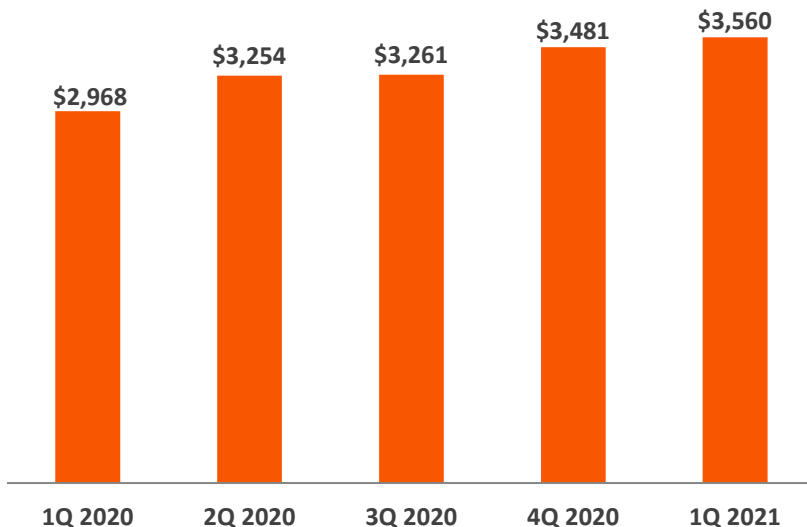


Wealth Management

- During 1Q21, assets under administration increased \$79.7 million, primarily due to market performance
- Wealth Management revenue increased 1.1% from prior quarter, primarily due to higher assets under administration and seasonal impact of fees related to tax preparation

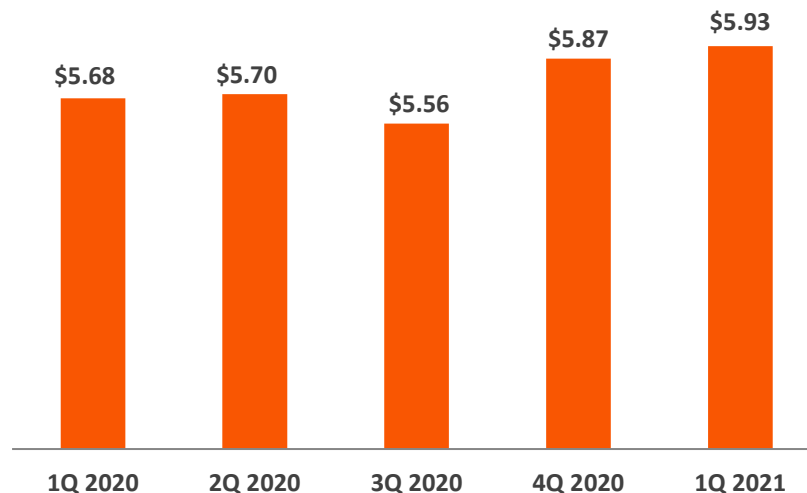
Assets Under Administration

(in millions)



Wealth Management Revenue

(in millions)

