



Midland States Bancorp, Inc.

NASDAQ: MSBI

Second 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 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 2Q22

Higher Earnings and Improved Returns

- Net income of \$21.9 million, or \$0.97 diluted EPS, up from \$0.92 in prior quarter
- Pre-tax, pre-provision earnings⁽¹⁾ of \$35.9 million, up from \$32.0 million in prior quarter
- ROAA of 1.19%, ROATCE⁽¹⁾ of 19.14%, and Adjusted PTPP ROAA⁽¹⁾ of 1.95% all increased from prior quarter

Continued Strong Loan Production

- Strong growth in community banking markets including St. Louis
- Total loans increased 18.5% annualized
- CRE loans, including multifamily, increased \$222 million from the end of the prior quarter

Positive Trends Across Key Metrics

- NIM increased 15 basis points from prior quarter to 3.65%
- Growing balances of noninterest-bearing and lower-cost interest-bearing deposits
- Efficiency Ratio⁽¹⁾ improved to 53.1% from 55.7% in prior quarter

Completion of FNBC Branch Purchase

- Low-risk, easily digestible, immediately earnings accretive transaction
- Added \$80 million of low-cost deposits
- New Mokena branch will support increased business development efforts in greater Chicagoland area

Notes:

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

Loan Portfolio

- Total loans increased \$255.6 million from prior quarter to \$5.80 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 and lower PPP loans
- Equipment finance balances increased \$27.9 million, or 2.9% from end of prior quarter
- Excluding PPP loans and commercial FHA warehouse credit lines, total loans increased at an annualized rate of 24.5% during 2Q22
- PPP loans were \$6.4 million at June 30, 2022, a decrease of \$16.5 million from Mar. 31, 2022

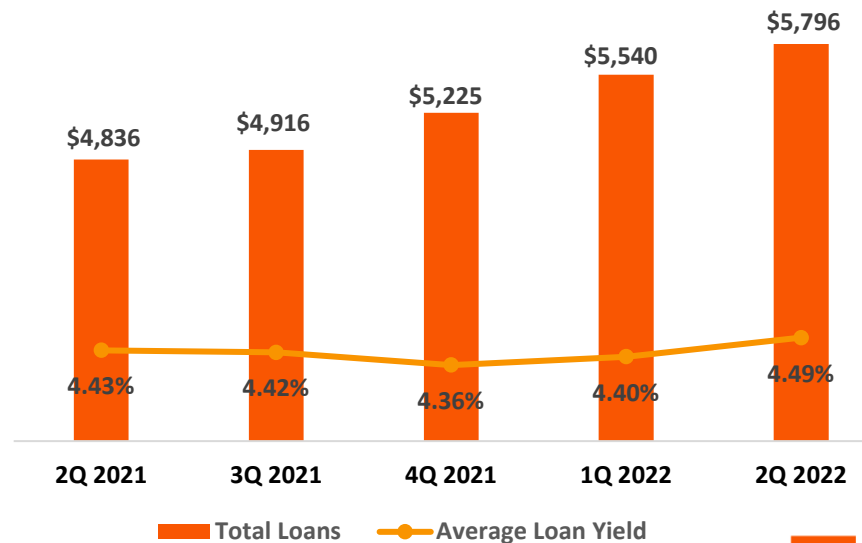
Loan Portfolio Mix

(in millions, as of quarter-end)

	2Q 2022	1Q 2022	2Q 2021
Commercial loans and leases	\$ 1,830	\$ 1,867	\$ 1,831
Commercial real estate	2,336	2,114	1,540
Construction and land development	204	189	213
Residential real estate	340	329	367
Consumer	1,085	1,041	885
Total Loans	\$5,796	\$5,540	\$4,836
Total Loans ex. Commercial FHA Lines and PPP	\$5,765	\$5,433	\$4,560

Total Loans and Average Loan Yield

(in millions, as of quarter-end)



Total Deposits

- Total deposits increased \$126.9 million from prior quarter to \$6.18 billion
- Increase driven by higher balances of noninterest-bearing and lower-cost interest-bearing deposits
- Strengthened commercial banking and treasury management teams consistently generating new relationships that provide steady inflow of low-cost commercial deposits

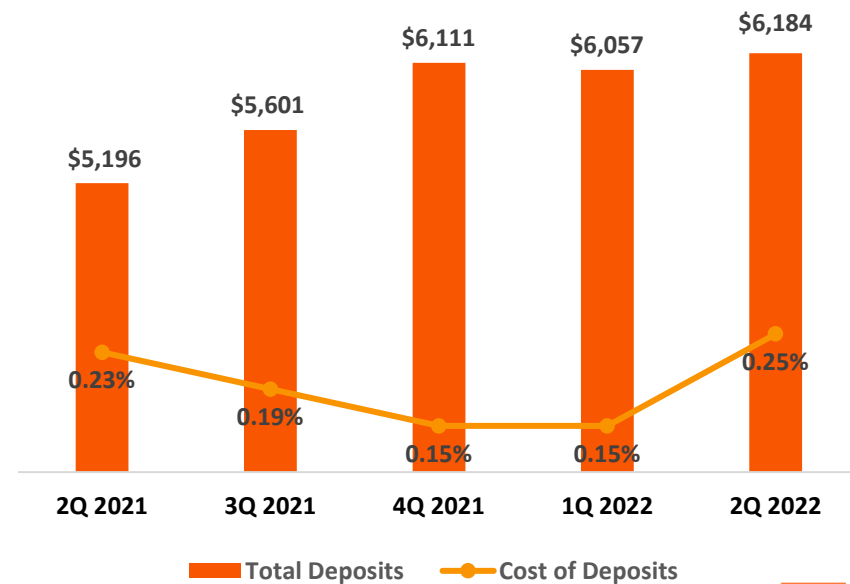
Deposit Mix

(in millions, as of quarter-end)

