Midland States Bancorp, Inc.
NASDAQ: MSBI

Third Quarter 2022 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 and its potential effects on the economic environment, changes in interest rates and other general economic, business and political conditions, and the impact of inflation. 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 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, Pre-Provision Income," "Adjusted Pre-Tax, Pre-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 3Q22

Higher Earnings and Improved Returns

- Net income of $23.5 million, or $1.04 diluted EPS, up from $0.97 in prior quarter
- Pre-tax, pre-provision earnings[(1)] of $36.4 million, up from $35.9 million in prior quarter
- ROAA of 1.22% and ROATCE[(1)] of 20.20%, both increased from prior quarter

Strong, Well Balanced Loan Growth

- Total loans increased 27.8% annualized
- Growth in all portfolios with largest increases in commercial and CRE loans
- Equipment financing portfolio surpasses $1.0 billion

Positive Trends Across Key Metrics

- Average loan yields increased 34 bps from prior quarter
- Continued growth in noninterest-bearing and interest-bearing deposits
- Nonperforming assets declined 14% from end of prior quarter

Strengthened Capital Ratios

- $115 million preferred stock offering completed in August
- Combination of preferred stock offering and strong financial performance positively impacted capital ratios
- Total capital ratio and Tier 1 leverage ratio both increased from prior quarter

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

Loan Portfolio

- **Total loans increased $402.9 million from prior quarter to $6.20 billion**
- **Growth in all portfolios with the exception of SBA PPP loans**
- **Largest increases came in commercial and CRE loans, which increased at 36% annualized and 22% annualized, respectively**
- **Equipment finance balances increased $49.5 million, or 5.0% from end of prior quarter**

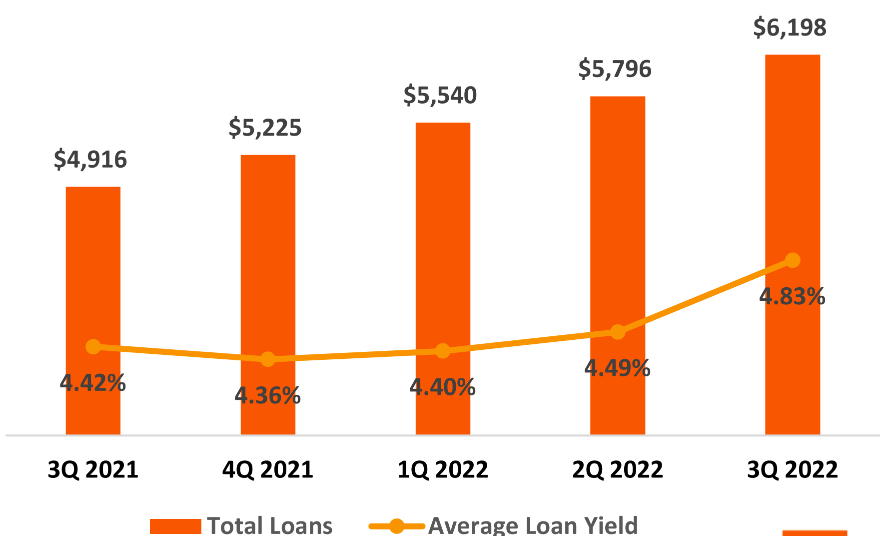
Loan Portfolio Mix

(in millions, as of quarter-end)

	3Q 2022	2Q 2022	3Q 2021
Commercial loans and leases	$ 1,994	$ 1,830	$ 1,880
Commercial real estate	2,466	2,336	1,562
Construction and land development	226	204	201
Residential real estate	356	340	344
Consumer	1,156	1,085	929
Total Loans	**$6,198**	**$5,796**	**$4,916**
Total Loans ex. Commercial FHA Lines and PPP	**$6,144**	**$5,765**	**$4,653**

Total Loans and Average Loan Yield

(in millions, as of quarter-end)



Total Deposits

- **Total deposits increased $210.8 million from prior quarter to $6.40 billion**
- **Increase driven by higher balances of noninterest-bearing and lower-cost interest-bearing deposits**
- **Continued improvement in deposit mix with noninterest-bearing deposits increasing to 31.7% of total deposits from 29.9% of total deposits in 3Q21**
- **Strengthened commercial banking and treasury management teams consistently generating new relationships that provide steady inflow of commercial deposits**

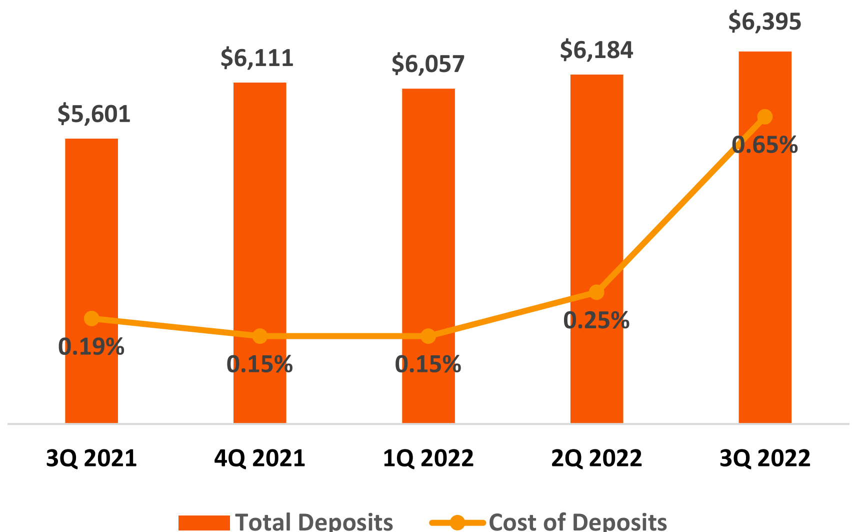
Deposit Mix

(in millions, as of quarter-end)