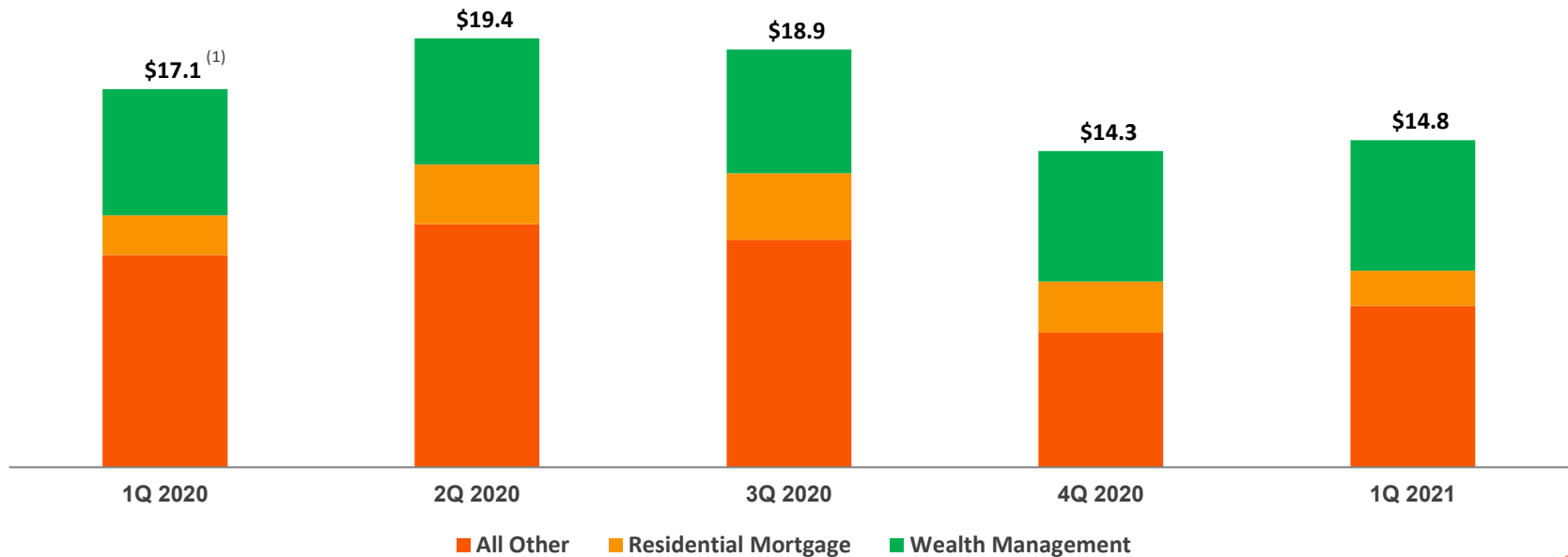


Noninterest Income

- Noninterest income increased 3.3% from prior quarter
- Impairment on commercial MSR's impacted noninterest income by \$1.3 million and \$2.3 million in 1Q21 and 4Q20, respectively
- Excluding the impact of the impairment of commercial MSR's, noninterest income decreased primarily due to lower levels of residential mortgage banking revenue and service charges on deposit accounts

Noninterest Income

(in millions)



Notes:

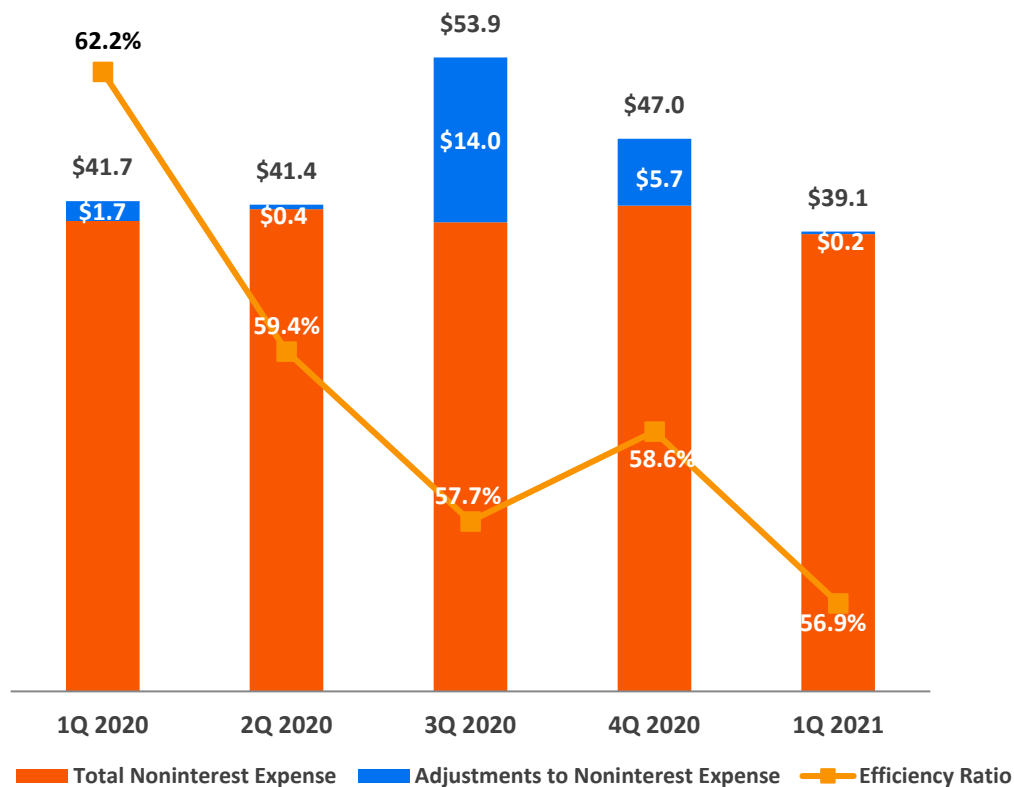
(1) Excludes \$8.5 million impairment of commercial mortgage servicing rights



Noninterest Expense and Operating Efficiency

Noninterest Expense and Efficiency Ratio ⁽¹⁾

(Noninterest expense in millions)



- **Efficiency Ratio ⁽¹⁾ was 56.9% in 1Q21 vs. 58.6% in 4Q20**

- **Adjustments to non-interest expense:**

(\$ in millions)	1Q21	4Q20
Integration and acquisition related expenses	(\$0.2)	(\$0.2)
Loss on MSR held for sale	--	(\$0.6)
FHLB advances prepayment fees	--	(\$4.9)