	2Q 2022	1Q 2022	2Q 2021
Noninterest-bearing demand	\$ 1,972	\$ 1,965	\$ 1,366
Interest-bearing:			
Checking	1,809	1,779	1,619
Money market	1,028	964	788
Savings	740	711	669
Time	620	619	722
Brokered time	15	19	32
Total Deposits	\$6,184	\$6,057	\$5,196

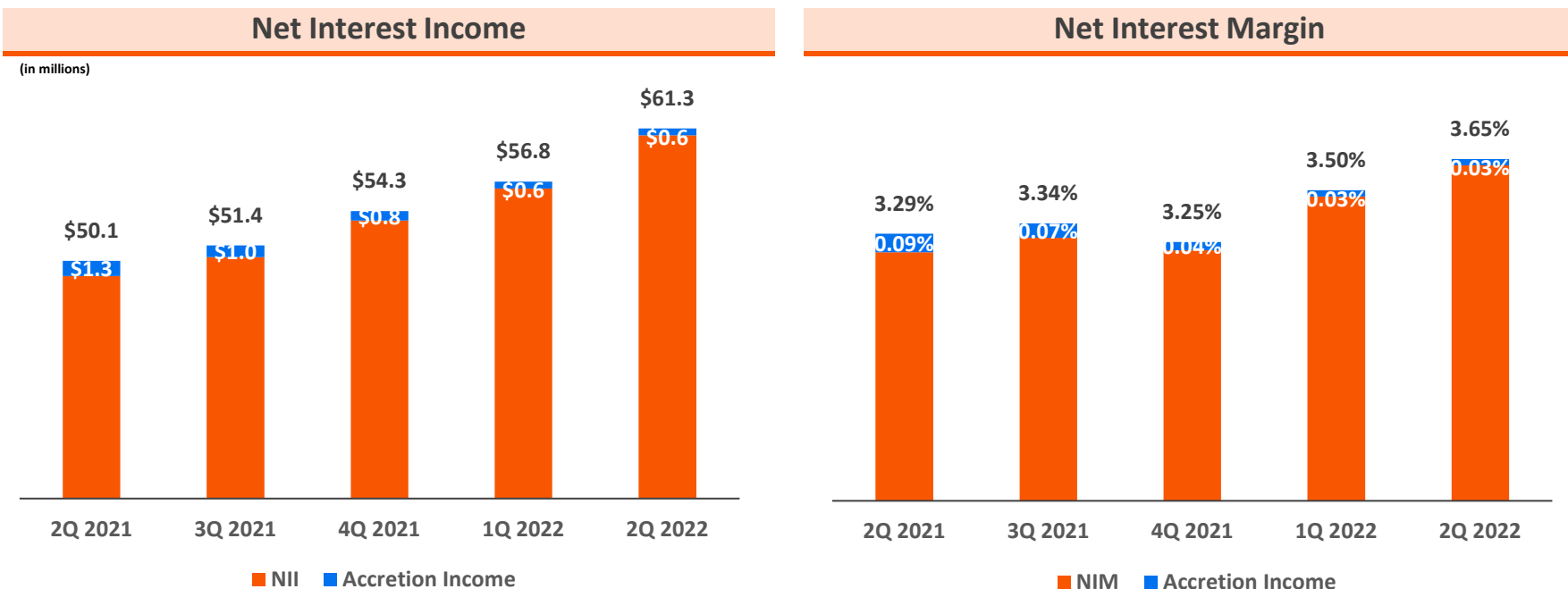
Total Deposits and Cost of Deposits

(in millions, as of quarter-end)



