Midland States Bancorp, Inc.

NASDAQ: MSBI

First Quarter 2018 Earnings Call

Midland
States Bancorp, Inc.

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Use of Non-GAAP Financial Measures. This presentation contains 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 Diluted Earnings Per Share," "Adjusted Return on Average Assets," "Adjusted Return on Average Shareholders' Equity," "Adjusted Return on Average Tangible Common Equity," "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. 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 1Q18

Alpine Acquisition	Closed on February 28, 2018 • Shifts business mix more towards community banking and wealth management
1Q18 Earnings	Net income of $1.8 million, or $0.08 diluted EPS • Integration and acquisition expenses of $11.9 million, impacting EPS by $0.44 per diluted share • Adjusted earnings[1] of $0.52 per diluted share
Key Operating Trends	• Expansion in net interest margin (excluding accretion income) • Higher average loan yields (excluding accretion income) • Solid expense management
Succession Planning	Executive Promotions • Jeff Ludwig promoted to President of Midland States Bancorp • Jeff Mefford promoted to President of Midland States Bank • Steve Erickson promoted to Chief Financial Officer

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

Loan Portfolio

- **Total loans surpassed $4 billion due to addition of $791 million in loans from Alpine**
- **Organic loan growth of $12 million or 1.5% annualized**
- **Equipment lease portfolio increased $19 million**
- **Pipeline for equipment financing has tripled since hiring of new team**

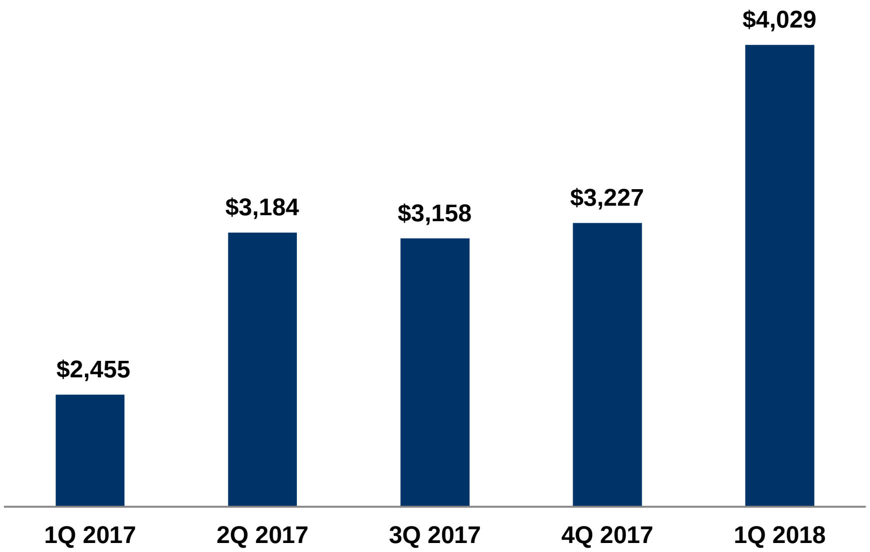
Loan Portfolio Mix

(in millions, as of quarter-end)

	1Q 2018	**4Q 2017**	**1Q 2017**
Commercial	$ 803	$ 556	$ 475
Commercial real estate	1,774	1,440	997
Construction and land development	235	201	171
Residential real estate	570	454	277
Consumer	424	371	337
Lease financing	224	205	197
Total	**$ 4,029**	**$ 3,227**	**$ 2,455**

Total Loans

(in millions, as of quarter-end)



