




Midland States Bancorp, Inc.

NASDAQ: MSBI

Investor Presentation
June 2019



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Company Snapshot

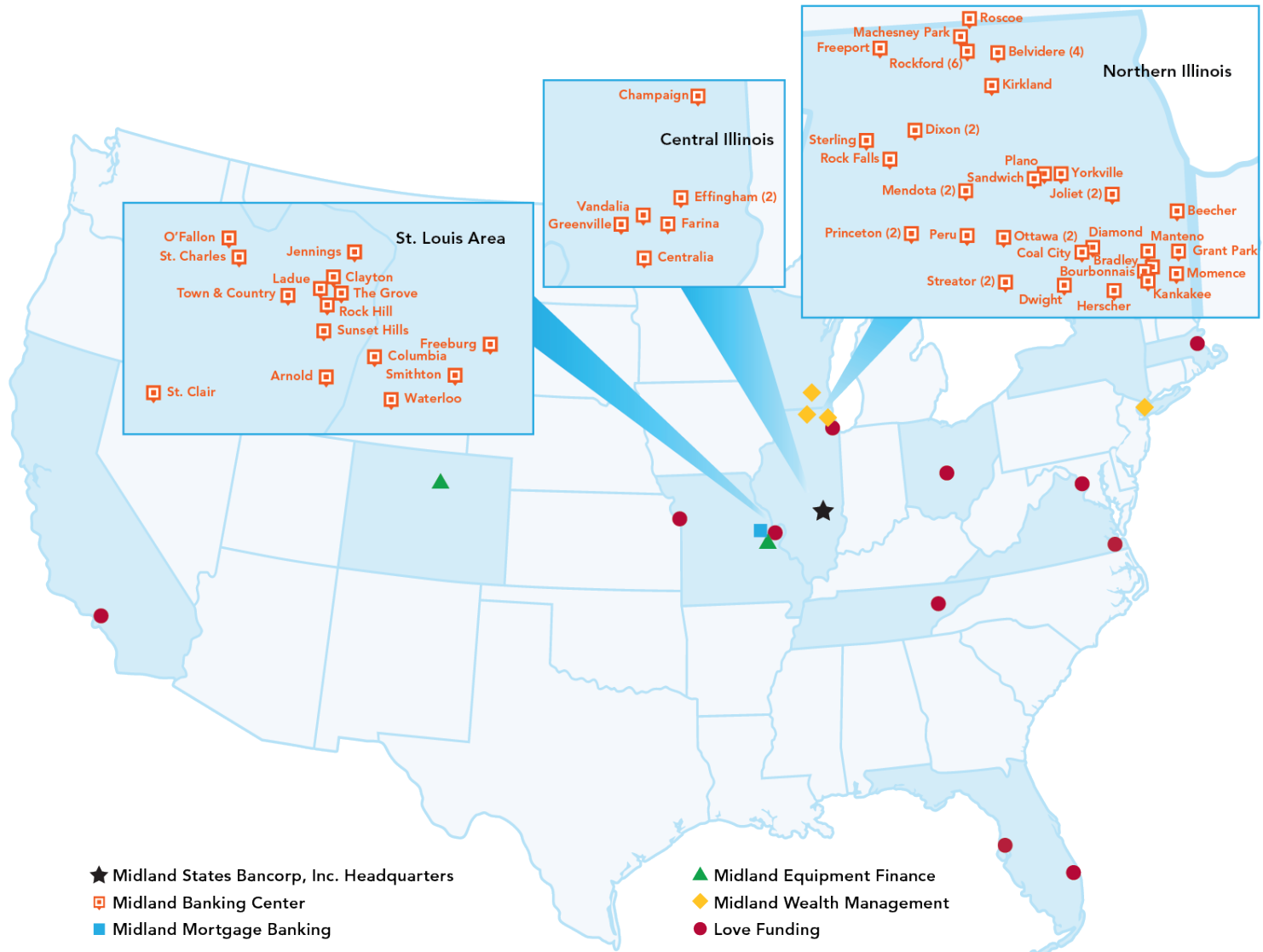
- **\$5.64 billion asset community bank established in 1881 and headquartered in Effingham, Illinois (3rd largest Illinois-based community bank¹)**
- **\$3.10 billion Wealth Management business**
- **Strong fee generators consistently account for approximately 30% of total revenue**
- **95+ offices throughout the U.S. including 69 traditional branches in Illinois and Missouri**
- **13 successful acquisitions since 2008**
- **Pending acquisition of HomeStar Bank expands presence in Kankakee, IL and adds attractive low-cost deposit base**

Notes:

1) Community bank defined as banks with less than \$10 billion in assets; Source: S&P Global Market Intelligence

2) All financial data as of March 31, 2019

Financial Services & Banking Center Footprint



Residential Mortgage and Wealth Management services are also available through all Midland Banking Centers.

Investment Summary

- **Experienced and deep management team**
- **Consistent track record of driving compelling shareholder returns through disciplined strategic expansion and earnings growth**
- **Solid asset quality with low charge-off history driven by a diversified loan portfolio, conservative credit culture and disciplined underwriting process**
- **Attractive, stable core deposit franchise with 23% non-interest bearing accounts⁽¹⁾**
- **Proven track record of successful acquisitions with a focus on enhancing shareholder value while building a platform for scalability**
- **Illinois and contiguous states provide ample opportunities for future acquisitions**
- **Comprehensive risk management standards applied throughout the entire business**

Notes:

(1) As of March 31, 2019

Business and Corporate Strategy

Five Core Strategic Initiatives

Customer-Centric Culture

Drive our organic growth by focusing on customer service and accountability to our clients and colleagues; seek to develop bankers who create dynamic relationships; pursue continual investment in people; maintain a core set of institutional values

Operational Excellence

A corporate-wide focus on driving improvements in people, processes and technology in order to generate further improvement in Midland's operating efficiency and financial performance

Enterprise-Wide Risk Management

Maintain a program designed to integrate controls, monitoring and risk-assessment at all key levels and stages of our operations and growth; ensure that all employees are fully engaged

Accretive Acquisitions

Maintain experienced acquisition team capable of identifying and executing transactions that build shareholder value through a disciplined approach to pricing; take advantage of relative strength in periods of market disruption

Revenue Diversification

Generate a diversified revenue mix and focus on growing businesses that generate strong recurring revenues such as wealth management

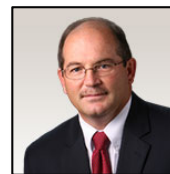
Management Team

Highly experienced senior management in place:



John M. Schultz: Chairman of the Board

- Held the position since 2006
- Chief Executive Officer of Agracel, Inc.
- Author of *Boomtown USA: the 7 ½ Keys to Big Success in Small Towns*



Leon J. Holschbach: Vice Chairman of the Board

- Former CEO of Midland States Bancorp
- 35+ years in community banking; 25+ years as bank president
- Held various executive and senior roles at community banks



Jeffrey G. Ludwig: President and CEO of Midland States Bancorp

- Assumed Company CEO role in Jan. 2019 after serving as Bank CEO
- More than 10 years serving as CFO
- Joined Midland States in November 2006; 16+ years in banking industry



Douglas J. Tucker: SVP, Corporate Counsel and Director of IR

- 19+ years experience advising banks and bank holding co.
- Significant IPO, SEC reporting and M&A experience
- Served as lead outside counsel for all of Midland's acquisitions and capital raise transactions from 2007 prior to joining the Company