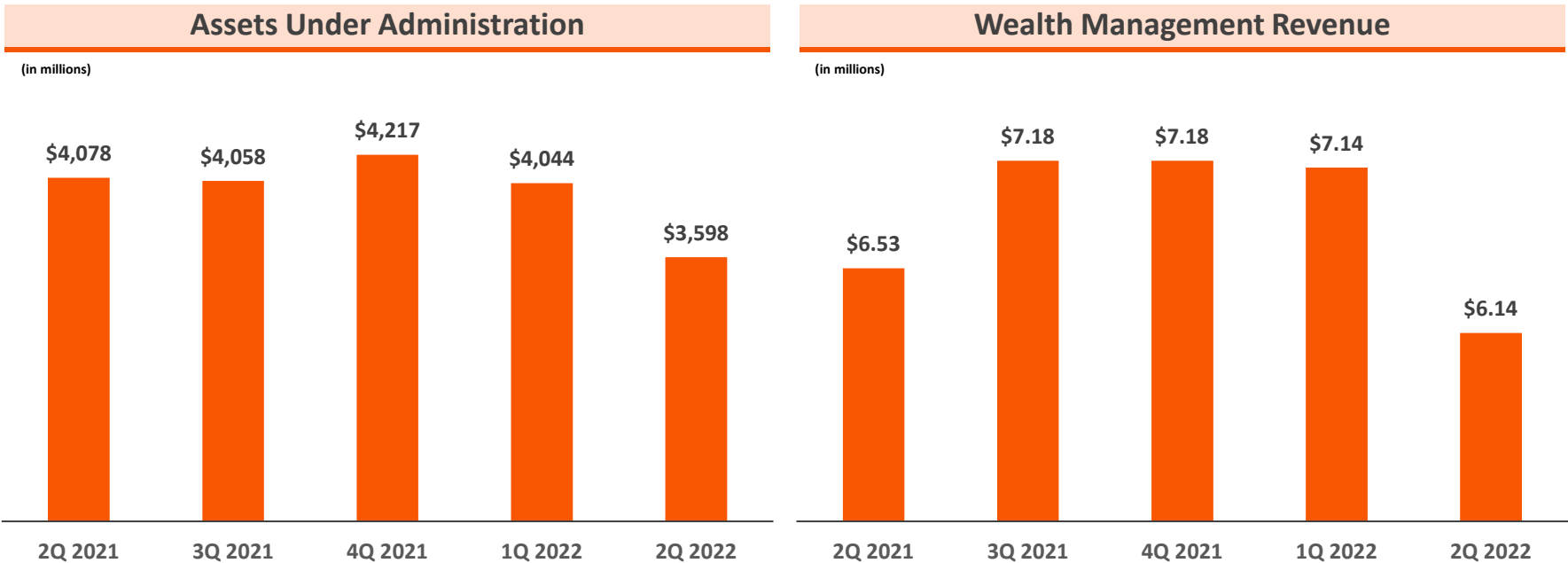
Net Interest Income/Margin

- Net interest income increased 7.9% from the prior quarter due primarily to higher average loan balances and an increase in net interest margin
- Net interest margin increased 15 bps from prior quarter due to the redeployment of excess liquidity into the loan portfolio and higher average yield on earning assets
- Average cash and cash equivalents declined by \$157.7 million compared to prior quarter
- Average rate on new and renewed loan originations increased 69 bps to 4.79% in June 2022 from 4.10% in March 2022
 - Midland Equipment Finance yields increased 84 bps; other commercial loan yields increased 69 bps



Wealth Management

- During 2Q22, assets under administration decreased \$446.2 million, primarily due to market performance
- Wealth Management revenue declined due to lower AUA

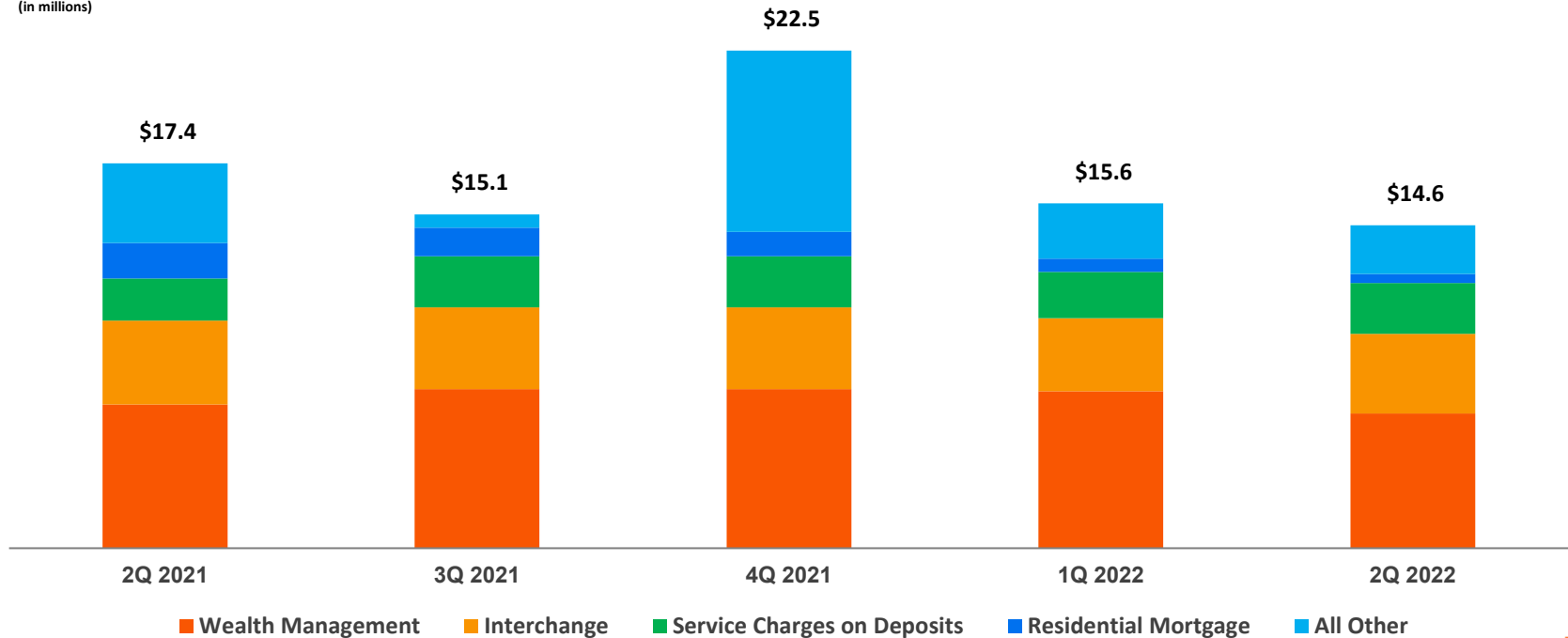


Noninterest Income

- Noninterest income decreased 6.4% from prior quarter, primarily due to lower wealth management revenue
- Impairment on commercial MSR's impacted noninterest income by \$0.9 million and \$0.4 million in 2Q22 and 1Q22, respectively
- Decline in wealth management and larger commercial MSR's impairment partially offset by higher deposit service charges and interchange revenue resulting from growth in client base