	3Q 2022	2Q 2022	3Q 2021
Noninterest-bearing demand	$ 2,025	$ 1,972	$ 1,673
Interest-bearing:			
Checking	1,905	1,809	1,697
Money market	1,125	1,028	853
Savings	704	740	666
Time	621	620	689
Brokered time	14	15	24
Total Deposits	**$6,395**	**$6,184**	**$5,601**

Total Deposits and Cost of Deposits

(in millions, as of quarter-end)



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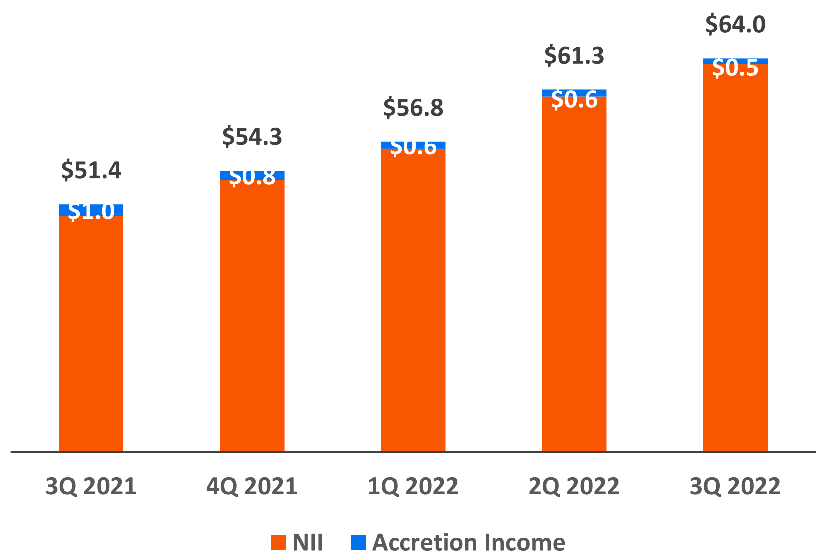
Net Interest Income/Margin

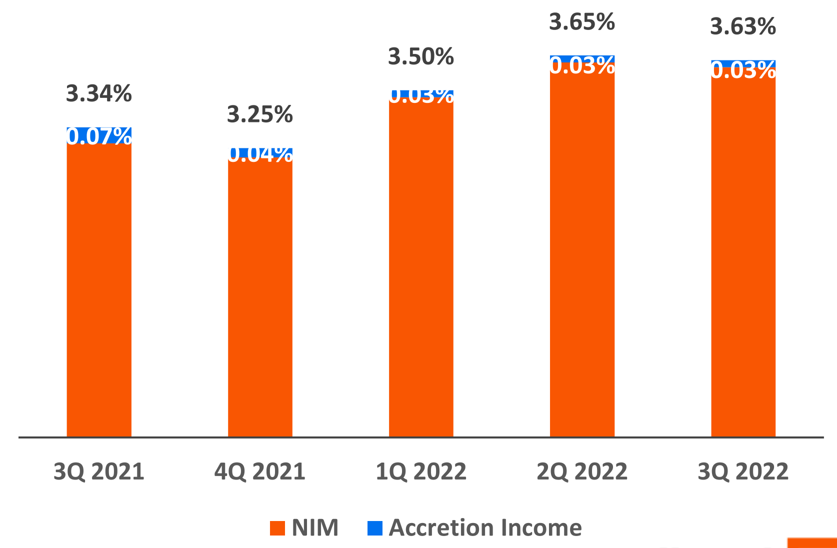
- Net interest income increased 4.4% from the prior quarter due primarily to higher average loan balances
- Net interest margin decreased 2 bps from prior quarter as increase in cost of deposits exceeded the increase in the average yield on earning assets
- Planned redemption of $40 million of sub debt in October will eliminate higher cost source of funds
- Average rate on new and renewed loan originations increased 74 bps to 5.53% in September 2022 from 4.79% in June 2022
    - ➢ Midland Equipment Finance yields increased 46 bps; other commercial loan yields increased 55 bps

Net Interest Income

(in millions)