- **Excluding these adjustments, noninterest expense decreased primarily due to:**
 - **Lower salaries and benefits expense resulting from branch network and facilities consolidation**
 - **Accrual in 4Q20 for one-time rollover of vacation time due to COVID-19**

Notes:

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

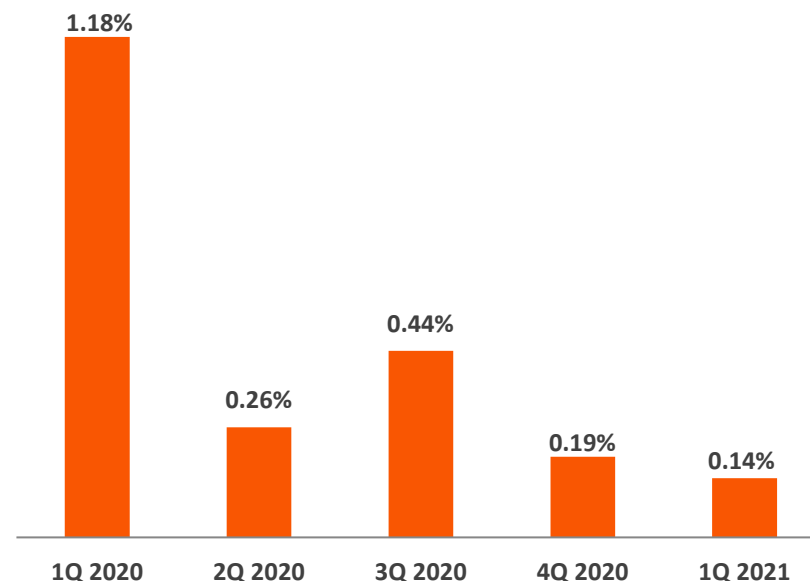
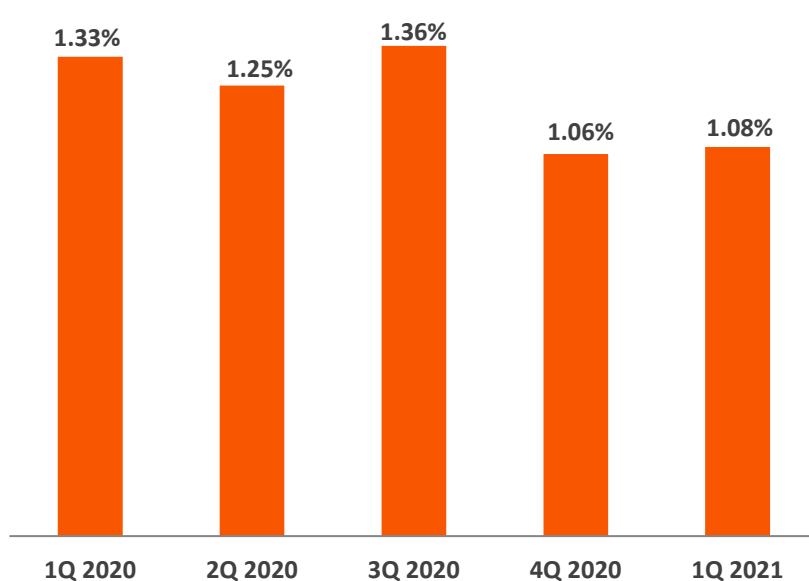
Asset Quality

- Nonperforming loans declined \$1.2 million due to resolution of long-term problem loans
- NPLs/total loans increased to 1.08% from 1.06% at the end of the prior quarter due to the decline in total loan balances
- Net charge-offs of \$1.7 million, or 0.14% of average loans
- Provision for credit losses of \$3.6 million in 1Q21 primarily driven by additions to specific reserves
- At 3/31/21, approximately 90% of ACL was allocated to general reserves