Noninterest Income

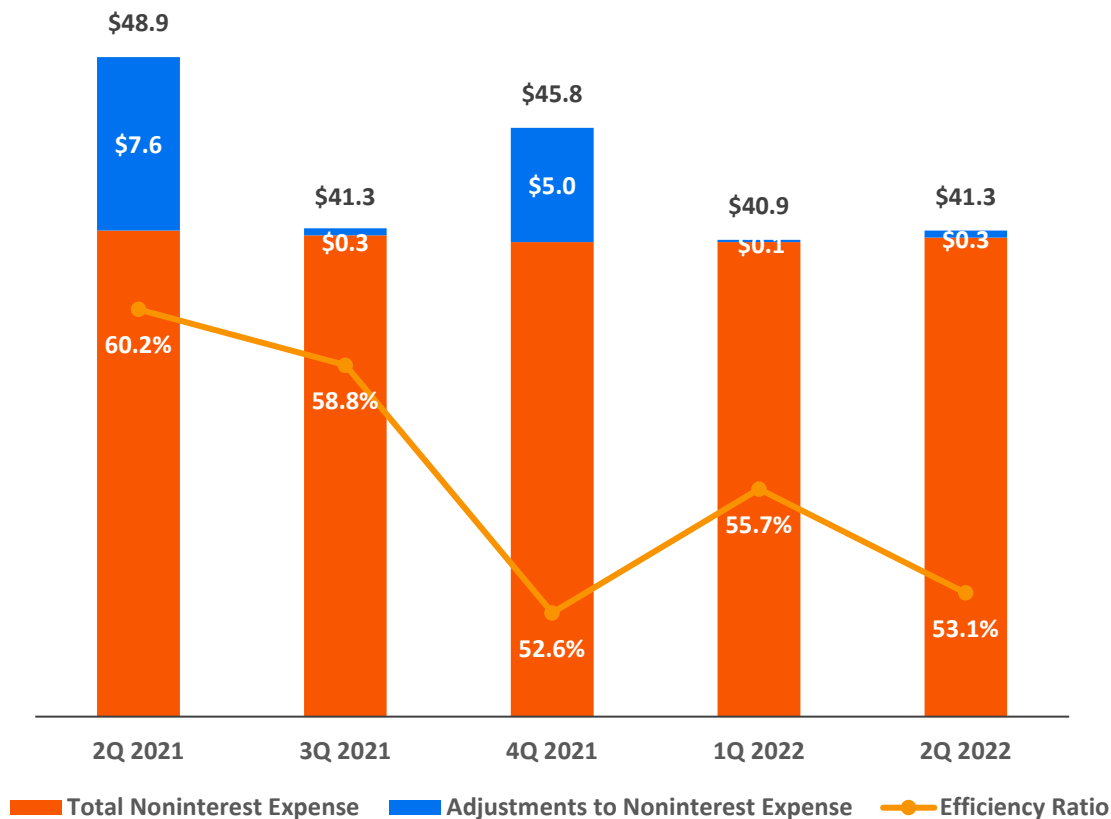
(in millions)



Noninterest Expense and Operating Efficiency

Noninterest Expense and Efficiency Ratio ⁽¹⁾

(Noninterest expense in millions)



- **Efficiency Ratio ⁽¹⁾ was 53.1% in 2Q22 vs. 55.7% in 1Q22**
- **Adjustments to non-interest expense:**

(\$ in millions)	2Q22	1Q22
Integration and acquisition related expenses	(\$0.3)	(\$0.1)

- **Excluding these adjustments, noninterest expense was up slightly from the prior quarter primarily due to a modest increase in staffing levels and higher incentive compensation**
- **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.

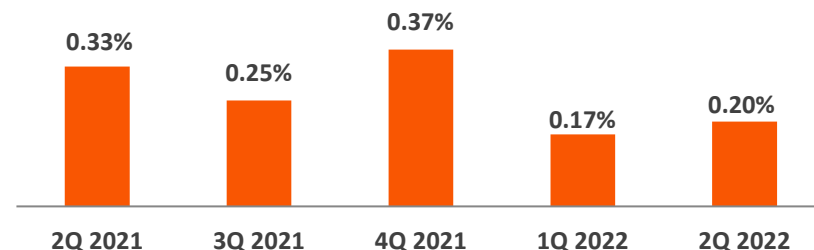
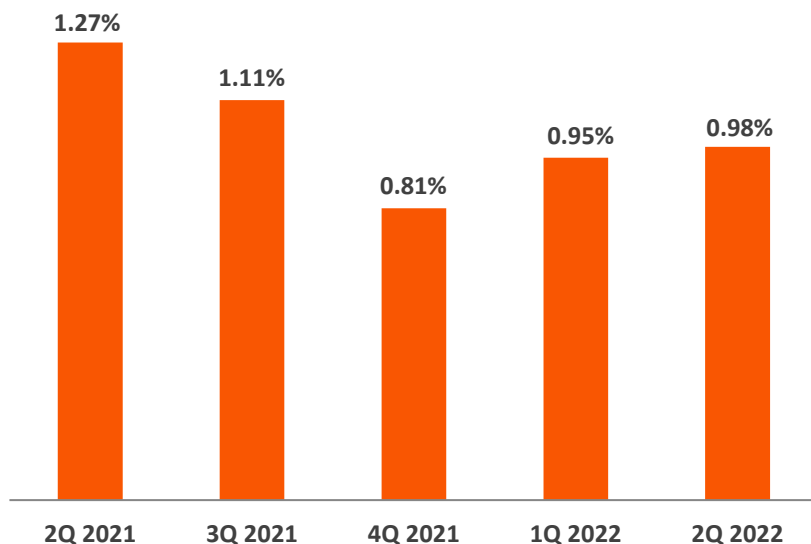
Asset Quality

- Nonperforming loans increased \$4.0 million due to one CRE loan where no loss is expected
- Generally positive trends in the loan portfolio with continued upgrades of watch list loans
- Delinquencies in consumer portfolio remain exceptionally low
- Net charge-offs of \$2.8 million, or 0.20% of average loans
- Provision for credit losses on loans of \$4.7 million primarily related to the growth in total loans and weakening economic conditions