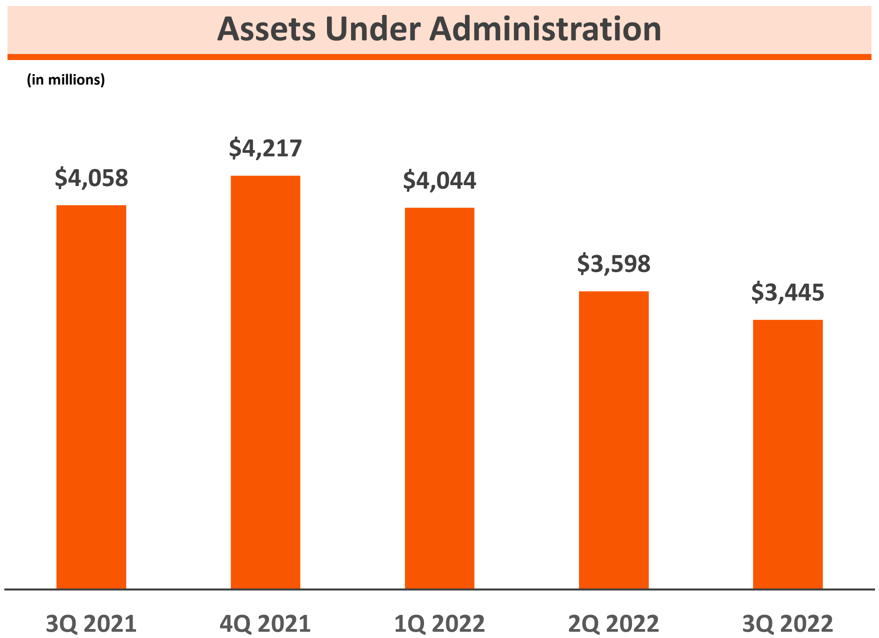


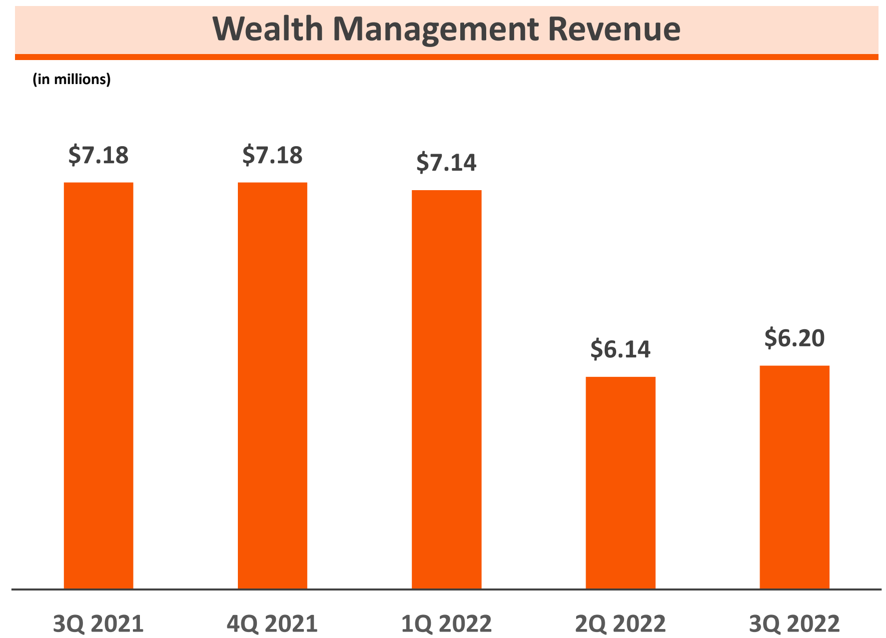
Net Interest Margin



Wealth Management

- **During 3Q22, assets under administration decreased $152.7 million, primarily due to market performance**
- **Wealth Management revenue relatively consistent with prior quarter**





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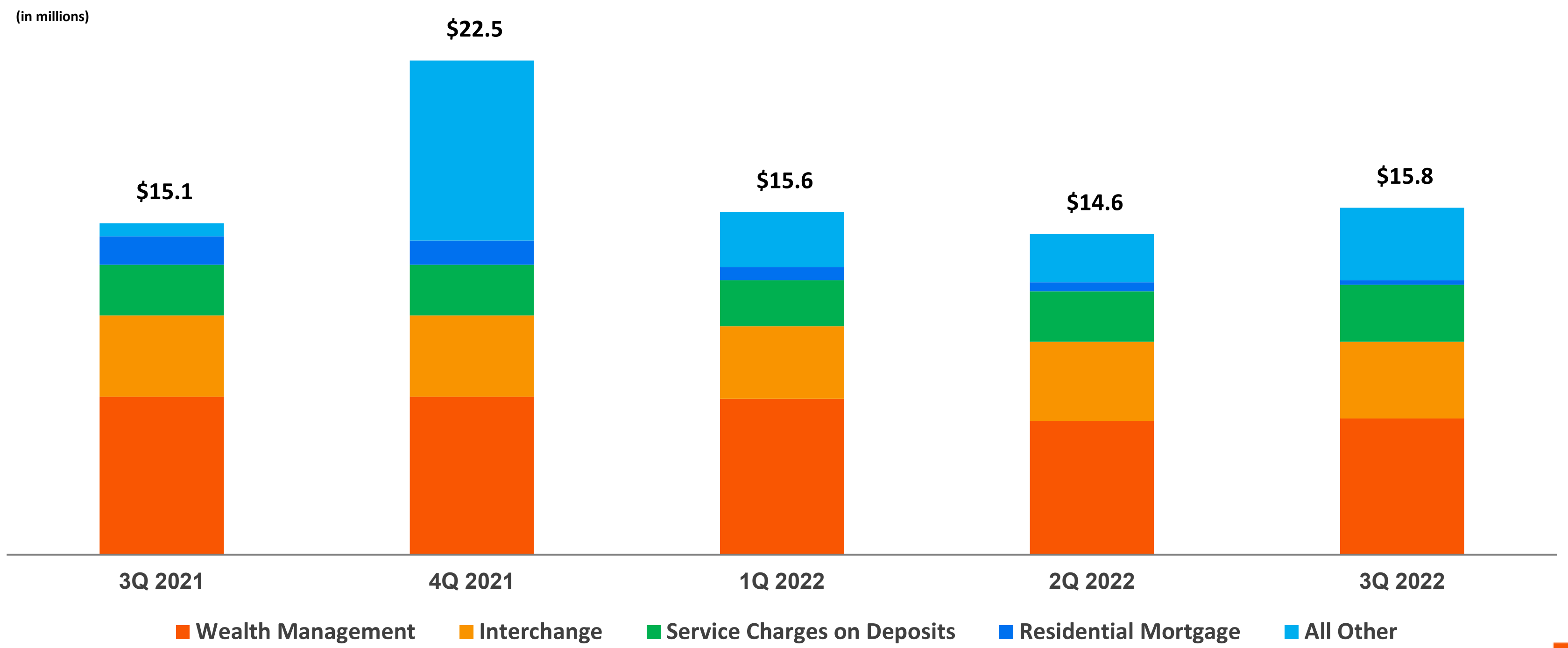
Noninterest Income

- **Noninterest income increased 8.3% from prior quarter, primarily due to impairment on commercial MSRs that negatively impacted noninterest income in 2Q22**
- **Most fee generating areas were relatively consistent with prior quarter**
- **Commercial MSR portfolio in the process of being sold, which will eliminate a source of earnings volatility and provide a small benefit to capital ratios**