Nonperforming Loans / Total Loans

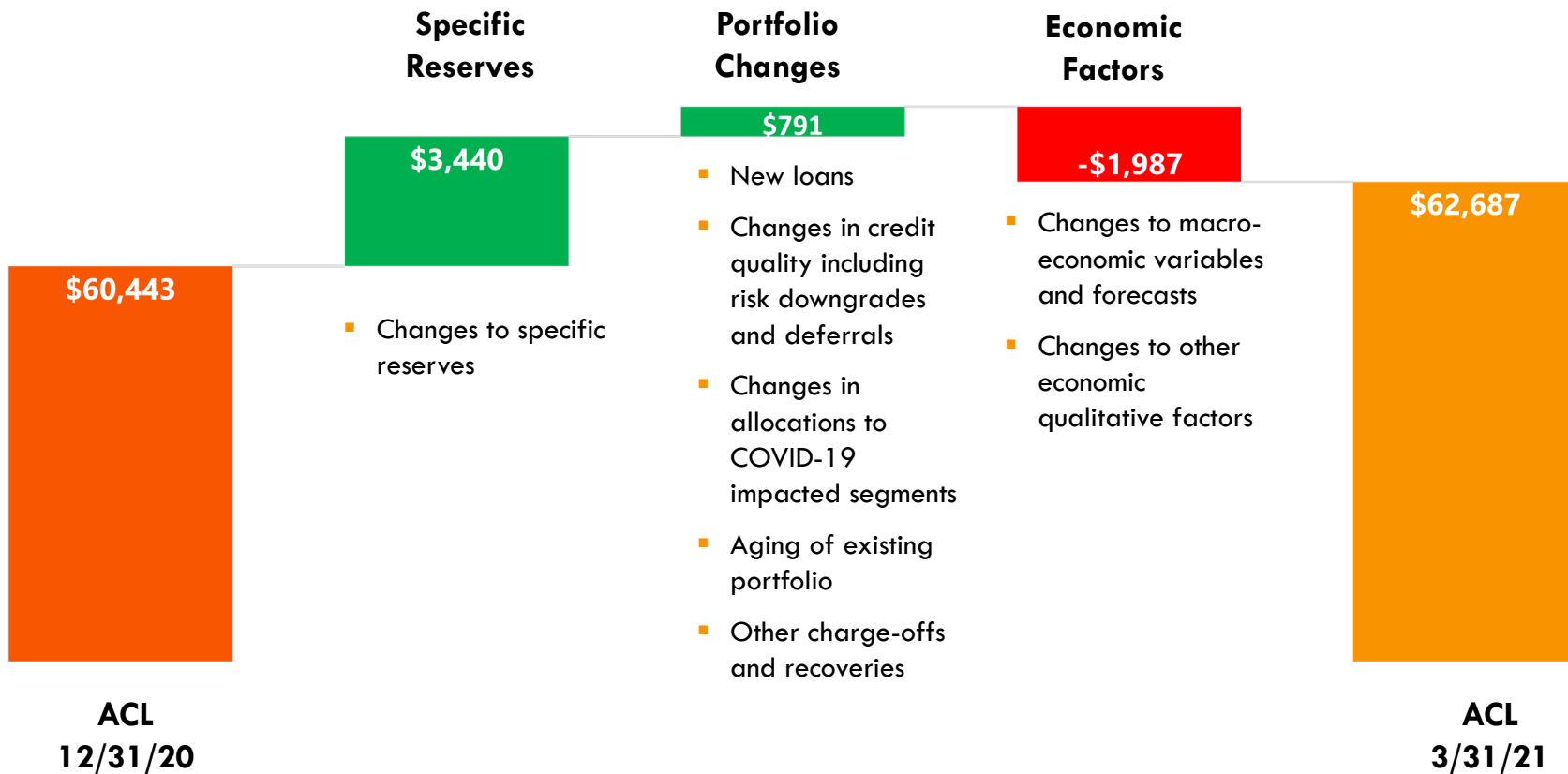
NCO / Average Loans

(Total Loans as of quarter-end)



Changes in Allowance for Credit Losses

(\$ in thousands)



ACL by Portfolio

(\$ in thousands)

Portfolio	Total Loans at 3/31/21	ACL	% of Total Loans	Total Loans at 12/31/20	ACL	% of Total Loans
Commercial	\$ 808,262	\$ 8,214	1.02%	\$ 937,382	\$ 8,537	0.90%
Warehouse Lines	205,115	-	0.00%	273,298	-	0.00%
Commercial Other	766,632	9,125	1.19%	748,193	11,314	1.51%
Equipment Finance	456,059	8,575	1.88%	451,437	10,727	2.38%
Paycheck Protection Program	211,564	317	0.15%	184,401	277	0.15%
Lease Financing	402,546	6,036	1.50%	410,064	7,427	1.81%
CRE non-owner occupied	853,110	20,890	2.45%	871,451	16,604	1.91%
CRE owner occupied	443,403	7,411	1.67%	423,257	4,936	1.17%
Multi-family	120,784	2,776	2.30%	151,534	3,413	2.25%
Farmland	76,734	744	0.97%	79,731	512	0.64%
Construction and Land Development	191,870	1,239	0.65%	172,737	1,433	0.83%
Residential RE First Lien	321,857	3,275	1.02%	358,329	3,212	0.90%
Other Residential	76,644	706	0.92%	84,551	717	0.85%
Consumer	76,943	341	0.44%	80,642	374	0.46%
Consumer Other ⁽¹⁾	772,021	1,930	0.25%	785,460	1,964	0.25%
Total Loans	4,910,806	62,687	1.28%	5,103,331	60,443	1.18%
Loans (excluding GreenSky, PPP and warehouse lines)	3,667,924	60,292	1.64%	3,811,624	58,060	1.52%