Total Deposits

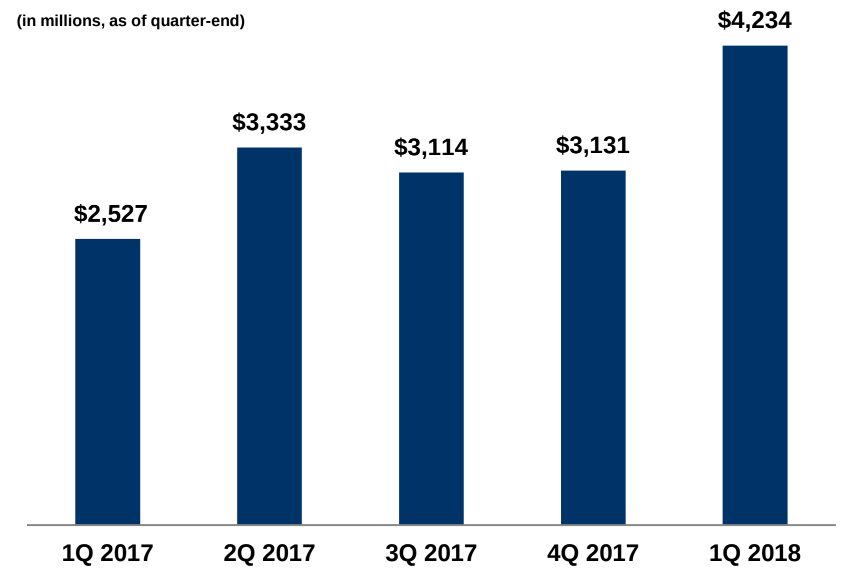
- Total deposits increased to $4.23 billion due to addition of $1.1 billion in deposits from Alpine
- Noninterest-bearing demand deposits increased to 24.5% of total deposits from 23.1%
- With the acquisition of Alpine, retail deposits represent 54% of deposits in 1Q18 vs. 41% in 1Q17
- Excluding Alpine, deposits declined 1% in 1Q18 due in part to normal quarterly fluctuations in public funds and servicing deposits

Deposit Mix

(in millions, as of quarter-end)

	1Q 2018	4Q 2017	1Q 2017
Noninterest-bearing demand	$ 1,038	$ 724	$ 528
Checking	993	786	751
Money market	840	646	415
Savings	467	281	170
Time	672	503	395
Brokered	224	190	269
Total deposits	**$ 4,234**	**$ 3,131**	**$ 2,527**