Nonperforming Loans / Total Loans

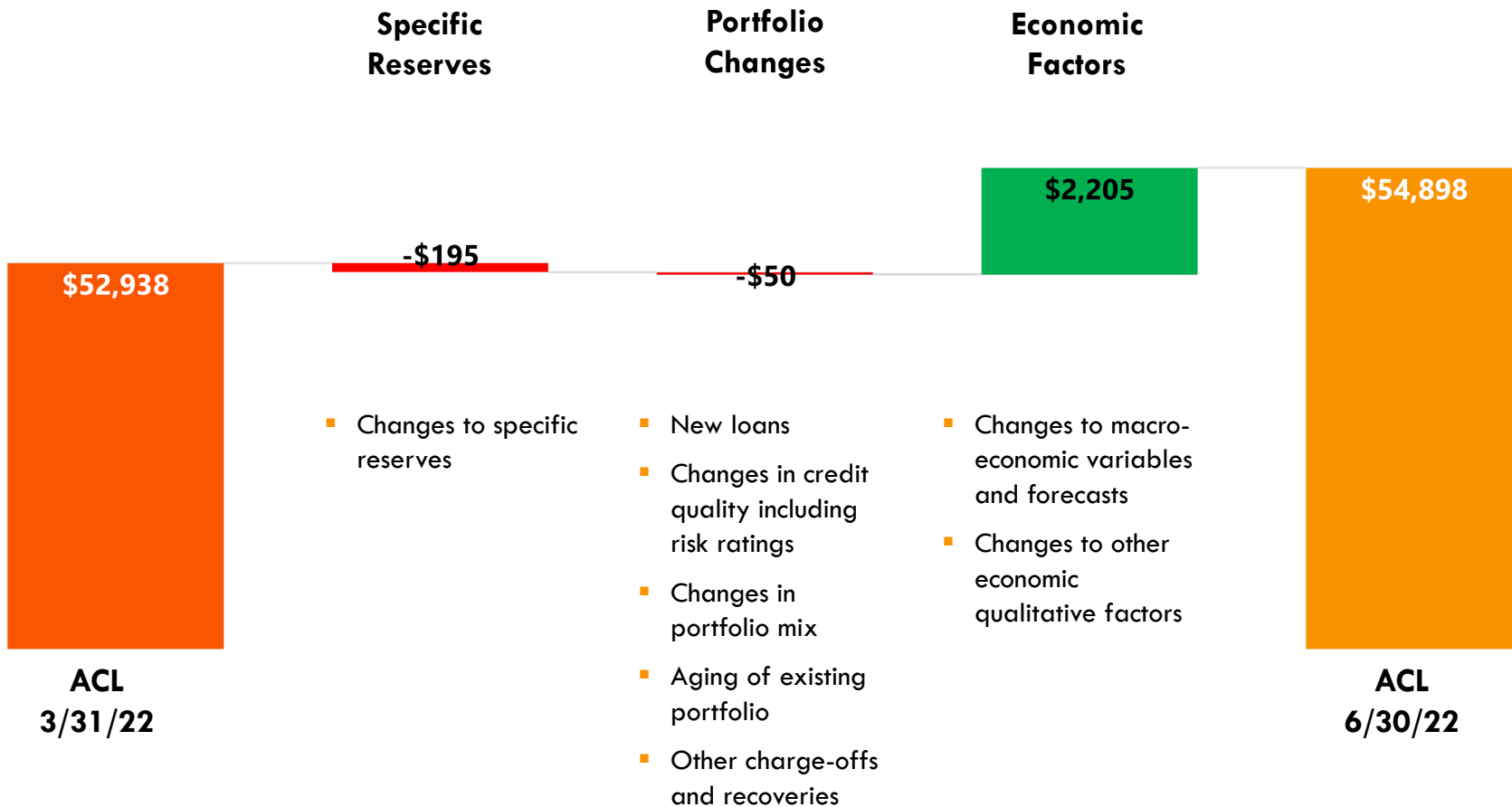
NCO / Average Loans

(Total Loans as of quarter-end)



Changes in Allowance for Credit Losses

(\$ in thousands)



ACL by Portfolio

(\$ in thousands)

June 30, 2022

March 31, 2022

Portfolio	Loans	ACL	% of Total Loans		Loans	ACL	% of Total Loans
Commercial	\$ 747,782	\$ 5,412	0.72%		\$ 796,498	\$ 5,078	0.64%
Warehouse Lines	23,872	-	0.00%		83,999	-	0.00%
Commercial Other	643,477	7,336	1.14%		641,628	7,543	1.18%
Equipment Finance	546,267	7,068	1.29%		528,572	7,288	1.38%
Paycheck Protection Program	6,409	10	0.15%		22,862	34	0.15%
Lease Financing	439,202	6,765	1.54%		429,000	7,264	1.69%
CRE non-owner occupied	1,480,031	18,861	1.27%		1,291,239	18,132	1.40%
CRE owner occupied	524,587	6,037	1.15%		499,871	5,646	1.13%
Multi-family	265,749	2,610	0.98%		252,507	2,163	0.86%
Farmland	65,288	366	0.56%		70,424	336	0.48%
Construction and Land Development	203,955	1,101	0.54%		188,668	816	0.43%
Residential RE First Lien	279,628	3,025	1.08%		268,787	2,924	1.09%
Other Residential	60,474	391	0.65%		60,544	364	0.60%
Consumer	98,558	379	0.38%		101,692	310	0.30%
Consumer Other ⁽¹⁾	986,813	2,615	0.26%		939,104	2,362	0.25%
Total Loans	5,795,544	54,898	0.95%		5,539,961	52,938	0.96%
Loans (excluding GreenSky, PPP and warehouse lines)	4,716,721	52,080	1.10%		4,452,413	50,401	1.13%

Notes:

(1) Primarily consists of loans originated through GreenSky relationship



Outlook

- **Loan pipeline remains strong, but loan growth expected to moderate in second half of 2022 as higher rates and uncertain economic conditions are likely to have a greater impact on loan demand**
- **Continued loan growth, NIM expansion, and expense control should drive further increases in earnings and returns during second half of 2022**
- **Strong financial performance should lead to increase in capital ratios as balance sheet growth slows during second half of 2022, while additional options for further strengthening capital are evaluated**
- **New leadership in Wealth Management focused on increasing cross-selling across client base and improving business development efforts to generate higher rate of organic growth**
- **Well positioned with more diversified CRE loan portfolio and C&I portfolio focused on larger, stronger commercial enterprises**



APPENDIX

Paycheck Protection Program Overview

Paycheck Protection Program (as of 6/30/22)	
Loans Outstanding	\$6.4 million
Total Fees Earned	\$15.1 million
Fees Recognized in 2Q22	\$0.7 million
Remaining Fees to be Recognized	\$0.2 million