Notes:

(1) Primarily consists of loans originated through GreenSky relationship



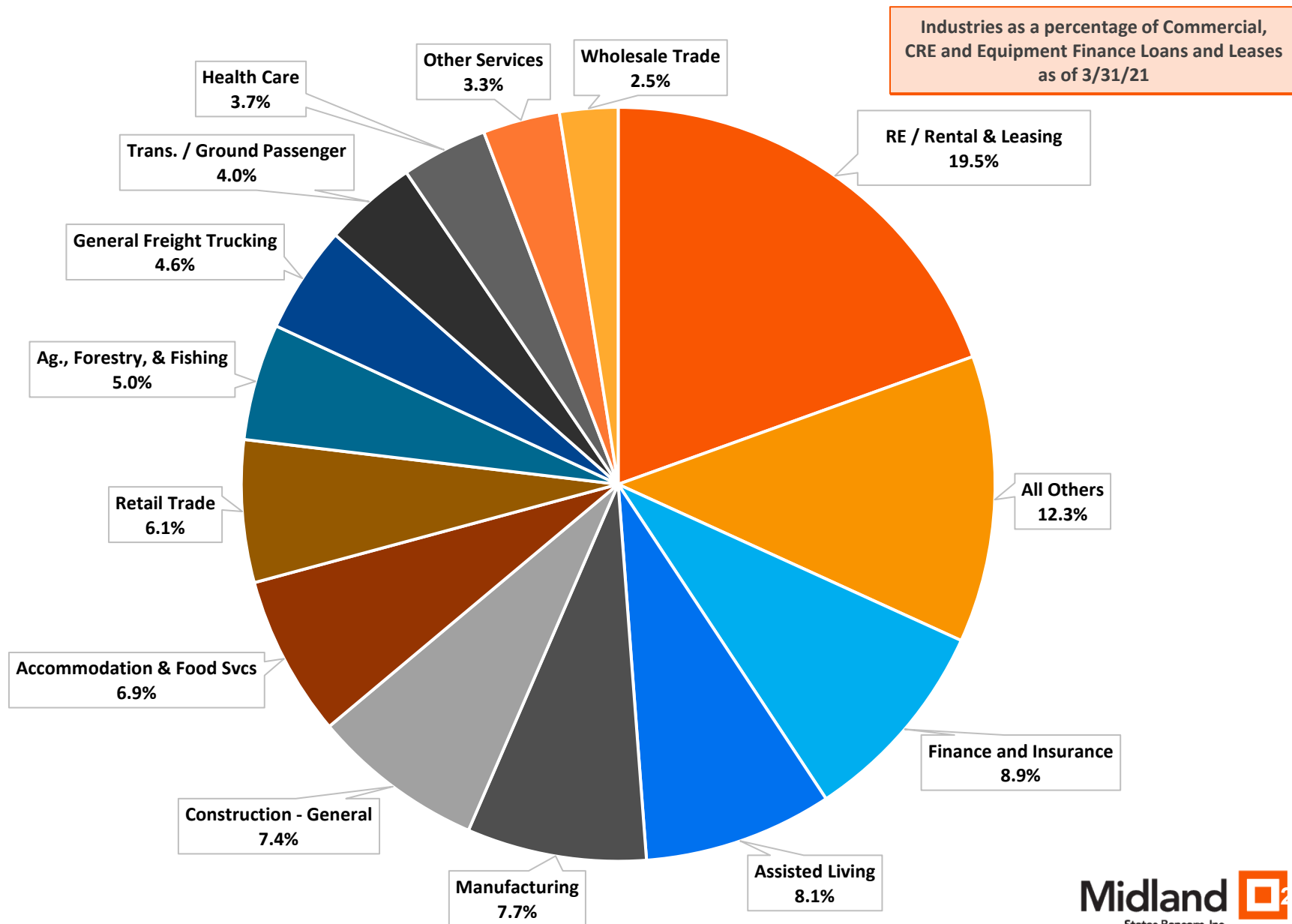
Outlook

- **Improving economic conditions and stronger financial performance among borrowers impacted by the pandemic should lead to continued reductions in deferrals over next two quarters and relatively stable ACL/total loans**
- **Growing loan pipeline should lead to stronger loan production and loan growth as the year progresses**
- **Stronger loan growth and redeployment of excess liquidity into higher yielding earning assets will further increase operating leverage and level of profitability**
- **Completion of ATG Trust Company acquisition will further increase revenue generated from Wealth Management**
- **Further strengthen capital ratios to support continued organic and acquisitive growth in the future**