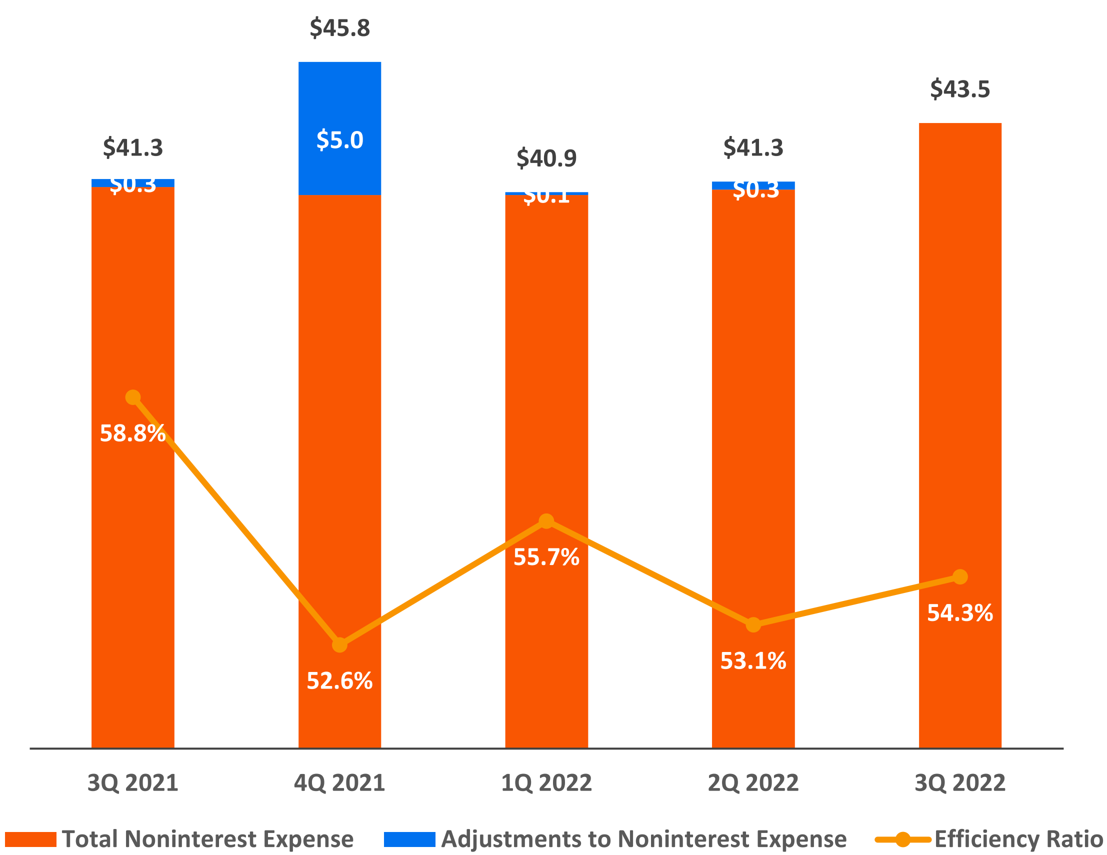
Noninterest Income



Noninterest Expense and Operating Efficiency

Noninterest Expense and Efficiency Ratio [1]

(Noninterest expense in millions)



- **Efficiency Ratio [1] was 54.3% in 3Q22 vs. 53.1% in 2Q22**
- **Adjustments to non-interest expense:**

($ in millions)	3Q22	2Q22
Integration and acquisition related expenses	--	($0.3)

- **Excluding these adjustments, noninterest expense was up from the prior quarter primarily due to:**
  - **Increase in compensation including incentive compensation and commissions**
  - **General increase in expenses due to greater loan and deposit activity**
  - **Full quarter impact of branch acquisition in June 2022**
- **Near-term operating expense run-rate expected to be $42.5 - $43.5 million**

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

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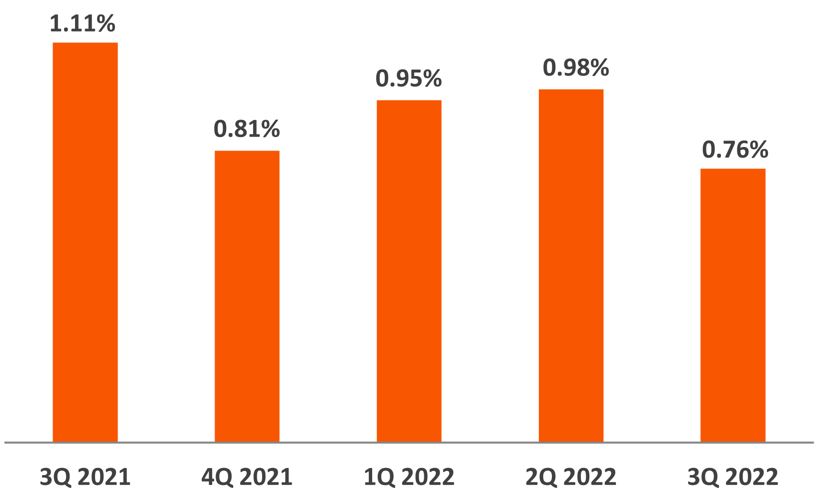
Asset Quality

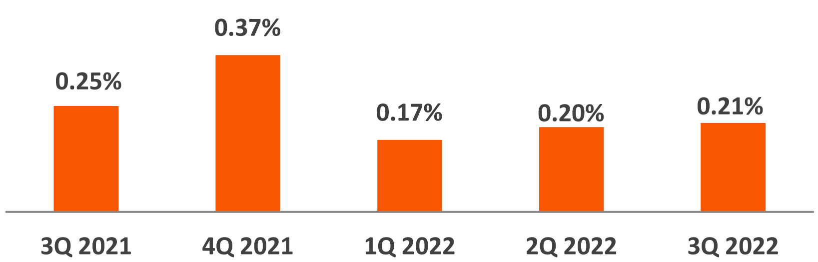
- **Nonperforming loans decreased $10.0 million due to a combination of payoffs, note sale, and a charge-off on a previously reserved loan relationship**
- **Generally positive trends in the loan portfolio with continued upgrades of watch list loans**
- **Delinquencies in consumer portfolio remain low**
- **Provision for credit losses on loans of $7.0 million primarily related to the growth in total loans and impact of negative economic forecasts**