Stephen A. Erickson: Chief Financial Officer

- Promoted to CFO in 2018 from Director of M&A
- Former CFO of EVO Merchant Services, Inc.
- Significant investment banking and public accounting experience



Jeffrey S. Mefford: President of Midland States Bank and EVP of Midland States Bancorp

- 25+ years in community banking
- Appointed Bank President in March 2018
- Oversees commercial, retail, mortgage and treasury sales

- Risk-focused corporate culture, promoting responsibility and accountability
- MSBI common shares are 10.1%⁽¹⁾ owned by the Board of Directors and executive officers

Note:

(1) As of March 31, 2019; beneficial ownership includes shares of unvested restricted stock that officers are entitled to vote, but does not include common stock equivalent units owned by directors or officers under the Deferred Compensation Plan

Successful Acquisition History

- Midland States has completed 13 transactions since 2008, including FDIC-assisted, branch, whole bank, asset purchase, business line, and a New York trust asset acquisition
- Demonstrated history of earnings expansion
- Deliberate diversification of geographies and revenue channels
- Successful post-closing integration of systems and businesses

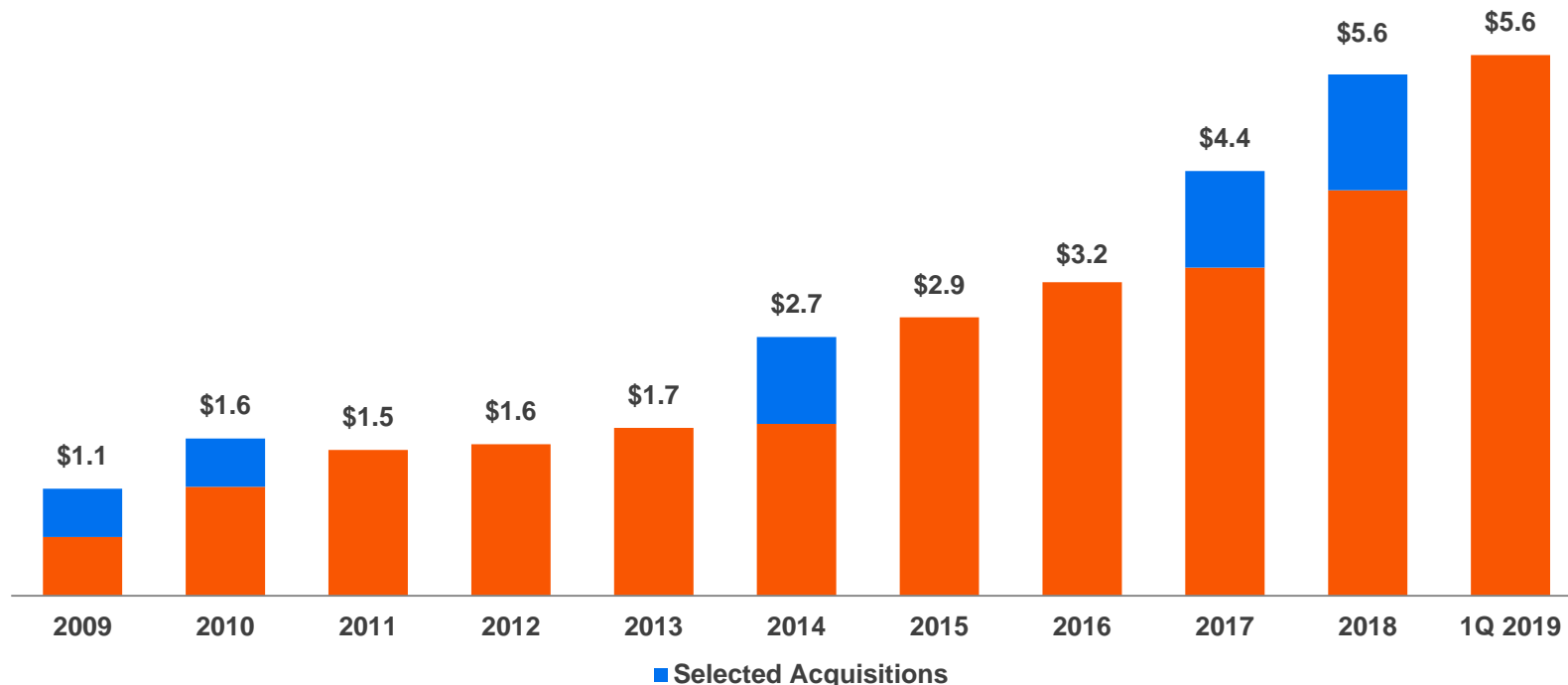
	Selected Acquisitions					
	2009	2010	2014	2016	2017	2018
	Strategic Capital Bank	AMCORE Bank, N.A.	Love Savings / Heartland Bank	Sterling Bancorp	Centrue Financial	Alpine Bancorp.
Acquisition Type	FDIC-Assisted	12 Branches	Whole Bank	Trust Administration	Whole Bank	Whole Bank & Wealth Mgmt
Assets Acquired (\$mm)	\$540.4	\$499.5	\$889.0	-	\$990.2	\$1,243.3
Location	Champaign, IL	Northern Illinois	St. Louis, MO	Yonkers, NY	Northern Illinois	Rockford, IL
	Financially Transformative	Operationally Transformative	Revenue Diversification		Enhanced Scale and Market Presence	Expanded Core Bank and Wealth Management

Successful Execution of Strategic Plan...

Total Assets

(at period-end in Billions)

CAGR: 19%



Selected Acquisitions: Total Assets at Time of Acquisition (in millions)

2009: Strategic Capital Bank (\$540)

2010: AMCORE Bank (\$500)

2014: Love Savings/Heartland Bank (\$889)

2017: Centru Financial (\$990)

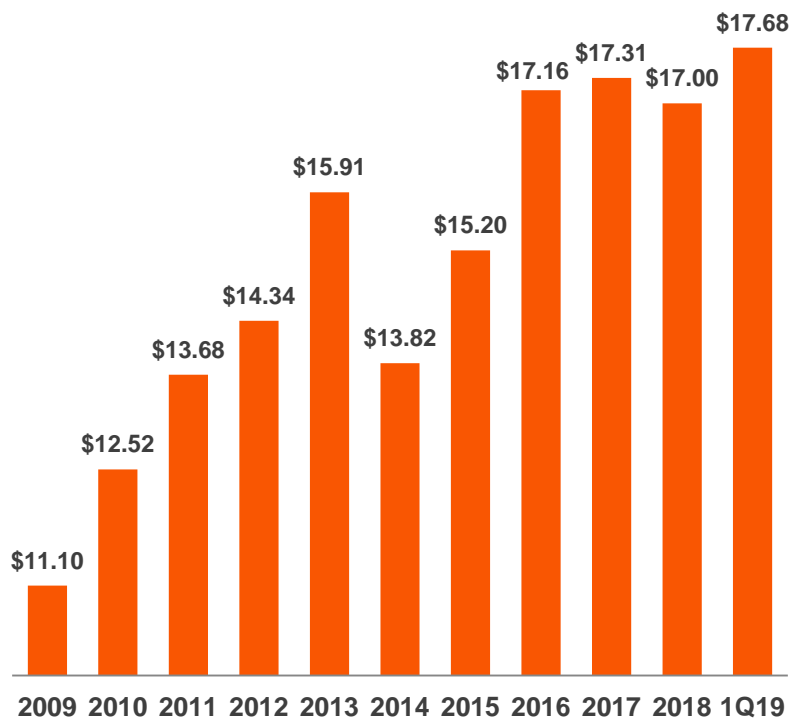
2018: Alpine Bancorp. (\$1,243)