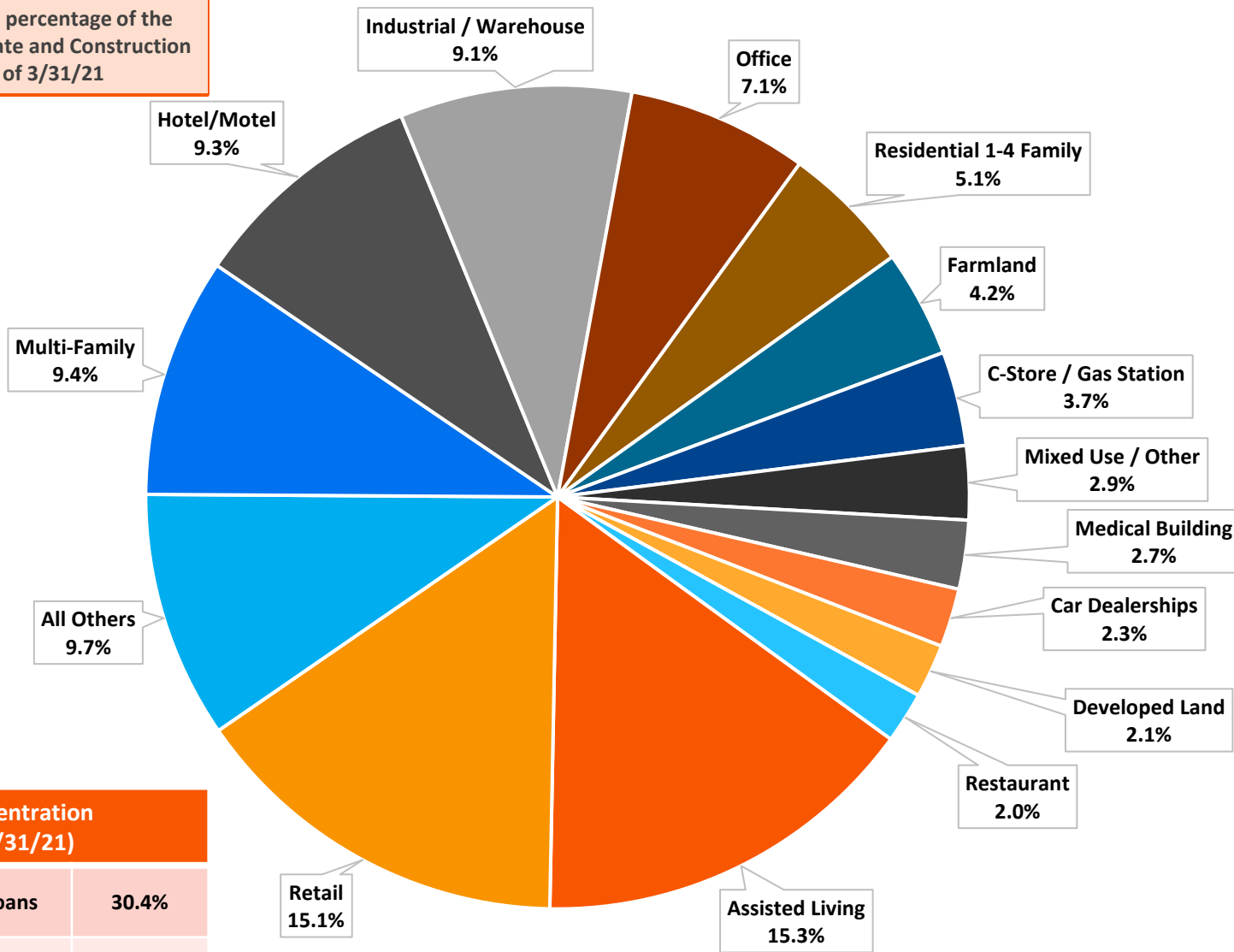
APPENDIX

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 as of 3/31/21



CRE Concentration (as of 3/31/21)