Nonperforming Loans / Total Loans

(Total Loans as of quarter-end)



NCO / Average Loans



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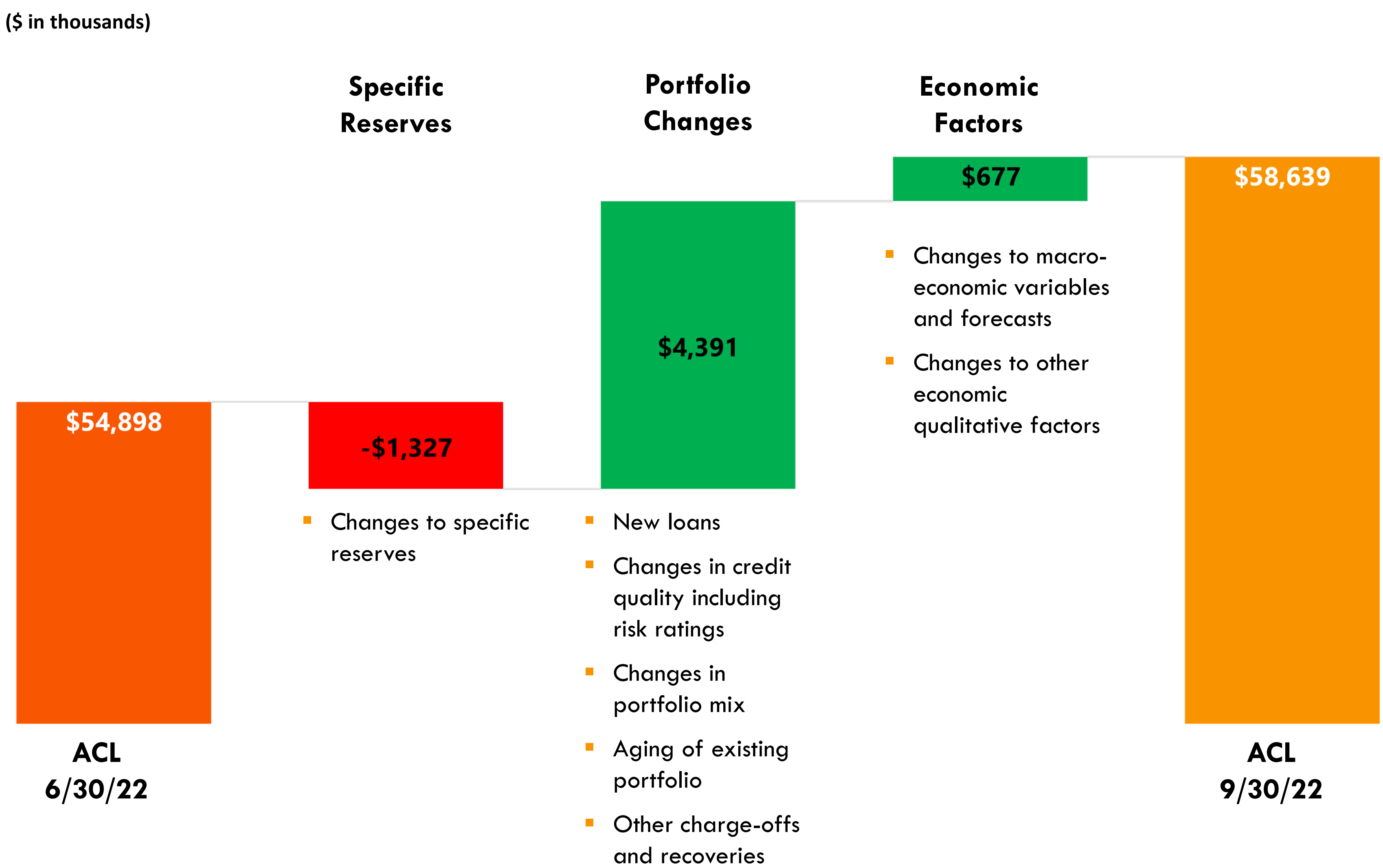
Changes in Allowance for Credit Losses



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ACL by Portfolio

($ in thousands)

Portfolio	September 30, 2022 Loans	ACL	% of Total Loans		June 30, 2022 Loans	ACL	% of Total Loans
Commercial	$ 852,930	$ 5,745	0.67%		$ 747,782	$ 5,412	0.72%
Warehouse Lines	51,309	-	0.00%		23,872	-	0.00%
Commercial Other	683,353	8,620	1.26%		643,477	7,336	1.14%
Equipment Finance Loans	577,323	8,307	1.44%		546,267	7,068	1.29%
Paycheck Protection Program	2,810	4	0.14%		6,409	10	0.15%
Equipment Finance Leases	457,611	6,678	1.46%		439,202	6,765	1.54%
CRE non-owner occupied	1,567,308	19,141	1.22%		1,480,031	18,861	1.27%
CRE owner occupied	505,174	5,818	1.15%		524,587	6,037	1.15%
Multi-family	328,473	3,105	0.95%		265,749	2,610	0.98%
Farmland	65,348	366	0.56%		65,288	366	0.56%
Construction and Land Development	225,550	1,591	0.71%		203,955	1,101	0.54%
Residential RE First Lien	294,432	3,686	1.25%		279,628	3,025	1.08%
Other Residential	61,793	485	0.78%		60,474	391	0.65%
Consumer	110,226	594	0.54%		98,558	379	0.38%
Consumer Other(1)	1,046,254	2,810	0.27%		986,813	2,615	0.26%
Total Loans	**6,198,451**	**58,639**	**0.95%**		**5,795,544**	**54,898**	**0.95%**
Loans (excluding GreenSky, PPP and warehouse lines)	**5,036,227**	**55,636**	**1.10%**		**4,716,721**	**52,080**	**1.10%**