...Leads to Creation of Shareholder Value

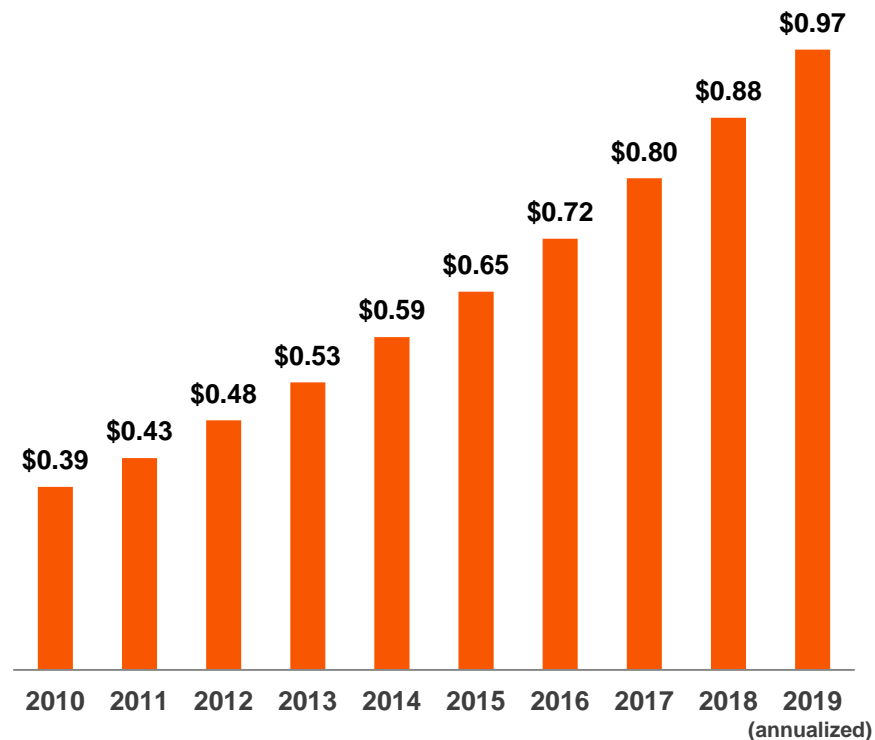
10%+ annual dividend growth over the past 15 years

Tangible Book Value Per Share⁽¹⁾

(at period-end)



Dividends Declared Per Share



Note:

(1) Tangible book value per share is a non-GAAP financial measure; tangible book value per share is defined as tangible common equity divided by shares of common stock outstanding (in the case of the "as converted" measure, assuming the conversion of all preferred shares that were outstanding prior to December 31, 2014); please see reconciliation on slide 26 of the appendix



Overview of HomeStar Bank Acquisition

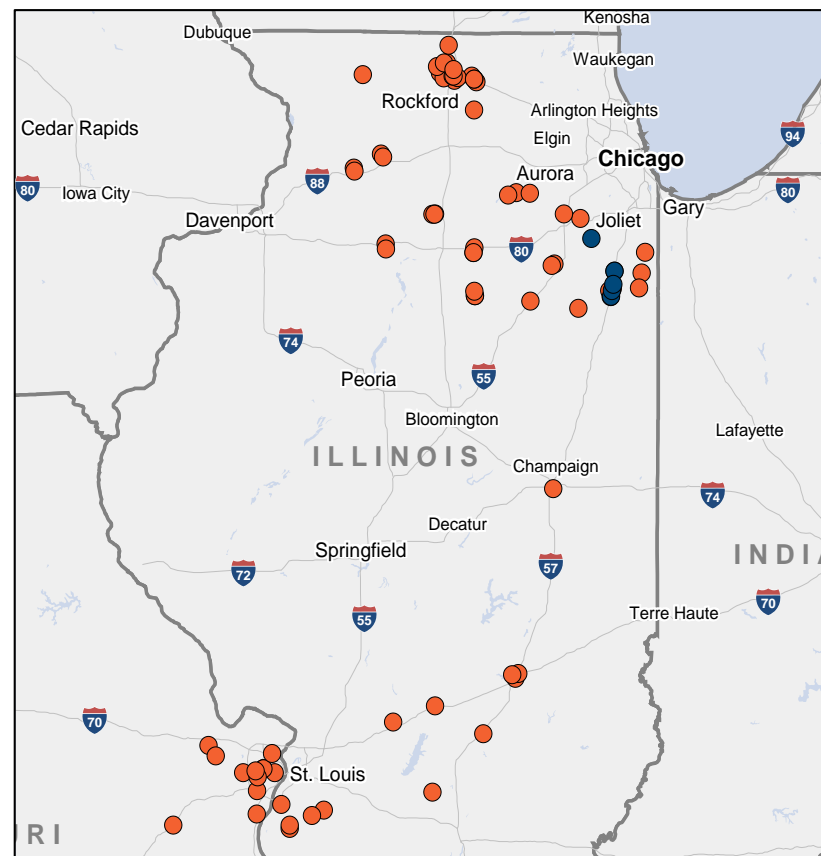
Key Highlights⁽¹⁾

- Expected to close in Q3 2019
- Complements Midland's franchise in Kankakee
 - Provides #1 deposit market share in Kankakee, IL MSA
- Stable, low-cost deposit franchise
 - 20 bps cost of deposits
 - 1.3% deposit beta (3Q15-4Q18)
- Highly accretive transaction with significant opportunities to realize cost savings
- Small, in-market acquisition with ease of integration and little to no disruption to efficiency initiatives

Financial Impact⁽¹⁾

- Approx. 9% EPS accretion in 2020 (first full year of cost savings)
- TBV per share dilution of 2 years (crossover method)
- Adds \$223 million in total loans
- Adds \$333 million in total deposits
- Provides excess liquidity that improves loan-to-deposit ratio

Combined Branch Map



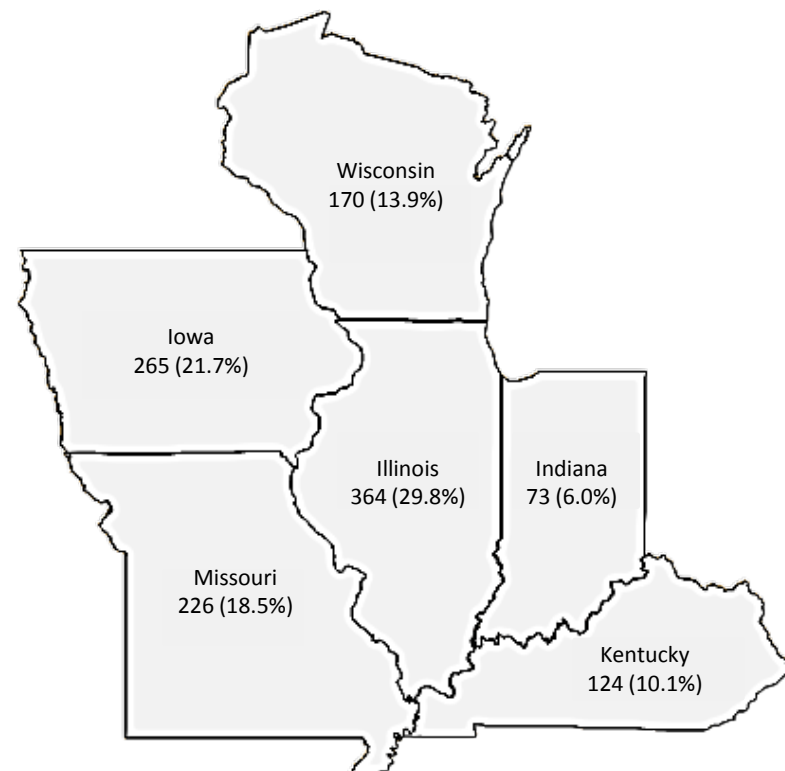
● Midland States Bancorp, Inc.