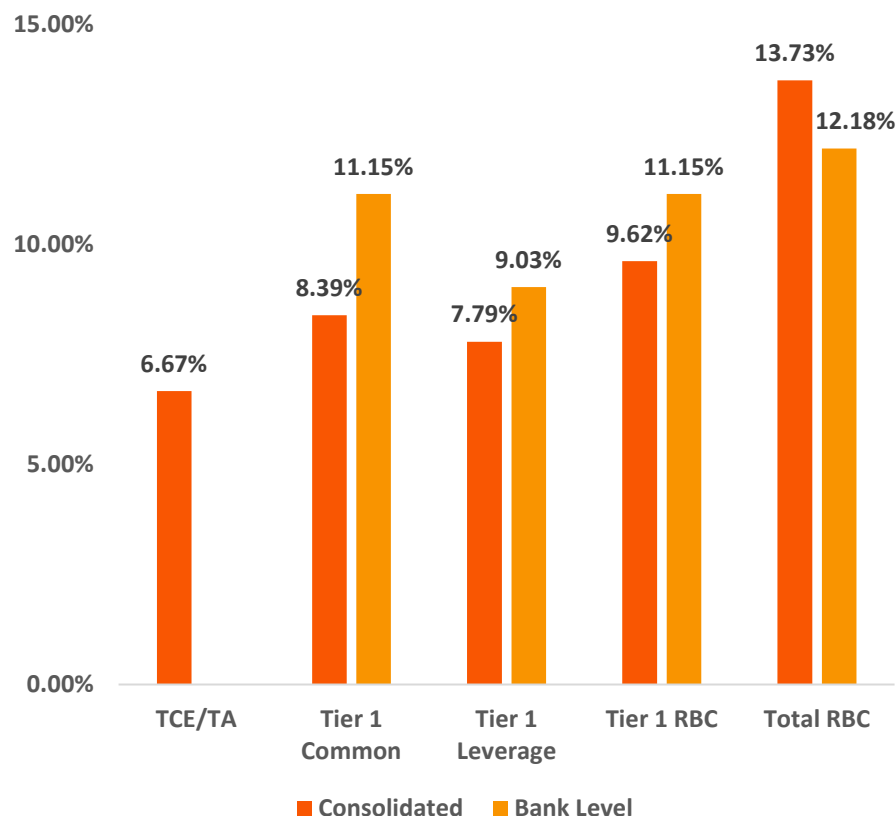
CRE as a % of Total Loans	30.4%
CRE as a % of Total Risk-Based Capital ⁽¹⁾	178.7%

Notes:

(1) Represents non-owner occupied CRE loans only

Capital and Liquidity Overview

Capital Ratios (as of 3/31/21)



Liquidity Sources (as of 3/31/21)

(\$ in millions)

Cash and Cash Equivalents	\$ 631.2
Unpledged Securities	252.6
FHLB Committed Liquidity	645.2
FRB Discount Window Availability	<u>57.3</u>
Primary Liquidity	<u>1,586.3</u>
FRB – PPP Liquidity Facility ⁽¹⁾	<u>211.6</u>
Secondary Liquidity	<u>211.6</u>
Total Estimated Liquidity	<u>\$ 1,797.9</u>
Conditional Funding Based on Market Conditions	
Additional Credit Facility	\$ 250.0
Brokered CDs (additional capacity)	\$ 500.0

(1) Enrolled in PPP facility – loans available to submit

Other Liquidity
Holding Company Cash Position of \$65.1 Million

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

Adjusted Earnings Reconciliation

	For the Quarter Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
<i>(dollars in thousands, except per share data)</i>					
Income before income taxes - GAAP	\$ 24,040	\$ 10,746	\$ 3,270	\$ 15,993	\$ 2,005
Adjustments to noninterest income:					
Gain on sales of investment securities, net	-	-	1,721	-	-
Other	75	3	(17)	11	(13)
Total adjustments to noninterest income	75	3	1,704	11	(13)
Adjustments to noninterest expense:					
Loss on mortgage servicing rights held for sale	-	617	188	391	496
Loss on repurchase of subordinated debt	-	-	-	-	193
Impairment related to facilities optimization	-	(10)	12,651	60	146
FHLB advances prepayment fees	8	4,872	-	-	-
Integration and acquisition expenses	238	231	1,200	(6)	886
Total adjustments to noninterest expense	246	5,710	14,039	445	1,721
Adjusted earnings pre tax	24,211	16,453	15,605	16,427	3,739
Adjusted earnings tax	5,549	3,982	3,582	3,543	933
Adjusted earnings - non-GAAP	\$ 18,662	\$ 12,471	\$ 12,023	\$ 12,884	\$ 2,806
Adjusted diluted earnings per common share	\$ 0.82	\$ 0.54	\$ 0.52	\$ 0.55	\$ 0.11
Adjusted return on average assets	1.12 %	0.73 %	0.72 %	0.78 %	0.19 %
Adjusted return on average shareholders' equity	12.12 %	7.97 %	7.56 %	8.20 %	1.73 %
Adjusted return on average tangible common equity	17.39 %	11.50 %	11.04 %	12.14 %	2.53 %