Notes:
(1) Primarily consists of loans originated through GreenSky relationship

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Outlook

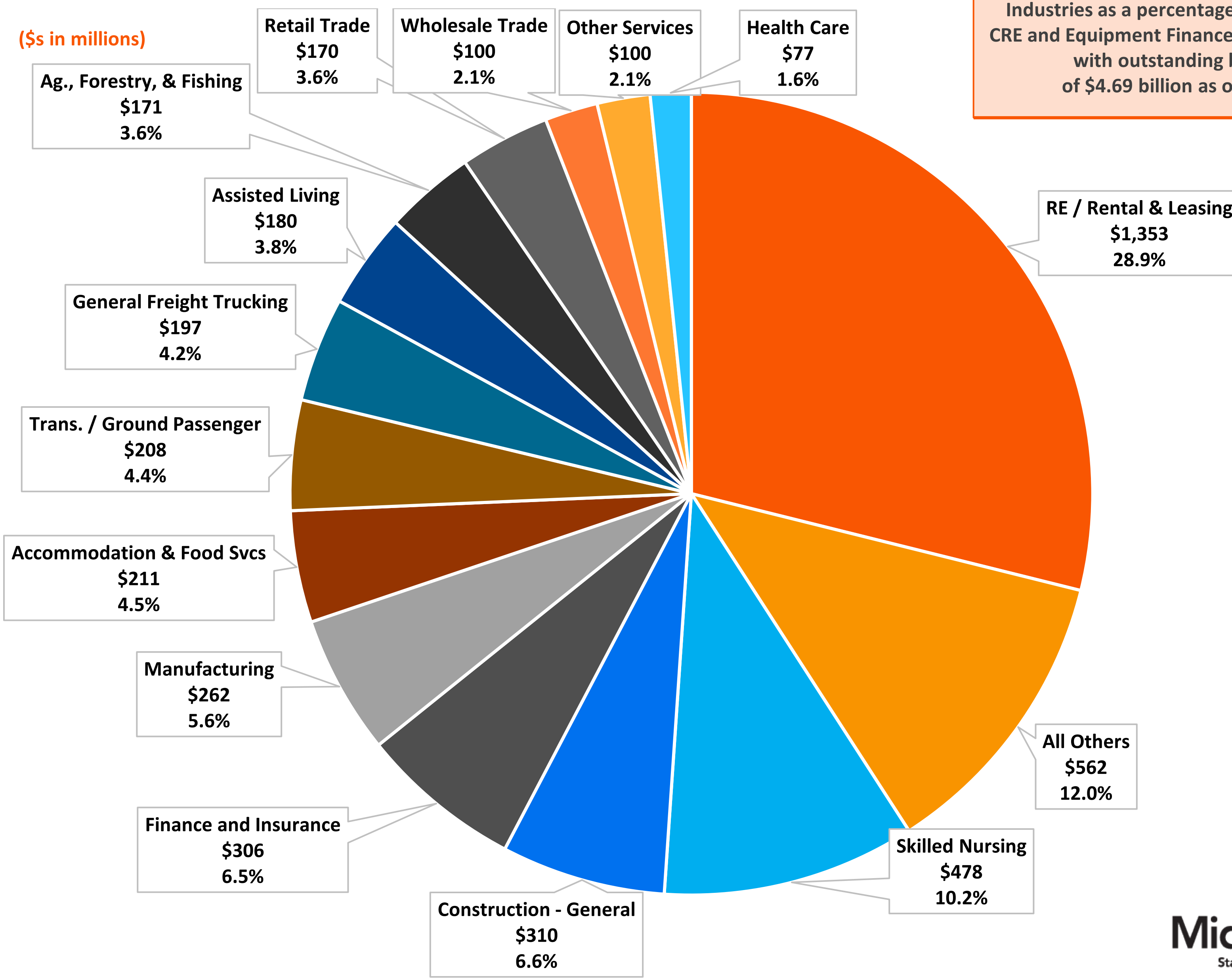
- **Strengthened capital ratios will support continued balance sheet growth**
- **Loan pipeline remains strong, but loan growth expected to moderate as higher rates and uncertain economic conditions have a greater impact on loan demand**
- **Continued loan growth, higher net interest margin, and improved efficiencies expected to result in consistently strong financial performance**
- **Continued progress on Banking-as-a-Service initiative building foundation for positive impact on loan production, deposit gathering and fee income generation in 2023**

APPENDIX

Commercial Loans and Leases by Industry

($s in millions)