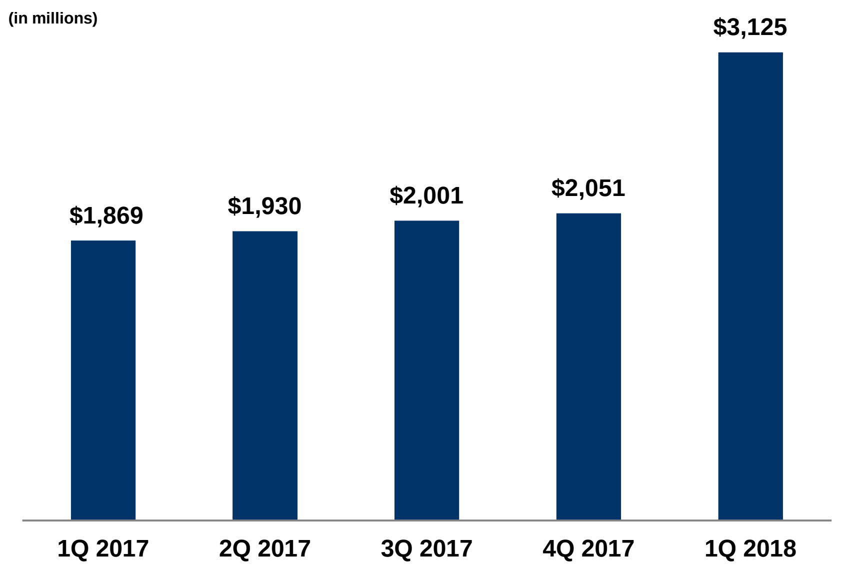
Total Deposits



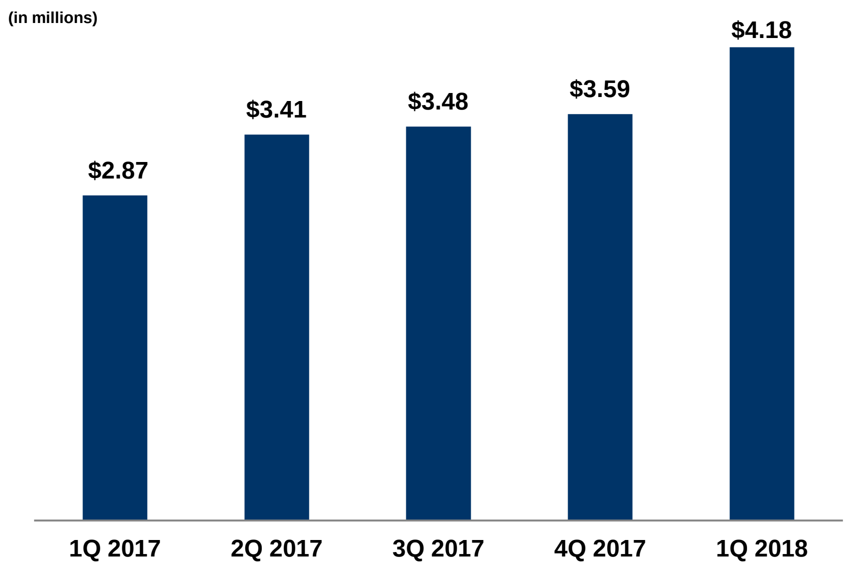
Wealth Management

- Wealth Management group offers Trust and Estate services, Investment Management, Financial Planning and Employer Sponsored Retirement Plans
- Alpine added $1.1 billion in assets under administration
- Total revenue increased 17% from the prior quarter
- Year-over-year organic growth in assets under administration was $181 million, or 10%, excluding Alpine acquisition

Assets Under Administration



Wealth Management Revenue



Love Funding – Commercial FHA Revenue

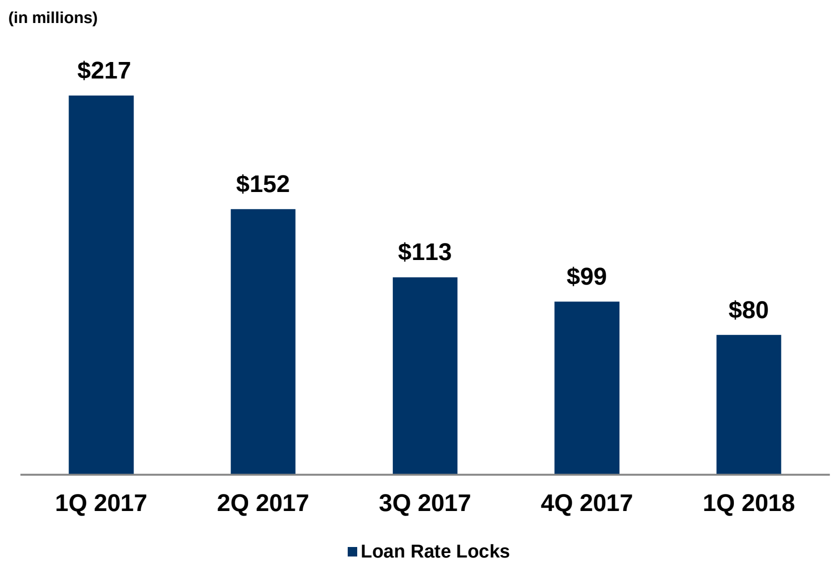
Business Overview

- Commercial FHA origination and servicing business for multifamily and healthcare facilities
- $18-$20 million in annual revenue from gain on loan sale and servicing
- 20-25% pre-tax margins
- Servicing deposits provide low-cost funding
- Generates high margin bridge loan opportunities