● HomeStar Financial Group, Inc.

Market Opportunities & Acquisition Strategy

- MSBI believes there will be numerous small to mid-sized banking organizations available for acquisition within Illinois and contiguous states
- There are more than 1,200 institutions in the six-state region with less than \$1.0 billion in assets ⁽¹⁾
 - Illinois and Missouri combine for nearly half of those institutions
- MSBI targets institutions with demographics similar to current markets that are strategically compelling and financially accretive
- Remain a community bank focused on customer service

Number of Banks & Thrifts
With less than \$1.0 Billion in Assets ⁽¹⁾



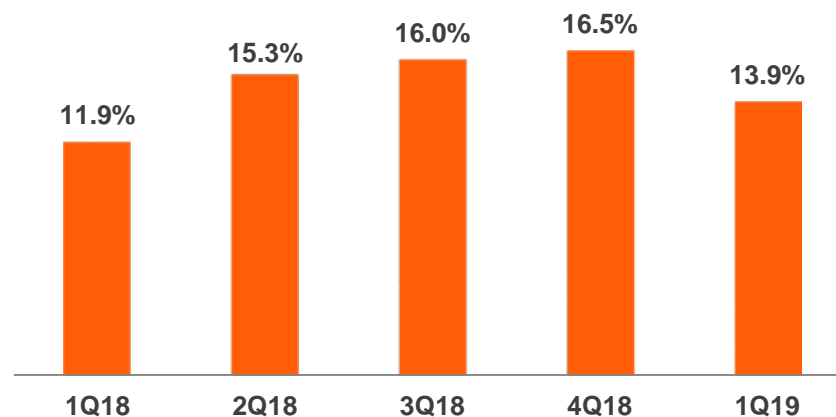
Be a “partner of choice” for community banks
with scale and/or succession challenges

Performance Metrics

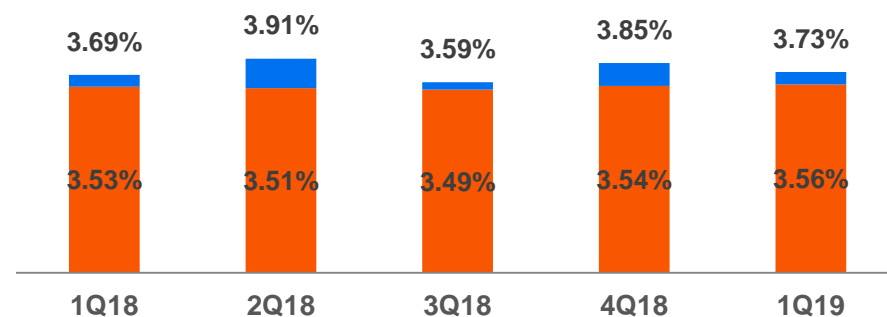
Adjusted Diluted Earnings Per Share ⁽¹⁾



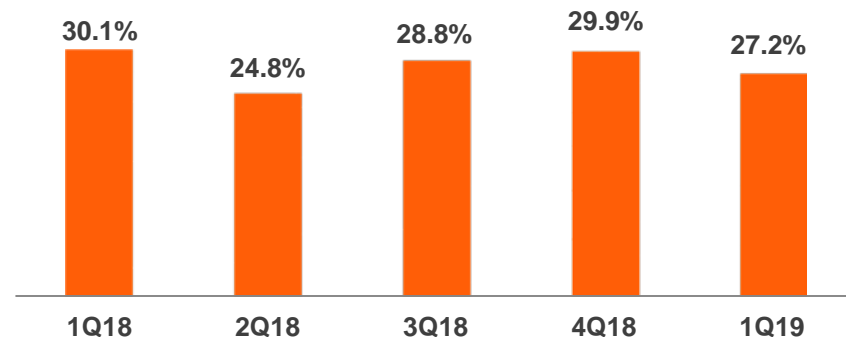
Adjusted Return on Avg. Tangible Common Equity ⁽¹⁾



Net Interest Margin ⁽²⁾



Noninterest Income / Total Revenue ⁽³⁾



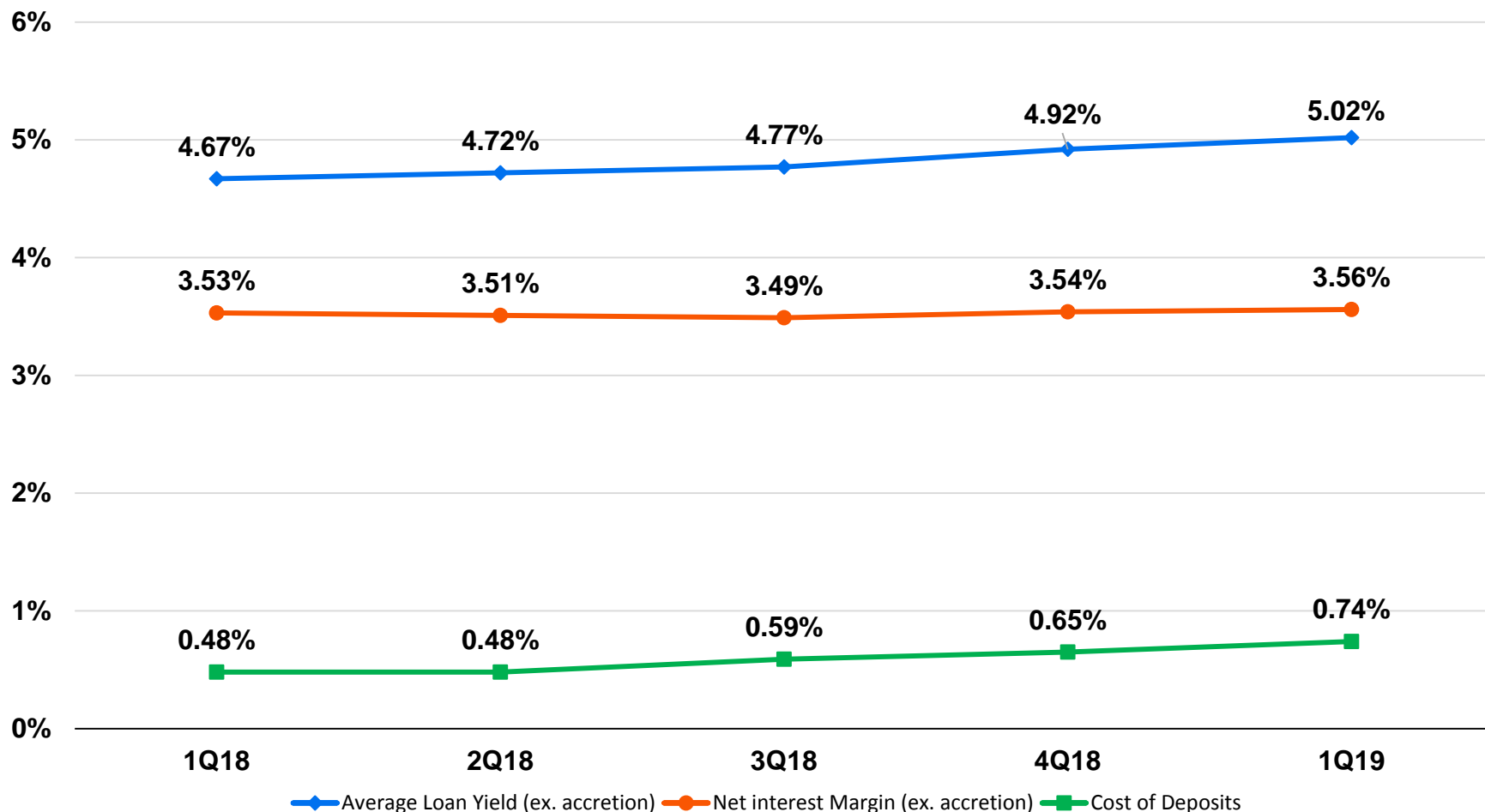
■ Adj. NIM (ex-accretion) ■ NIM

Notes:

- (1) Adjusted diluted earnings per share and adjusted return on average tangible common equity are non-GAAP financial measures; please see page 28 for a reconciliation
- (2) Net interest margin excluding accretion income is a non-GAAP financial measure management uses to assess the impact of purchase accounting on the yield on loans and net interest margin, excluding loan accretion from acquired loans; please see page 27 for a reconciliation
- (3) Excludes gain on sale of investment securities

Higher Average Loan Yields Producing Stable NIM

Net Interest Margin, Average Loan Yields and Cost of Deposits

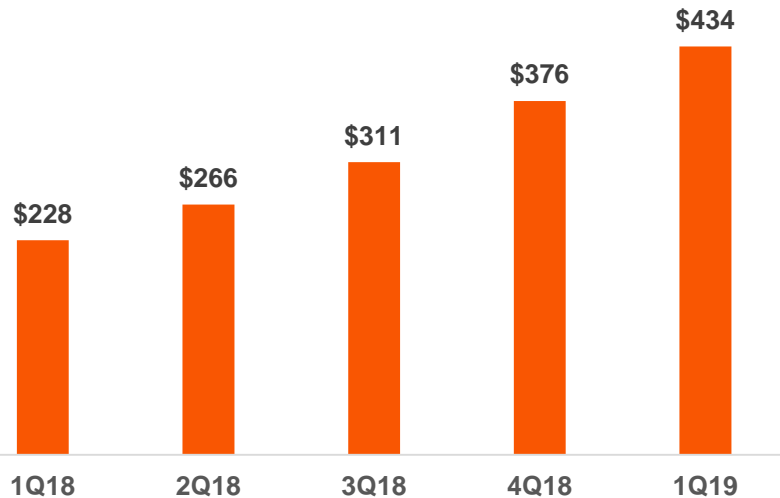


Loan Portfolio Overview

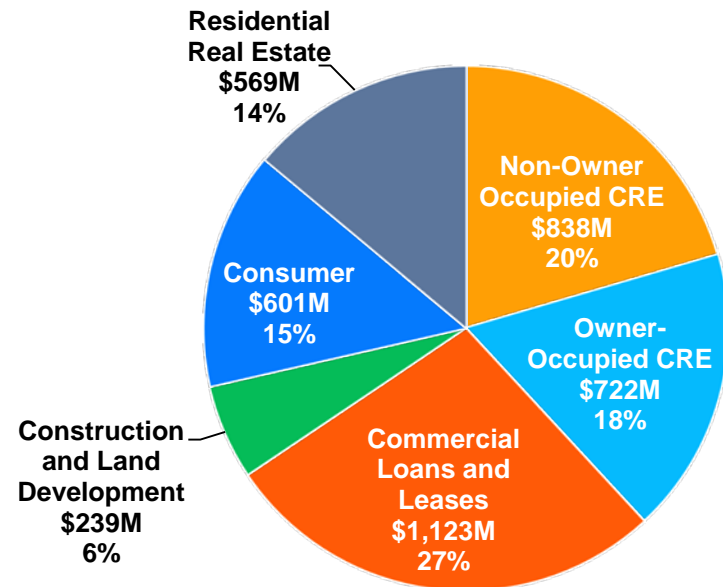
- Broadly diversified loan portfolio by type of customer and loan type
- 64% of portfolio is fixed; 36% is floating
- Focus on growing Equipment Finance portfolio that provides superior risk-adjusted yields

Equipment Finance Portfolio

(\$ in millions)



Loan Portfolio Mix

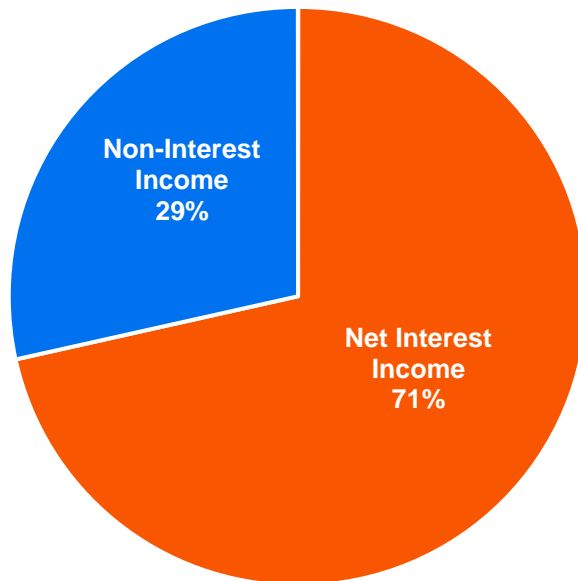


\$4.09 Billion Gross Loans
5.22% Yield (YTD)

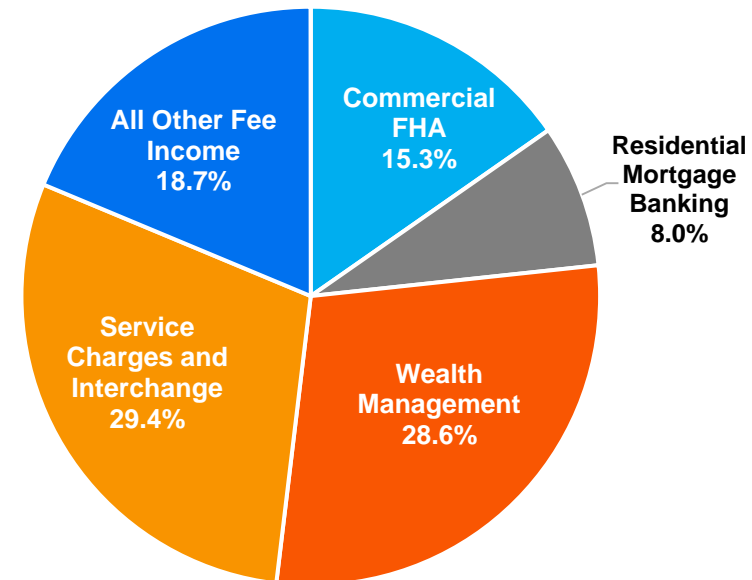
Revenue Mix

- Diverse revenue mix with nearly 30% non-interest income
- Strong sources of recurring income lead by Wealth Management business