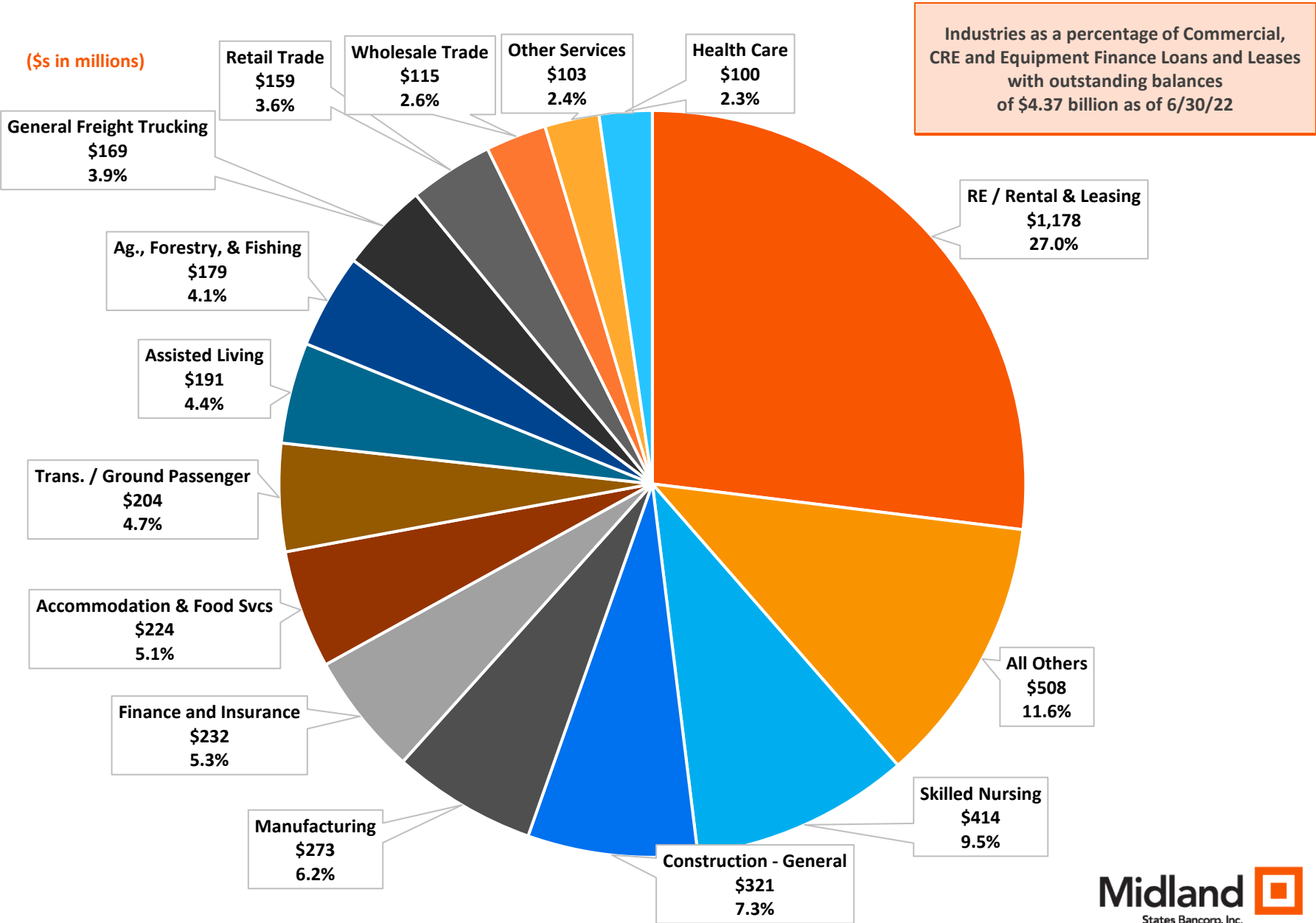
Paycheck Protection Program Loan Forgiveness		
	As of 3/31/22	As of 6/30/22
Loans Submitted to SBA	\$362.7 million	\$378.2 million
Loans Forgiven by SBA	\$357.2 million	\$374.0 million
Percentage of PPP Loans Forgiven	93.9%	98.3%

Impact on 2Q22 Financials

	At or for the Three Months Ended 6/30/22	Metrics Excluding PPP Impact
Total Loans	\$5.80 billion	\$5.79 billion
Average Loans	\$5.68 billion	\$5.66 billion
Net Interest Income FTE ⁽¹⁾	\$61.3 million	\$60.9 million
Net Interest Margin ⁽¹⁾	3.65%	3.62%
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