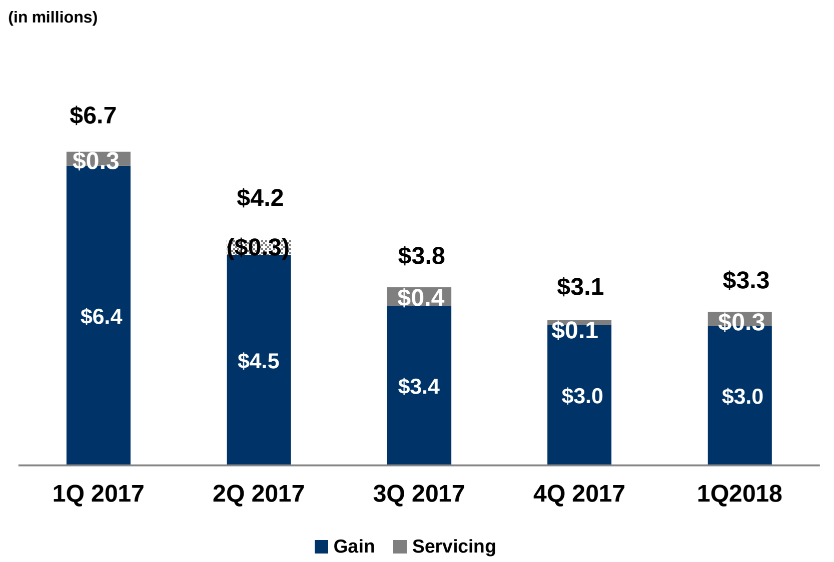
1Q18 Highlights

- $80 million in rate locks
- Higher average gain on locks offsets decrease in volume of locks
- Average servicing deposits of $291 million, up 4% over the prior year
- Average cost of servicing deposits of 10 basis points