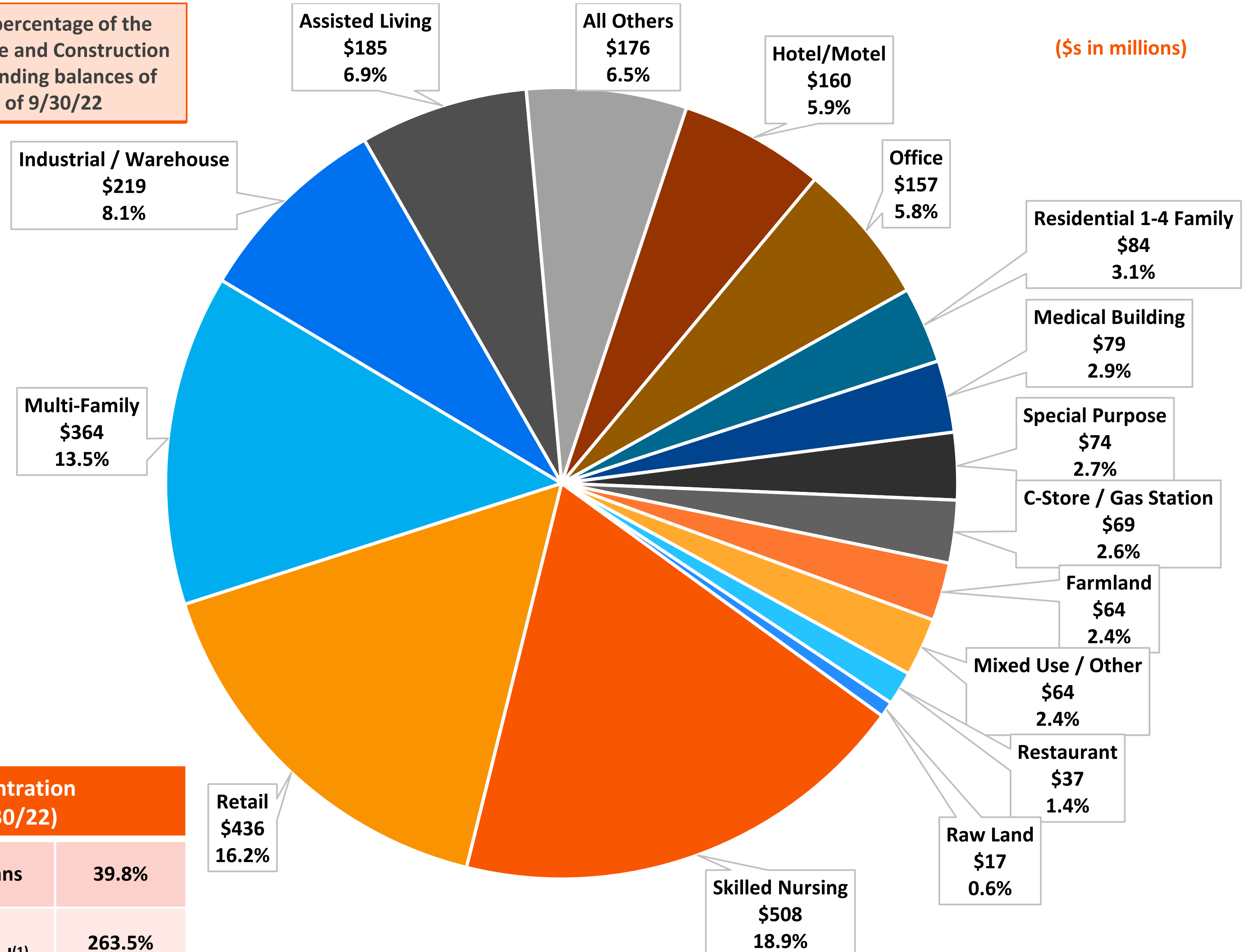
Industries as a percentage of Commercial, CRE and Equipment Finance Loans and Leases with outstanding balances of $4.69 billion as of 9/30/22



Commercial Real Estate Portfolio by Collateral Type

Collateral type as a percentage of the Commercial Real Estate and Construction Portfolio with outstanding balances of $2.69 billion as of 9/30/22

($s in millions)



CRE Concentration (as of 9/30/22)	
CRE as a % of Total Loans	39.8%
CRE as a % of Total Risk-Based Capital(1)	263.5%

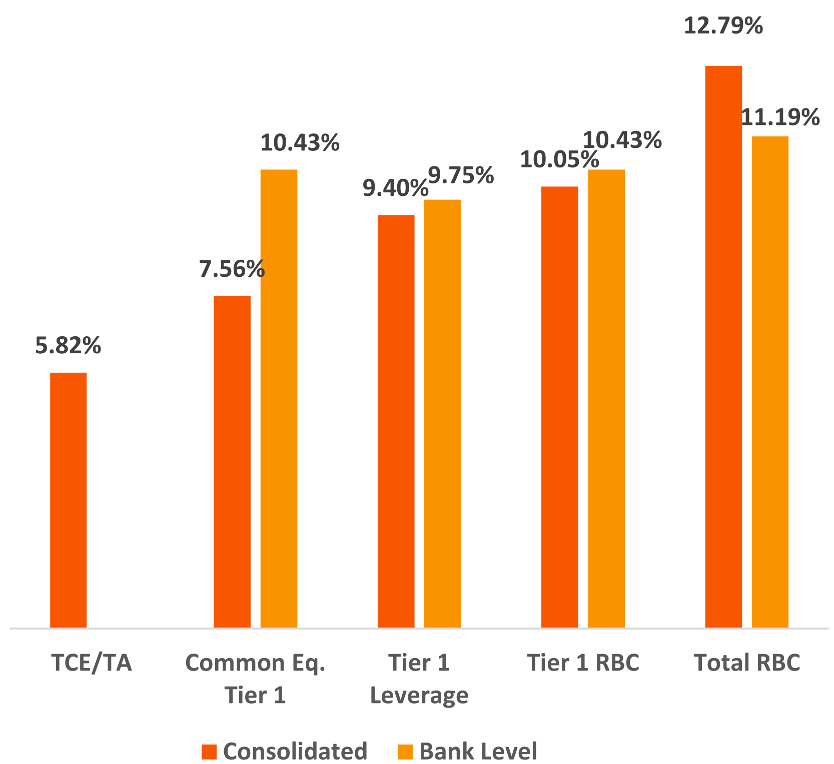
Notes:
(1) Represents non-owner occupied CRE loans only

Capital Ratios and Strategy

Capital Strategy

- Strengthened capital ratios with issuance of $115 million of non-cumulative preferred stock in August 2022
  - Included as Tier 1 Regulatory Capital
  - 7.75% with reset at 5 years
- Reduce cost of funds by redeeming $40 million of sub-debt with rate of 6.25% in October
- Internal capital generated from strong profitability and slower balance sheet growth expected to raise TCE ratio to 7.00%-7.75% by the end of 2023
- Capital actions and strong profitability expected to enable MSBI to raise capital ratios while maintaining current dividend payout

Capital Ratios
(as of 9/30/22)



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Liquidity Overview

Liquidity Sources
(as of 9/30/22)

($ in millions)	
Cash and Cash Equivalents	$ 313.2
Unpledged Securities	153.5
FHLB Committed Liquidity	1,148.9
FRB Discount Window Availability	13.5
Total Estimated Liquidity	**$ 1,629.1**