FY 2018 Revenue Mix



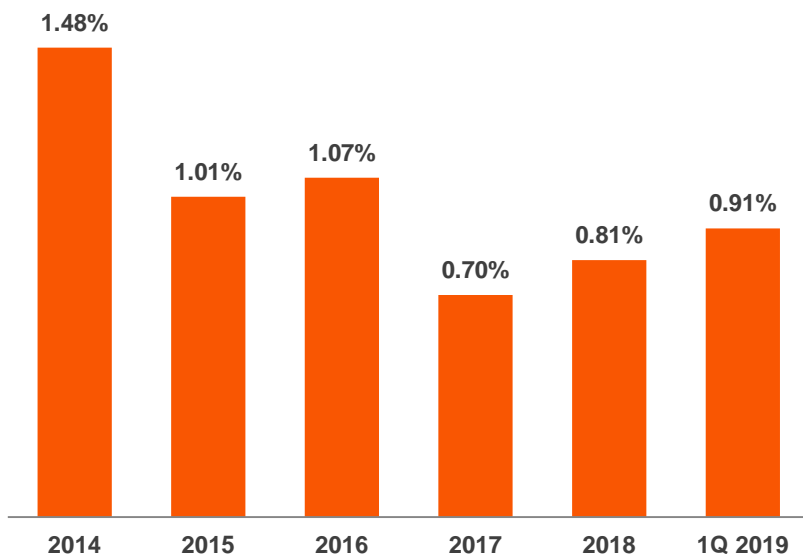
FY 2018 Fee Income Mix



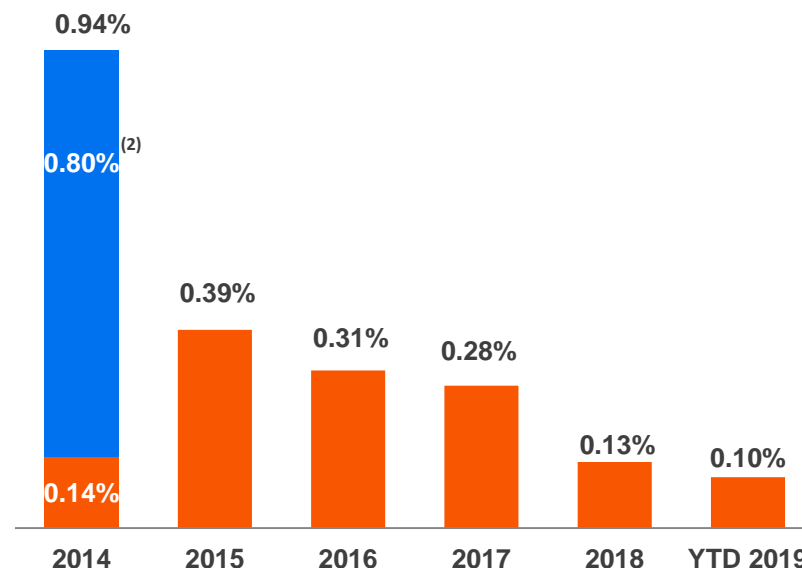
Strong Credit Quality

- Managed by experienced personnel, MSBI maintains a disciplined approval process and conservative credit culture
- Credit losses have steadily declined since 2015

Nonperforming Assets / Total Assets ⁽¹⁾



NCOs / Average Loans



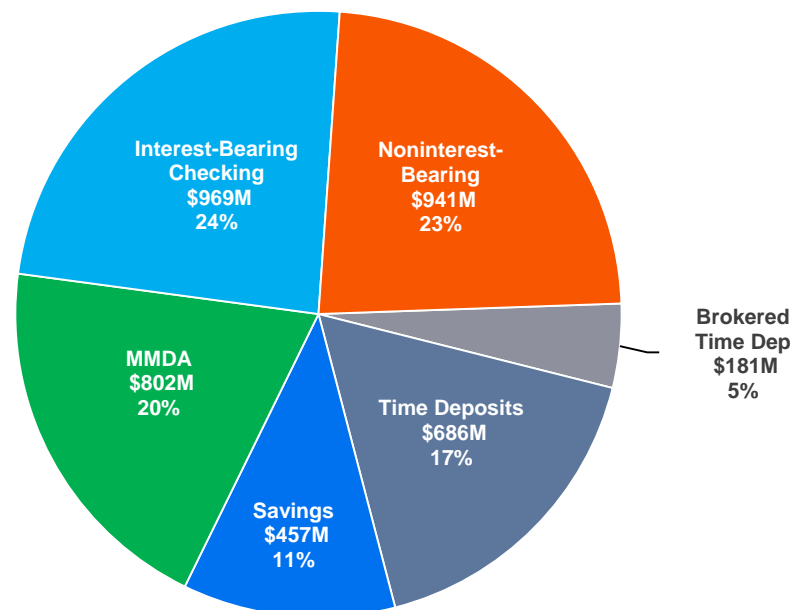
Notes:

- (1) Nonperforming assets include nonperforming loans, other real estate owned and other repossessed assets; nonperforming assets exclude covered other real estate owned related to our two FDIC-assisted transactions; nonperforming loans include nonaccrual loans, loans past due 90 days or more and still accruing interest and loans modified under troubled debt restructurings; nonperforming loans exclude purchased credit-impaired loans, or PCI loans, acquired in our prior acquisitions; PCI loans had carrying values of \$44.2 million, \$38.5 million, \$28.3 million, \$22.5 million, \$43.0 million, and \$36.9 million as of December 31, 2014, 2015, 2016, 2017, 2018 and March 31, 2019, respectively; this ratio may therefore not be comparable to a similar ratio of our peers
- (2) NCOs for 2014 include a \$9.8 million charge-off of a PCI loan related to a pool of commercial real estate loans from a previous FDIC acquisition being closed out in 2014 due to no more active loans remaining in the pool; excluding this charge-off, NCOs / Average Loans for the period would be 0.14%

Strong Core Deposit Base (1)

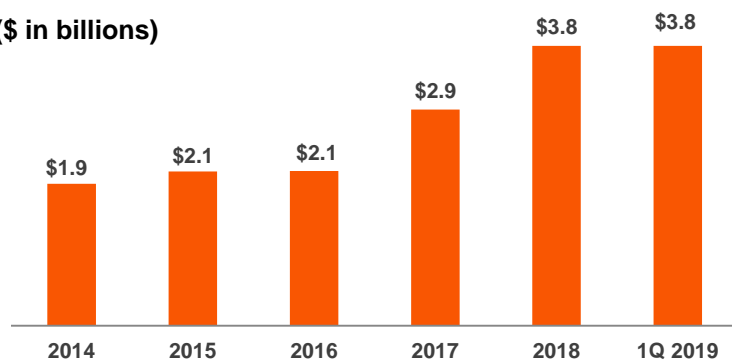
- 93% core deposits (2)
- Recent acquisitions have improved overall funding mix
- 23% non-interest bearing deposits
- Retail deposits represent 51% of total deposits

Deposit Mix



Core Deposits (2)

(\$ in billions)



\$4.04 Billion Total Deposits
0.74% Cost

Notes:

(1) As of or for the three months ended March 31, 2019

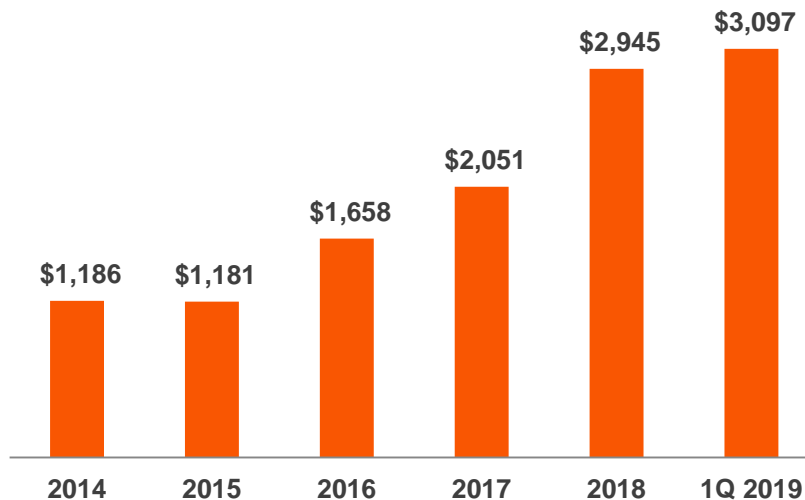
(2) Core deposits defined as total deposits less brokered deposits and certificates of deposit greater than \$250,000