Loan Rate Locks



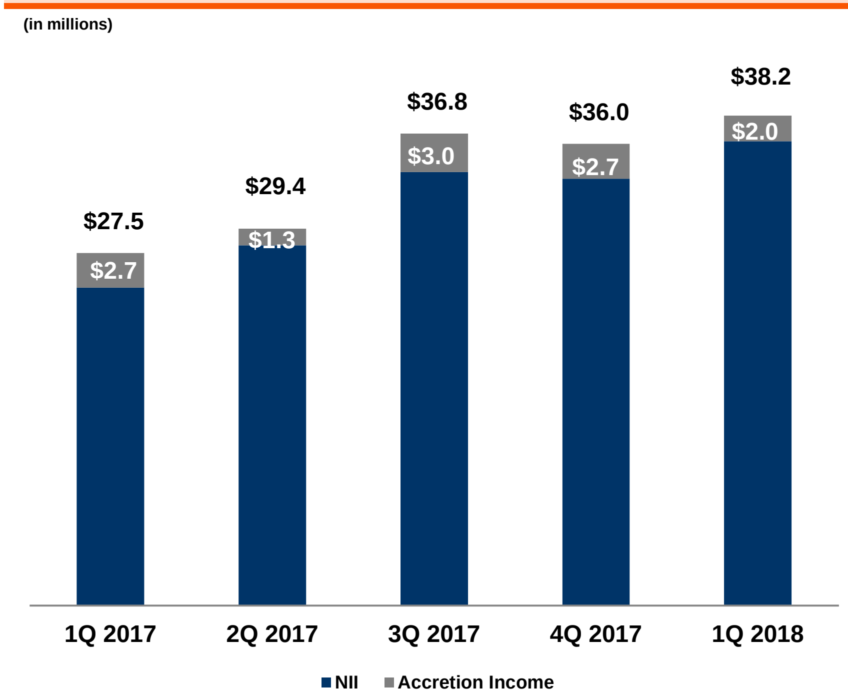
Commercial FHA Revenue Mix



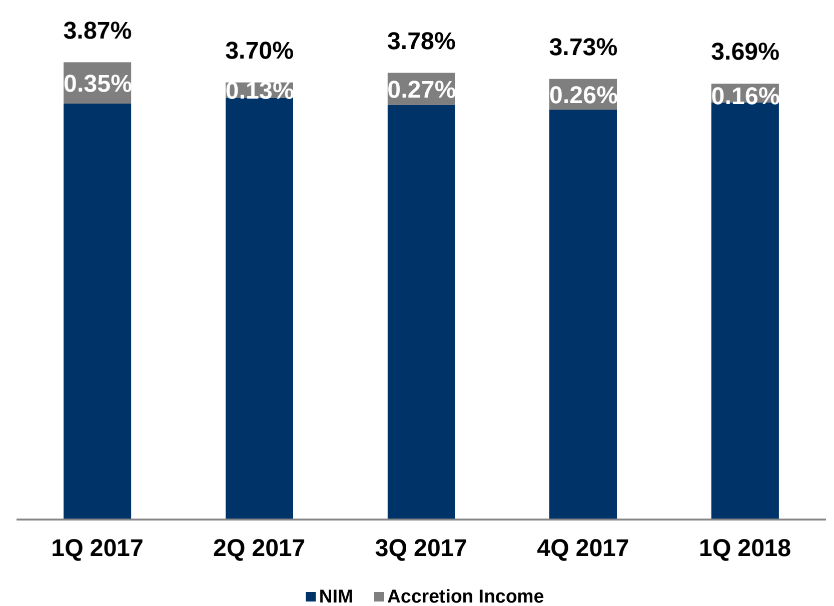
Net Interest Income/Margin

- Net interest income increased due to one month contribution of Alpine
- Net interest margin declined due to lower accretion income
- Excluding the impact of accretion income, NIM was positively impacted by loan yields increasing more than funding costs, combined with enhanced earning asset mix

Net Interest Income



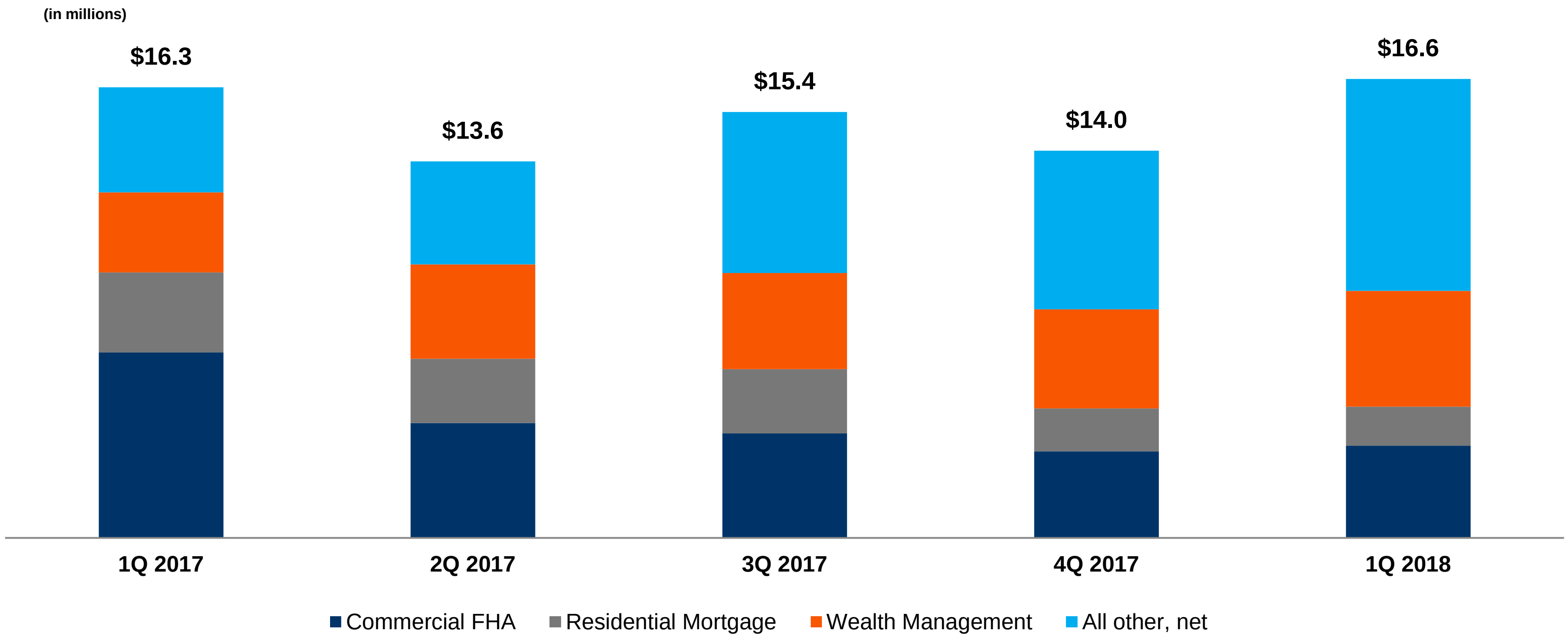
Net Interest Margin



Non-Interest Income

- Fee generating businesses accounted for 30% of total revenue in 1Q18
- Non-interest income increased 19% due to the one month contribution of Alpine
- Continued increase in wealth management revenue
- Decline in residential mortgage banking revenue due to lower servicing income