Conditional Funding Based on Market Conditions	
Additional Credit Facility	$ 250.0
Brokered CDs (additional capacity)	$ 500.0

Other Liquidity

Holding Company Cash Position of $93.5 Million

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

Adjusted Earnings Reconciliation

	For the Quarter Ended				
(dollars in thousands, except per share data)	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Income before income taxes - GAAP	$ 29,380	$ 29,167	$ 27,389	$ 30,600	$ 25,431
Adjustments to noninterest income:					
Loss (gain) on sales of investment securities, net	129	101	—	—	(160)
(Gain) on termination of hedged interest rate swap	—	—	—	(1,845)	—
Total adjustments to noninterest income	129	101	—	(1,845)	(160)
Adjustments to noninterest expense:					
(Loss) on mortgage servicing rights held for sale	—	—	—	—	(79)
FHLB advances prepayment fees	—	—	—	(4,859)	—
Integration and acquisition expenses	68	(324)	(91)	(171)	(176)
Total adjustments to noninterest expense	68	(324)	(91)	(5,030)	(255)
Adjusted earnings pre tax	29,441	29,592	27,480	33,785	25,526
Adjusted earnings tax	5,873	7,401	6,665	8,369	5,910
Adjusted earnings - non-GAAP	$ 23,568	$ 22,191	$ 20,815	$ 25,416	$ 19,616
Adjusted diluted earnings per common share	$ 1.04	$ 0.98	$ 0.92	$ 1.12	$ 0.86
Adjusted return on average assets	1.22 %	1.21 %	1.16 %	1.39 %	1.15 %
Adjusted return on average shareholders' equity	13.34 %	13.84 %	12.84 %	15.44 %	11.94 %
Adjusted return on average tangible common equity	20.24 %	19.41 %	17.89 %	21.65 %	16.82 %

Adjusted Pre-Tax, Pre-Provision Earnings Reconciliation

	For the Quarter Ended				
(dollars in thousands)	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Adjusted earnings pre tax - non-GAAP	$ 29,441	$ 29,592	$ 27,480	$ 33,785	$ 25,526
Provision for credit losses	6,974	5,441	4,167	467	(184)
Impairment on commercial mortgage servicing rights	—	869	394	2,072	3,037
Adjusted pre-tax, pre-provision earnings - non-GAAP	$ 36,415	$ 35,902	$ 32,041	$ 36,324	$ 28,379
Adjusted pre-tax, pre-provision return on average assets	1.89 %	1.95 %	1.79 %	1.98 %	1.67 %

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

Efficiency Ratio Reconciliation

	For the Quarter Ended				
(dollars in thousands)	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Noninterest expense - GAAP	$ 43,496	$ 41,339	$ 40,884	$ 45,757	$ 41,292
Loss on mortgage servicing rights held for sale	—	—	—	—	(79)
FHLB advances prepayment fees	—	—	—	(4,859)	—
Integration and acquisition expenses	68	(324)	(91)	(171)	(176)
Adjusted noninterest expense	$ 43,564	$ 41,015	$ 40,793	$ 40,727	$ 41,037
Net interest income - GAAP	$ 64,024	$ 61,334	$ 56,827	$ 54,301	$ 51,396
Effect of tax-exempt income	307	321	369	372	402
Adjusted net interest income	64,331	61,655	57,196	54,673	51,798
Noninterest income - GAAP	15,826	14,613	15,613	22,523	15,143
Impairment on commercial mortgage servicing rights	—	869	394	2,072	3,037
Loss (gain) on sales of investment securities, net	129	101	—	—	(160)
(Gain) on termination of hedged interest rate swap	—	—	—	(1,845)	—
Adjusted noninterest income	15,955	15,583	16,007	22,750	18,020
Adjusted total revenue	$ 80,286	$ 77,238	$ 73,203	$ 77,423	$ 69,818
Efficiency ratio	54.26 %	53.10 %	55.73 %	52.61 %	58.78 %

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				
(dollars in thousands, except per share data)	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**
Shareholders' Equity to Tangible Common Equity					
Total shareholders' equity—GAAP	$ 739,279	$ 636,188	$ 644,986	$ 663,837	$ 657,844
Adjustments:					
Preferred Stock	(110,548)	—	—	—	—
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(22,198)	(23,559)	(22,976)	(24,374)	(26,065)
Tangible common equity	$ 444,629	$ 450,725	$ 460,106	$ 477,558	$ 469,875
Total Assets to Tangible Assets:					
Total assets—GAAP	$ 7,821,877	$ 7,435,812	$ 7,338,715	$ 7,443,805	$ 7,093,959
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(22,198)	(23,559)	(22,976)	(24,374)	(26,065)
Tangible assets	$ 7,637,775	$ 7,250,349	$ 7,153,835	$ 7,257,527	$ 6,905,990
Common Shares Outstanding	22,074,740	22,060,255	22,044,626	22,050,537	22,193,141
Tangible Common Equity to Tangible Assets	5.82 %	6.22 %	6.43 %	6.58 %	6.80 %
Tangible Book Value Per Share	$ 20.14	$ 20.43	$ 20.87	$ 21.66	$ 21.17

Return on Average Tangible Common Equity (ROATCE)

	For the Quarter Ended				
(dollars in thousands)	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**
Net income	$ 23,521	$ 21,883	$ 20,749	$ 23,107	$ 19,548
Average total shareholders' equity—GAAP	$ 700,866	$ 643,004	$ 657,327	$ 652,892	$ 651,751
Adjustments:					
Preferred Stock	(54,072)	—	—	—	—
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(22,859)	(22,570)	(23,638)	(25,311)	(27,132)
Average tangible common equity	$ 462,031	$ 458,530	$ 471,785	$ 465,677	$ 462,715
ROATCE	20.20 %	19.14 %	17.84 %	19.69 %	16.76 %

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