Wealth Management

- Wealth Management group offers Trust and Estate services, Investment Management, Financial Planning and Employer Sponsored Retirement Plans
- Acquisition of Sterling Trust (Nov. 2016) added \$400 million in Assets Under Administration
- Acquisition of CedarPoint Investment Advisors (Mar. 2017 - \$180 million in AUA) added RIA platform
- Acquisition of Alpine Bancorporation (Feb. 2018) added approx. \$1.1 billion in AUA

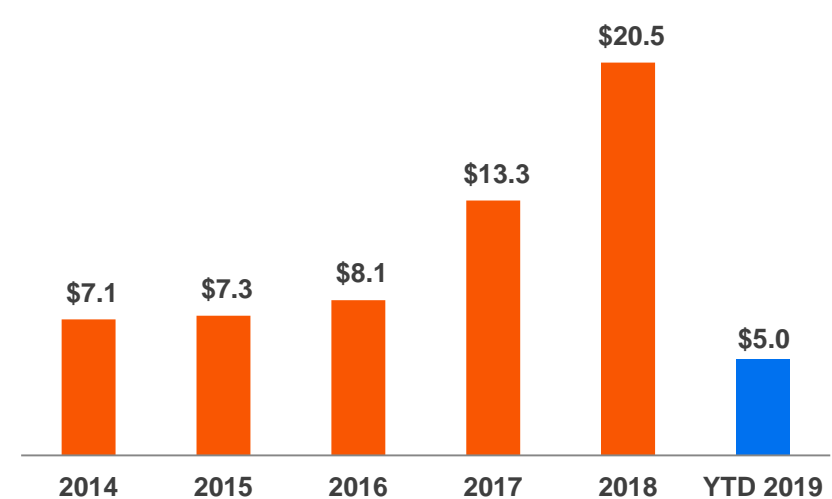
Assets Under Administration

(in millions)



Wealth Management Revenue

(in millions)





Outlook



Outlook

- **Continued execution on protecting margin and controlling expenses resulting in solid financial performance**
- **Low-single-digit organic loan growth expected in 2019**
- **Organic loan growth closely linked to core deposit growth**
- **HomeStar acquisition will provide additional liquidity that can be utilized to profitably fund our organic loan growth**

Formula for Enhancing Shareholder Value

Disciplined Balance Sheet Growth



Improving Operating Efficiencies



Growing Sources of Recurring Income



Accretive M&A Transactions

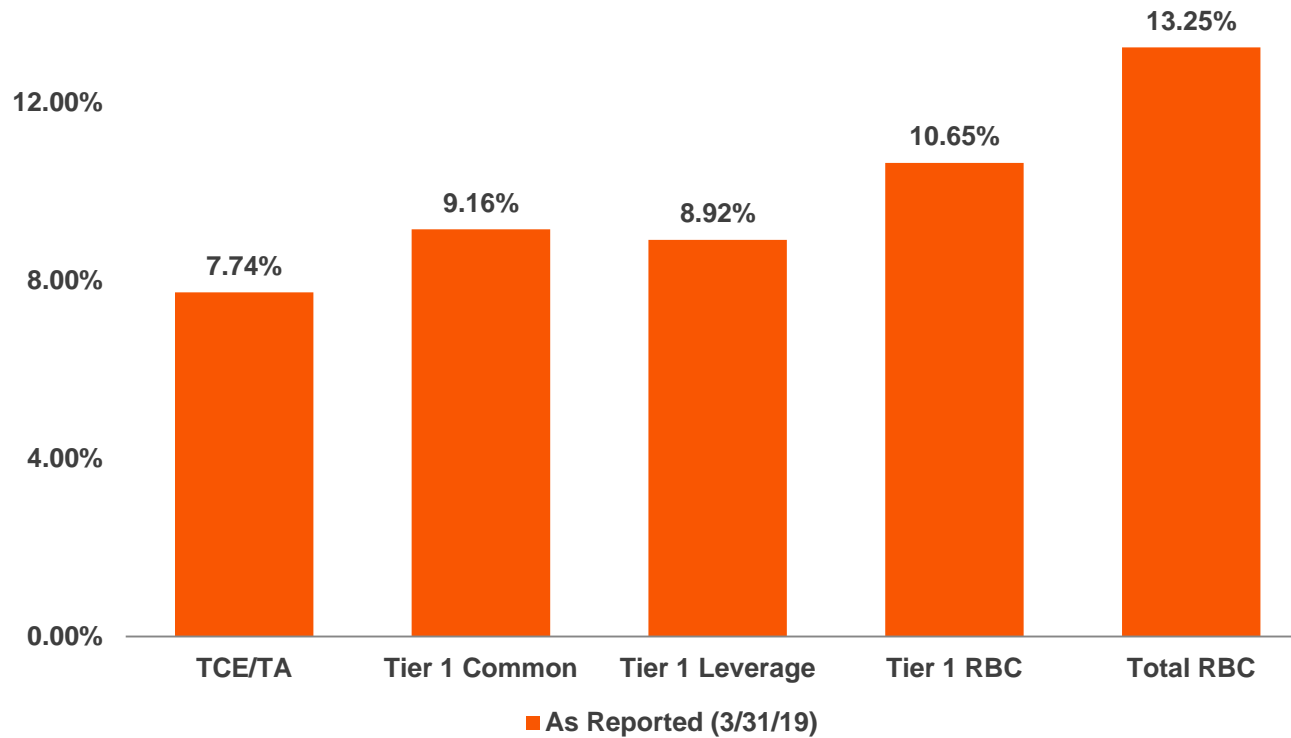


Earnings Growth, Improving Returns and Enhanced Franchise Value



APPENDIX

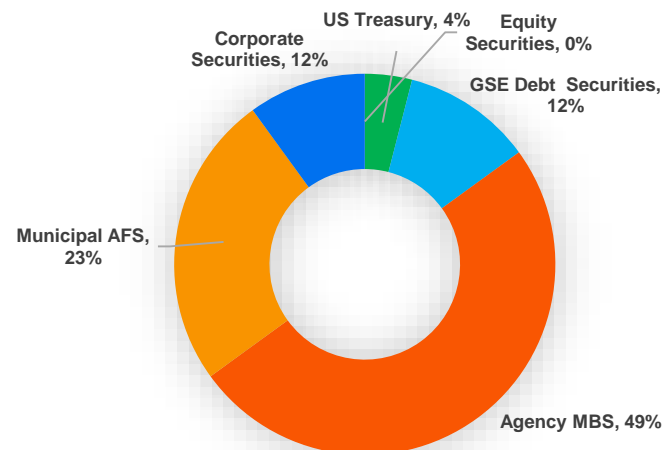
Appendix: Capital Position



Appendix: Investments

- Midland continues to adjust the portfolio to optimize the portfolio's duration, mix, and to increase yield. Currently, the portfolio has an effective duration of approximately 3.1 years.
- The portfolio weighted average yield of 3.30% as of March 31, 2019.