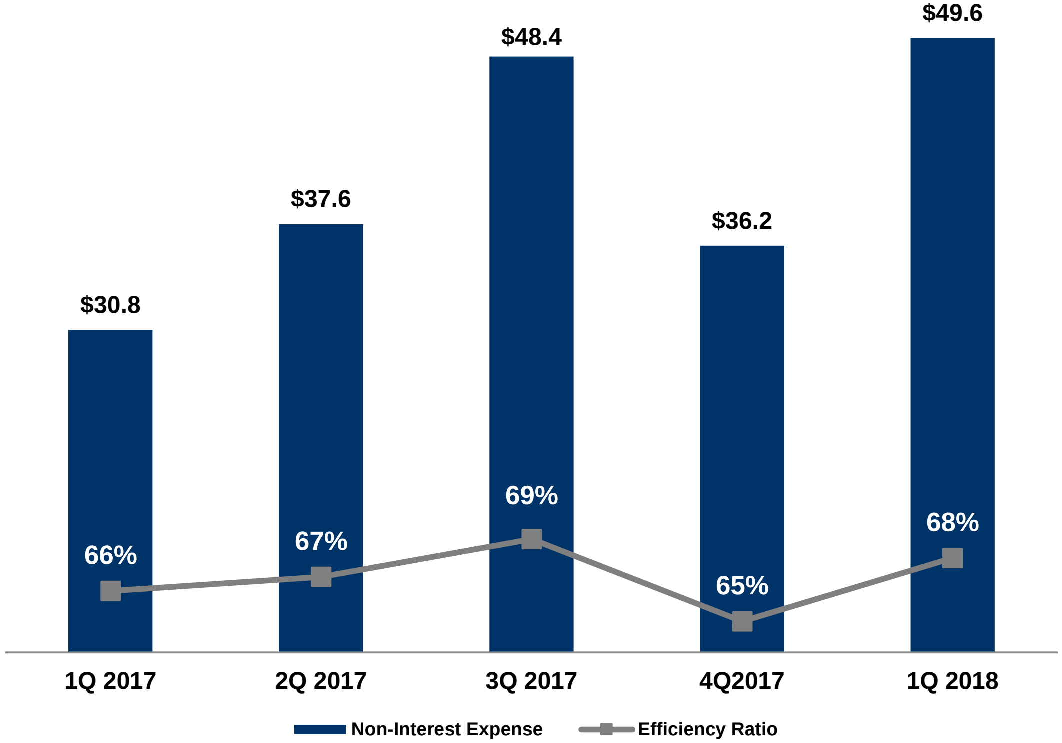
Non-Interest Income



Non-Interest Expense and Operating Efficiency

Non-Interest Expense and Efficiency Ratio[1]

(Non-Interest expense in millions)



- **Efficiency Ratio[1] was 68.5% in 1Q18 vs. 64.6% in 4Q17**
- **Integration and acquisition related expenses**
  - ➢ **$11.9 million in 1Q18**
  - ➢ **$2.7 million in 4Q17**
- **Loss on MSRs held-for-sale**
  - ➢ **$0.4 million in 4Q17**
- **Excluding these charges, noninterest expense increased 14.1% on a linked-quarter basis**
  - ➢ **Impact of Alpine's operations for 1 month**
  - ➢ **Expansion of Equipment Financing business**
  - ➢ **Increased payroll taxes**