Adjusted Pre-Tax, Pre-Provision Earnings Reconciliation

	For the Quarter Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
<i>(dollars in thousands)</i>					
Adjusted earnings pre tax - non-GAAP	\$ 24,211	\$ 16,453	\$ 15,605	\$ 16,427	\$ 3,739
Provision for credit losses	3,565	10,058	11,728	10,997	11,578
Impairment on commercial mortgage servicing rights	1,275	2,344	1,418	107	8,468
Adjusted pre-tax, pre-provision earnings - non-GAAP	\$ 29,051	\$ 28,855	\$ 28,751	\$ 27,531	\$ 23,785
Adjusted pre-tax, pre-provision return on average assets	1.75 %	1.69 %	1.72 %	1.68 %	1.58 %

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

Efficiency Ratio Reconciliation

	For the Quarter Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
<i>(dollars in thousands)</i>					
Noninterest expense - GAAP	\$ 39,079	\$ 47,048	\$ 53,901	\$ 41,395	\$ 41,666
Loss on mortgage servicing rights held for sale	-	(617)	(188)	(391)	(496)
Loss on repurchase of subordinated debt	-	-	-	-	(193)
Impairment related to facilities optimization	-	10	(12,651)	(60)	(146)
FHLB advances prepayment fees	(8)	(4,872)	-	-	-
Integration and acquisition expenses	(238)	(231)	(1,200)	6	(885)
Adjusted noninterest expense	<u>\$ 38,833</u>	<u>\$ 41,338</u>	<u>\$ 39,862</u>	<u>\$ 40,950</u>	<u>\$ 39,946</u>
Net interest income - GAAP	\$ 51,868	\$ 53,516	\$ 49,980	\$ 48,989	\$ 46,651
Effect of tax-exempt income	386	413	430	438	485
Adjusted net interest income	<u>52,254</u>	<u>53,929</u>	<u>50,410</u>	<u>49,427</u>	<u>47,136</u>
Noninterest income - GAAP	14,816	14,336	18,919	19,396	8,598
Impairment on commercial mortgage servicing rights	1,275	2,344	1,418	107	8,468
Gain on sales of investment securities, net	-	-	(1,721)	-	-
Other	(75)	(3)	17	(11)	13
Adjusted noninterest income	<u>16,016</u>	<u>16,677</u>	<u>18,633</u>	<u>19,492</u>	<u>17,079</u>
Adjusted total revenue	<u>\$ 68,270</u>	<u>\$ 70,606</u>	<u>\$ 69,043</u>	<u>\$ 68,919</u>	<u>\$ 64,215</u>
Efficiency ratio	56.88 %	58.55 %	57.74 %	59.42 %	62.21 %

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, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
<i>(dollars in thousands, except per share data)</i>					
Shareholders' Equity to Tangible Common Equity					
Total shareholders' equity—GAAP	\$ 635,467	\$ 621,391	\$ 621,880	\$ 633,589	\$ 631,160
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(172,796)	(172,796)
Other intangible assets, net	(26,867)	(28,382)	(29,938)	(31,495)	(33,124)
Tangible common equity	<u>\$ 446,696</u>	<u>\$ 431,105</u>	<u>\$ 430,038</u>	<u>\$ 429,298</u>	<u>\$ 425,240</u>
Total Assets to Tangible Assets:					
Total assets—GAAP	\$ 6,884,786	\$ 6,868,540	\$ 6,700,045	\$ 6,644,498	\$ 6,208,230
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(172,796)	(172,796)
Other intangible assets, net	(26,867)	(28,382)	(29,938)	(31,495)	(33,124)
Tangible assets	<u>\$ 6,696,015</u>	<u>\$ 6,678,254</u>	<u>\$ 6,508,203</u>	<u>\$ 6,440,207</u>	<u>\$ 6,002,310</u>
Common Shares Outstanding	22,351,740	22,325,471	22,602,844	22,937,296	23,381,496
Tangible Common Equity to Tangible Assets	6.67 %	6.46 %	6.61 %	6.67 %	7.08 %
Tangible Book Value Per Share	\$ 19.98	\$ 19.31	\$ 19.03	\$ 18.72	\$ 18.19

Return on Average Tangible Common Equity (ROATCE)

	For the Quarter Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
<i>(dollars in thousands)</i>					
Net income available to common shareholders	\$ 18,538	\$ 8,333	\$ 86	\$ 12,569	\$ 1,549
Average total shareholders' equity—GAAP	\$ 624,661	\$ 622,594	\$ 632,879	\$ 631,964	\$ 652,701
Adjustments:					
Goodwill	(161,904)	(161,904)	(168,771)	(172,796)	(171,890)
Other intangible assets, net	(27,578)	(29,123)	(30,690)	(32,275)	(33,951)
Average tangible common equity	<u>\$ 435,179</u>	<u>\$ 431,567</u>	<u>\$ 433,418</u>	<u>\$ 426,893</u>	<u>\$ 446,860</u>
ROATCE	17.28 %	7.68 %	0.08 %	11.84 %	1.39 %