Investment Portfolio



(dollars in thousands)	Book Value	% of Total Investment Securities	Weighted Average T.E. Yield
Investment Securities Available for Sale:			
US Treasury securities	\$ 24,768	3.8%	1.7%
Government sponsored entity debt securities	75,587	11.5%	2.4%
Agency mortgage-backed securities	321,451	49.0%	2.8%
State and municipal	150,912	23.0%	4.0%
Corporate securities	80,021	12.2%	5.0%
Total Securities Available for Sale	\$ 652,739	99.5%	3.3%
Equity Securities	\$3,413	0.5%	2.5%
Total Investment Securities	\$ 656,152	100.0%	3.3%

Appendix: Reconciliation of Tangible Book Value Per Share

(dollars in thousands, except per share data)	As of December 31,										As of
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	March 31, 2019
Shareholders' Equity to Tangible Common Equity—as converted:											
Total shareholders' equity—GAAP	\$ 76,627	\$ 109,208	\$ 126,953	\$ 130,918	\$ 149,440	\$ 219,456	\$ 232,880	\$ 321,770	\$ 449,545	\$ 608,525	\$ 624,168
Adjustments:											
Preferred equity	(23,600)	(47,370)	(57,370)	(57,370)	(57,370)	-	-	-	(2,970)	(2,781)	(2,733)
Goodwill	(7,582)	(7,582)	(7,582)	(7,732)	(7,732)	(47,946)	(46,519)	(48,836)	(98,624)	(164,673)	(164,673)
Other intangibles	(1,072)	(13,234)	(10,740)	(8,485)	(8,189)	(9,464)	(7,004)	(7,187)	(16,932)	(37,376)	(35,566)
Tangible common equity	\$ 44,373	\$ 41,022	\$ 51,261	\$ 57,331	\$ 76,149	\$ 162,046	\$ 179,357	\$ 265,747	\$ 331,019	\$ 403,695	\$ 421,196
Adjustments:											
Preferred equity	23,600	47,370	57,370	57,370	57,370	-	-	-	-	-	-
Warrants	6,300	11,300	-	-	-	-	-	-	-	-	-
Tangible common equity—as converted ⁽¹⁾	\$ 74,273	\$ 99,692	\$ 108,631	\$ 114,701	\$ 133,519	\$ 162,046	\$ 179,357	\$ 265,747	\$ 331,019	\$ 403,695	\$ 421,196
Total Assets to Tangible Assets:											
Total assets—GAAP	\$ 1,118,814	\$ 1,642,376	\$ 1,520,762	\$ 1,572,064	\$ 1,739,548	\$ 2,676,614	\$ 2,884,824	\$ 3,233,723	\$ 4,412,701	\$ 5,637,673	\$ 5,641,780
Adjustments:											
Goodwill	(7,582)	(7,582)	(7,582)	(7,732)	(7,732)	(47,946)	(46,519)	(48,836)	(98,624)	(164,673)	(164,673)
Other intangibles	(1,072)	(13,234)	(10,740)	(8,485)	(8,189)	(9,464)	(7,004)	(7,187)	(16,932)	(37,376)	(35,566)
Tangible assets	\$ 1,110,160	\$ 1,621,560	\$ 1,502,440	\$ 1,555,847	\$ 1,723,627	\$ 2,619,204	\$ 2,831,301	\$ 3,177,700	\$ 4,297,145	\$ 5,435,624	\$ 5,441,541
Common Shares Outstanding—as converted:											
Common shares outstanding	4,143,640	4,164,030	4,198,947	4,257,319	4,620,026	11,725,158	11,797,404	15,483,499	19,122,049	23,751,798	23,827,438
Adjustments:											
Upon conversion of preferred stock	2,544,680	3,795,549	3,739,028	3,739,028	3,772,664	-	-	-	-	-	-
Common shares outstanding—as converted ⁽¹⁾	6,688,320	7,959,579	7,937,975	7,996,347	8,392,690	11,725,158	11,797,404	15,483,499	19,122,049	23,751,798	23,827,438
Tangible common equity to tangible assets ratio	4.00%	2.53%	3.41%	3.68%	4.42%	6.19%	6.33%	8.36%	7.70%	7.43%	7.74%
Tangible book value per share—as converted ⁽¹⁾	\$ 11.10	\$ 12.52	\$ 13.68	\$ 14.34	\$ 15.91	\$ 13.82	\$ 15.20	\$ 17.16	\$ 17.31	\$ 17.00	\$ 17.68

Notes:

(1) As converted represents amount per common share with all preferred shares that were outstanding prior to December 31, 2014 converted into common shares.

Appendix: Reconciliation of Net Interest Margin Excluding Accretion Income

	For the Quarter Ended				
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019
Reported yield on loans	4.85%	5.21%	4.88%	5.28%	5.22%
Effect of accretion income on acquired loans	<u>(0.18%)</u>	<u>(0.49%)</u>	<u>(0.11%)</u>	<u>(0.36%)</u>	<u>(0.20%)</u>
Yield on loans excluding accretion income	<u>4.67%</u>	<u>4.72%</u>	<u>4.77%</u>	<u>4.92%</u>	<u>5.02%</u>
Reported net interest margin	3.69%	3.91%	3.59%	3.85%	3.73%
Effect of accretion income on acquired loans	<u>(0.16%)</u>	<u>(0.40%)</u>	<u>(0.10%)</u>	<u>(0.31%)</u>	<u>(0.17%)</u>
Net interest margin excluding accretion income	<u>3.53%</u>	<u>3.51%</u>	<u>3.49%</u>	<u>3.54%</u>	<u>3.56%</u>

Appendix: Reconciliation of Adjusted Earnings/Profitability

	For the Quarter Ended				
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019
<i>(dollars in thousands, except per share data)</i>					
Adjusted Earnings					
Income before income taxes - GAAP	\$ 3,182	\$ 15,827	\$ 10,933	\$ 20,863	\$ 18,336
Adjustments to noninterest income:					
Gain (loss) on sales of investment securities, net	65	(70)	-	469	-
Other	150	(48)	(12)	(1)	-
Total adjustments to noninterest income	215	(118)	(12)	468	-
Adjustments to noninterest expense:					
Loss on mortgage servicing rights held for sale	-	188	270	-	-
Integration and acquisition expenses	11,884	2,019	9,559	553	160
Total adjustments to noninterest expense	11,884	2,207	9,829	553	160
Adjusted earnings pre tax	14,851	18,152	20,774	20,948	18,496
Adjusted earnings tax	4,586	3,683	5,142	4,551	4,398
Adjusted earnings - non-GAAP	10,265	14,469	15,632	16,397	14,098
Preferred stock dividends, net	36	36	35	34	34
Adjusted earnings available to common shareholders - non-GAAP	<u>\$ 10,229</u>	<u>\$ 14,433</u>	<u>\$ 15,597</u>	<u>\$ 16,363</u>	<u>\$ 14,064</u>
Adjusted diluted earnings per common share	\$ 0.48	\$ 0.59	\$ 0.64	\$ 0.67	\$ 0.58
Weighted average shares outstanding - diluted	21,351,511	24,268,111	24,325,743	24,200,346	24,204,661
Average assets	\$ 4,776,841	\$ 5,651,430	\$ 5,691,719	\$ 5,690,661	\$ 5,629,803
Adjusted return on average assets	0.87%	1.03%	1.09%	1.14%	1.02%
Average tangible common equity	\$ 349,837	\$ 379,189	\$ 386,326	\$ 394,466	\$ 410,340
Adjusted return on average tangible common equity	11.86%	15.27%	16.02%	16.46%	13.90%