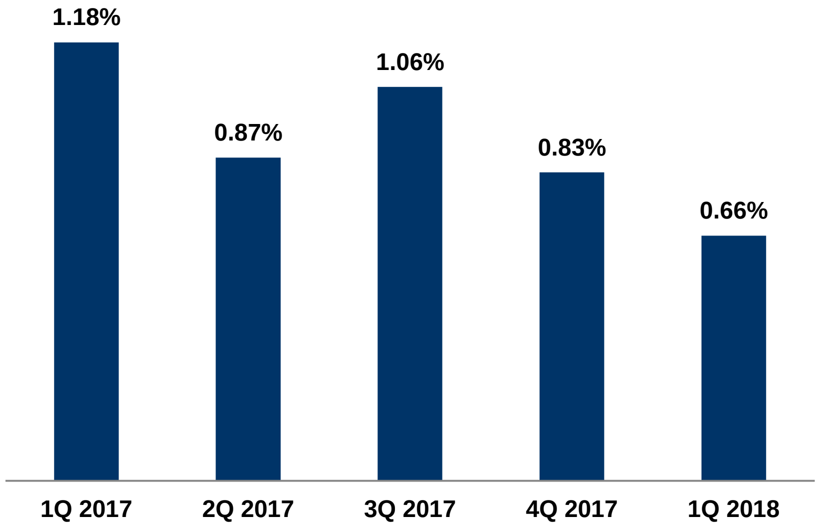
(1) Represents a non-GAAP financial measure. See "Non-GAAP Reconciliation" in the appendix.

Asset Quality

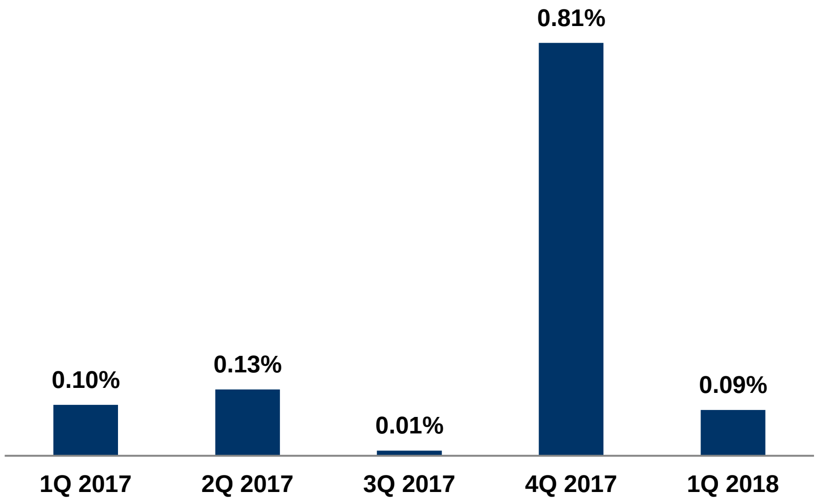
- Stable asset quality in 1Q18 and modest net charge-offs
- NPLs decline to 0.66% of total loans due to addition of Alpine portfolio
- Provision for loan losses of $2.0 million in 1Q18
- ALL/total loans of 0.44% and credit marks/total loans of 0.65% at March 31, 2018

Non-performing Loans / Total Loans

(Total Loans as of quarter-end)



NCO / Average Loans



Outlook

- Integration of Alpine expected to drive cost savings and improved efficiencies
- Alpine system conversion scheduled for mid-July
- Focus on liquidity and NIM will impact organic loan growth
- Higher revenue and improved efficiencies expected to drive increased profitability
- Revenue mix shifting towards more stable sources of income

APPENDIX

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

Adjusted Earnings Reconciliation

	For the Quarter Ended				
(dollars in thousands, except per share data)	**March 31, 2018**	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**
Income before income taxes - GAAP	$ 3,182	$ 7,766	$ 2,316	$ 4,916	$ 11,473
Adjustments to noninterest income:					
Gain on sales of investment securities, net	65	2	98	55	67
Gain (loss) on sale of other assets	150	37	45	(91)	(58)
Total adjustments to noninterest income	215	39	143	(36)	9
Adjustments to noninterest expense:					
Loss on mortgage servicing rights held for sale	-	442	3,617	-	-
Integration and acquisition expenses	11,884	2,686	8,303	7,450	1,251
Total adjustments to noninterest expense	11,884	3,128	11,920	7,450	1,251
Adjusted earnings pre tax	14,851	10,855	14,093	12,402	12,715
Adjusted earnings tax	3,550	6,992	4,920	4,326	3,472
Revaluation of net deferred tax assets	-	(4,540)	-	-	-
Adjusted earnings - non-GAAP	$ 11,301	$ 8,403	$ 9,173	$ 8,076	$ 9,243
Adjusted diluted earnings per common share	$ 0.52	$ 0.42	$ 0.46	$ 0.46	$ 0.56
Adjusted return on average assets	0.96 %	0.76 %	0.82 %	0.89 %	1.14 %
Adjusted return on average shareholders' equity	9.19 %	7.34 %	8.03 %	8.97 %	11.52 %
Adjusted return on average tangible common shareholders' equity	13.10 %	9.92 %	10.87 %	11.23 %	13.91 %