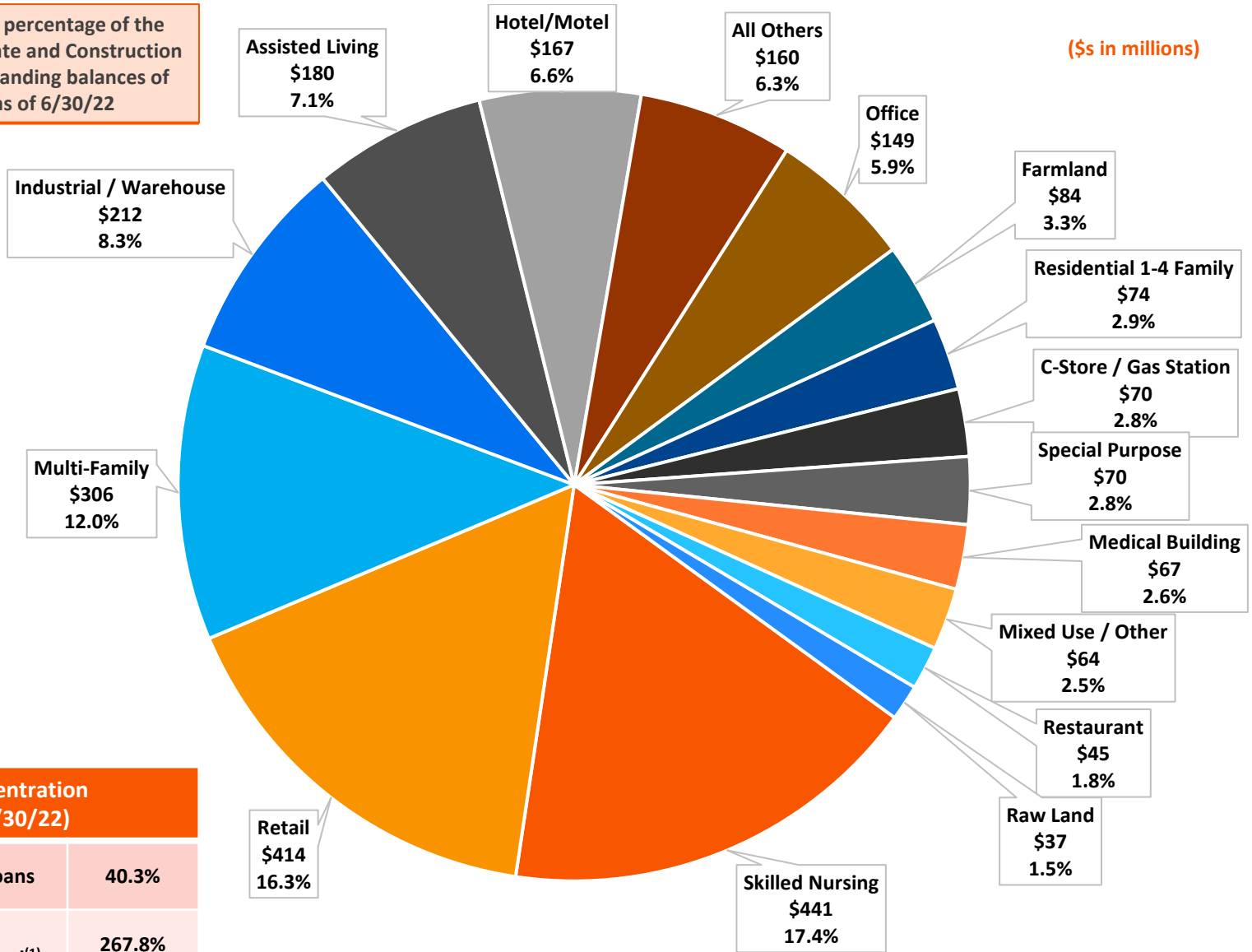
Commercial Loans and Leases by Industry



Commercial Real Estate Portfolio by Collateral Type

Collateral type as a percentage of the Commercial Real Estate and Construction Portfolio with outstanding balances of \$2.54 billion as of 6/30/22

(\$s in millions)



CRE Concentration (as of 6/30/22)

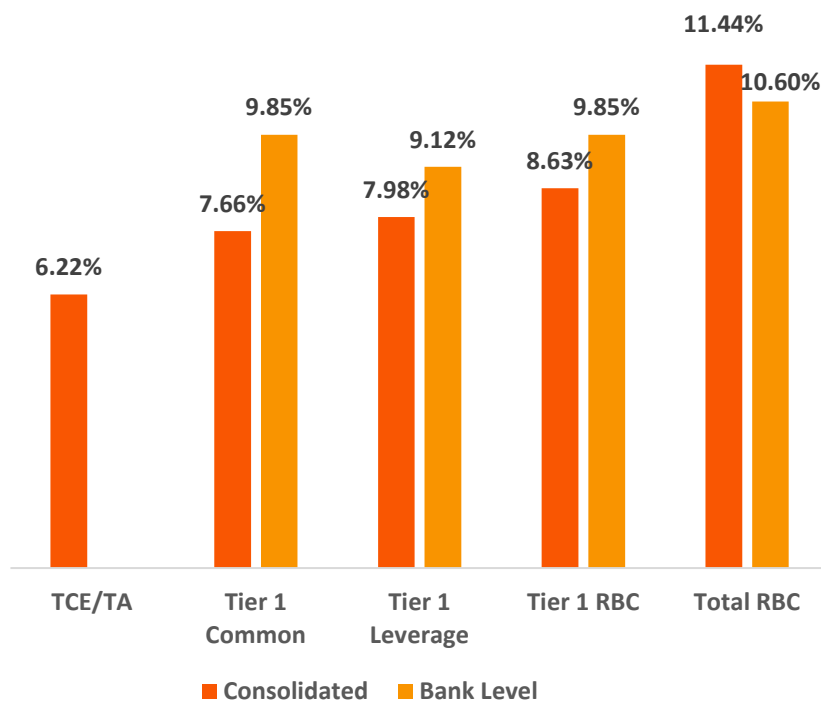
CRE as a % of Total Loans	40.3%
CRE as a % of Total Risk-Based Capital ⁽¹⁾	267.8%

Notes:

(1) Represents non-owner occupied CRE loans only

Capital and Liquidity Overview

Capital Ratios (as of 6/30/22)



Liquidity Sources (as of 6/30/22)

(\$ in millions)