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

Efficiency Ratio Reconciliation

	For the Quarter Ended				
(dollars in thousands)	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Noninterest expense - GAAP	$ 49,602	$ 36,192	$ 48,364	$ 37,644	$ 30,798
Loss on mortgage servicing rights held for sale	-	(442)	(3,617)	-	-
Integration and acquisition expenses	(11,884)	(2,686)	(8,303)	(7,450)	(1,251)
Adjusted noninterest expense	$ 37,718	$ 33,064	$ 36,444	$ 30,194	$ 29,547
Net interest income - GAAP	$ 38,185	$ 36,036	$ 36,765	$ 29,400	$ 27,461
Effect of tax-exempt income	394	659	687	674	671
Adjusted net interest income	38,579	36,695	37,452	30,074	28,132
Noninterest income - GAAP	$ 16,605	$ 13,998	$ 15,403	$ 13,619	$ 16,342
Mortgage servicing rights impairment	133	494	104	1,650	76
Gain on sales of investment securities, net	(65)	(2)	(98)	(55)	(67)
(Gain) loss on sale of other assets	(150)	(37)	(45)	91	58
Adjusted noninterest income	16,523	14,453	15,364	15,305	16,409
Adjusted total revenue	$ 55,102	$ 51,148	$ 52,816	$ 45,379	$ 44,541
Efficiency ratio	68.45 %	64.64 %	69.00 %	66.54 %	66.34 %

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

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

(dollars in thousands, except per share data)	As of and for the Quarter Ended March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Shareholders' Equity to Tangible Common Equity					
Total shareholders' equity—GAAP	$ 585,385	$ 449,545	$ 450,689	$ 451,952	$ 334,333
Adjustments:					
Preferred Stock	(2,923)	(2,970)	(3,015)	(3,134)	-
Goodwill	(155,674)	(98,624)	(97,351)	(96,940)	(50,807)
Other intangibles	(46,473)	(16,932)	(17,966)	(18,459)	(8,633)
Tangible common equity	$ 380,315	$ 331,019	$ 332,357	$ 333,419	$ 274,893
Total Assets to Tangible Assets:					
Total assets—GAAP	$ 5,723,372	$ 4,412,701	$ 4,347,761	$ 4,491,642	$ 3,373,577
Adjustments:					
Goodwill	(155,674)	(98,624)	(97,351)	(96,940)	(50,807)
Other intangibles	(46,473)	(16,932)	(17,966)	(18,459)	(8,633)
Tangible assets	$ 5,521,225	$ 4,297,145	$ 4,232,444	$ 4,376,243	$ 3,314,137
Common Shares Outstanding	23,612,430	19,122,049	19,093,153	19,087,409	15,780,651
Tangible Common Equity to Tangible Assets	6.89 %	7.70 %	7.85 %	7.62 %	8.29 %
Tangible Book Value Per Share	$ 16.11	$ 17.31	$ 17.41	$ 17.47	$ 17.42

Return on Average Tangible Common Equity (ROATCE)

(dollars in thousands)	As of March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Net Income	$ 1,806	$ 1,991	$ 2,036	$ 3,539	$ 8,490
Average total shareholders' equity—GAAP	$ 498,941	$ 453,968	$ 453,317	$ 361,335	$ 325,442
Adjustments:					
Preferred Stock	(2,952)	(2,997)	(3,126)	(654)	-
Goodwill	(118,996)	(97,406)	(97,129)	(61,424)	(48,836)
Other intangibles	(27,156)	(17,495)	(18,153)	(10,812)	(7,144)
Average tangible common equity	$ 349,837	$ 336,070	$ 334,909	$ 288,445	$ 269,462
ROATCE	2.09 %	2.35 %	2.41 %	4.92 %	12.78 %