Cash and Cash Equivalents	\$ 270.1
Unpledged Securities	261.5
FHLB Committed Liquidity	1,159.5
FRB Discount Window Availability	<u>22.7</u>
Total Estimated Liquidity	\$ <u>1,713.8</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 \$35.6 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				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
<i>(dollars in thousands, except per share data)</i>					
Income before income taxes - GAAP	\$ 29,167	\$ 27,389	\$ 30,600	\$ 25,431	\$ 19,041
Adjustments to noninterest income:					
Loss (gain) on sales of investment securities, net	101	-	-	(160)	(377)
(Gain) on termination of hedged interest rate swap	-	-	(1,845)	-	-
Other income	-	-	-	-	27
Total adjustments to noninterest income	<u>101</u>	<u>-</u>	<u>(1,845)</u>	<u>(160)</u>	<u>(350)</u>
Adjustments to noninterest expense:					
(Loss) on mortgage servicing rights held for sale	-	-	-	(79)	(143)
FHLB advances prepayment fees	-	-	(4,859)	-	(3,669)
Integration and acquisition expenses	(324)	(91)	(171)	(176)	(3,771)
Total adjustments to noninterest expense	<u>(324)</u>	<u>(91)</u>	<u>(5,030)</u>	<u>(255)</u>	<u>(7,583)</u>
Adjusted earnings pre tax	29,592	27,480	33,785	25,526	26,274
Adjusted earnings tax	7,401	6,665	8,369	5,910	6,519
Adjusted earnings - non-GAAP	<u>\$ 22,191</u>	<u>\$ 20,815</u>	<u>\$ 25,416</u>	<u>\$ 19,616</u>	<u>\$ 19,755</u>
Adjusted diluted earnings per common share	\$ 0.98	\$ 0.92	\$ 1.12	\$ 0.86	\$ 0.86
Adjusted return on average assets	1.21 %	1.16 %	1.39 %	1.15 %	1.17 %
Adjusted return on average shareholders' equity	13.84 %	12.84 %	15.44 %	11.94 %	12.36 %
Adjusted return on average tangible common equity	19.41 %	17.89 %	21.65 %	16.82 %	17.52 %

Adjusted Pre-Tax, Pre-Provision Earnings Reconciliation

	For the Quarter Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
<i>(dollars in thousands)</i>					
Adjusted earnings pre tax - non-GAAP	\$ 29,592	\$ 27,480	\$ 33,785	\$ 25,526	\$ 26,274
Provision for credit losses	5,441	4,167	467	(184)	(455)
Impairment on commercial mortgage servicing rights	869	394	2,072	3,037	1,148
Adjusted pre-tax, pre-provision earnings - non-GAAP	<u>\$ 35,902</u>	<u>\$ 32,041</u>	<u>\$ 36,324</u>	<u>\$ 28,379</u>	<u>\$ 26,967</u>
Adjusted pre-tax, pre-provision return on average assets	1.95 %	1.79 %	1.98 %	1.67 %	1.60 %

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

Efficiency Ratio Reconciliation

	For the Quarter Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
<i>(dollars in thousands)</i>					
Noninterest expense - GAAP	\$ 41,339	\$ 40,884	\$ 45,757	\$ 41,292	\$ 48,941
(Loss) on mortgage servicing rights held for sale	-	-	-	(79)	(143)
FHLB advances prepayment fees	-	-	(4,859)	-	(3,669)
Integration and acquisition expenses	(324)	(91)	(171)	(176)	(3,771)
Adjusted noninterest expense	<u>\$ 41,015</u>	<u>\$ 40,793</u>	<u>\$ 40,727</u>	<u>\$ 41,037</u>	<u>\$ 41,358</u>
Net interest income - GAAP	\$ 61,334	\$ 56,827	\$ 54,301	\$ 51,396	\$ 50,110
Effect of tax-exempt income	321	369	372	402	383
Adjusted net interest income	<u>61,655</u>	<u>57,196</u>	<u>54,673</u>	<u>51,798</u>	<u>50,493</u>
Noninterest income - GAAP	14,613	15,613	22,523	15,143	17,417
Impairment on commercial mortgage servicing rights	869	394	2,072	3,037	1,148
Loss (gain) on sales of investment securities, net	101	-	-	(160)	(377)
(Gain) on termination of hedged interest rate swap	-	-	(1,845)	-	-
Other	-	-	-	-	27
Adjusted noninterest income	<u>15,583</u>	<u>16,007</u>	<u>22,750</u>	<u>18,020</u>	<u>18,215</u>
Adjusted total revenue	<u>\$ 77,238</u>	<u>\$ 73,203</u>	<u>\$ 77,423</u>	<u>\$ 69,818</u>	<u>\$ 68,708</u>
Efficiency ratio	53.10 %	55.73 %	52.61 %	58.78 %	60.19 %

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				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
<i>(dollars in thousands, except per share data)</i>					
Shareholders' Equity to Tangible Common Equity					
Total shareholders' equity—GAAP	\$ 636,188	\$ 644,986	\$ 663,837	\$ 657,844	\$ 648,186
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(23,559)	(22,976)	(24,374)	(26,065)	(27,900)
Tangible common equity	<u>\$ 450,725</u>	<u>\$ 460,106</u>	<u>\$ 477,558</u>	<u>\$ 469,875</u>	<u>\$ 458,382</u>
Total Assets to Tangible Assets:					
Total assets—GAAP	\$ 7,435,812	\$ 7,338,715	\$ 7,443,805	\$ 7,093,959	\$ 6,630,010
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(23,559)	(22,976)	(24,374)	(26,065)	(27,900)
Tangible assets	<u>\$ 7,250,349</u>	<u>\$ 7,153,835</u>	<u>\$ 7,257,527</u>	<u>\$ 6,905,990</u>	<u>\$ 6,440,206</u>
Common Shares Outstanding	22,060,255	22,044,626	22,050,537	22,193,141	22,380,492
Tangible Common Equity to Tangible Assets	6.22 %	6.43 %	6.58 %	6.80 %	7.12 %
Tangible Book Value Per Share	\$ 20.43	\$ 20.87	\$ 21.66	\$ 21.17	\$ 20.48

Return on Average Tangible Common Equity (ROATCE)

	For the Quarter Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
<i>(dollars in thousands)</i>					
Net income	<u>\$ 21,883</u>	<u>\$ 20,749</u>	<u>\$ 23,107</u>	<u>\$ 19,548</u>	<u>\$ 20,124</u>
Average total shareholders' equity—GAAP	\$ 643,004	\$ 657,327	\$ 652,892	\$ 651,751	\$ 641,079
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(22,570)	(23,638)	(25,311)	(27,132)	(26,931)
Average tangible common equity	<u>\$ 458,530</u>	<u>\$ 471,785</u>	<u>\$ 465,677</u>	<u>\$ 462,715</u>	<u>\$ 452,244</u>
ROATCE	19.14 %	17.84 %	19.69 %	16.76 %	17.85 %