Midland States Bancorp, Inc.
NASDAQ: MSBI

Third 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 3Q21

3Q21 Earnings	• Net income of $19.5 million, or $0.86 diluted EPS • 3Q21 results included a $3.0 million commercial MSR impairment • Adjusted pre-tax, pre-provision earnings[1] of $28.4 million, up from $27.0 million in prior quarter
Strong Balance Sheet Growth	• Total loans increased 8.2% annualized, excluding commercial FHA warehouse and PPP loans • Well balanced loan growth with increases in commercial, CRE and consumer loans offsetting declines in PPP loans and residential real estate loans • Total deposits increased 7.8% from end of prior quarter, primarily driven by higher servicing deposits and other commercial deposits
Reduced Cost of Funds Drives NIM Expansion	• Elimination of higher cost funding sources in 2Q21 resulted in 11 bp decline in cost of average interest-bearing liabilities • Lower cost of funds resulted in 5 bp increase in net interest margin
Improving Operating Leverage	• Net interest income and recurring fee income increasing while operating expenses remain relatively stable • Efficiency ratio[1] improved to 58.78% from 60.19% in prior quarter
Positive Trends in Asset Quality	• Nonperforming loans declined 11.0% from the end of the prior quarter • Net charge-offs declined 25.7% from the prior quarter

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

Paycheck Protection Program Overview

Paycheck Protection Program (as of 9/30/21)	
Loans Outstanding	$82.4 million
Round 1	$12.4 million
Round 2	$70.0 million
Total Fees Earned	$15.3 million
Fees Recognized in 3Q21	$2.2 million
Remaining Fees to be Recognized	$3.5 million

Paycheck Protection Program Loan Forgiveness		
	As of 6/30/21	**As of 9/30/21**
Loans Submitted to SBA	$263.8 million	$313.9 million
Loans Forgiven by SBA	$238.3 million	$300.8 million
Percentage of Total Round 1 PPP Loans Forgiven	83.7%	95.8%
Percentage of Total Round 1 and 2 PPP Loans Forgiven	62.9%	79.1%

Impact on 3Q21 Financials

	At or for the Three Months Ended 9/30/21	Metrics Excluding PPP Impact
Total Loans	$4.92 billion	$4.84 billion
Average Loans	$4.80 billion	$4.69 billion
Net Interest Income FTE[1]	$51.8 million	$49.3 million
Net Interest Margin[1]	3.34%	3.24%
ACL/Total Loans	1.13%	1.15%

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

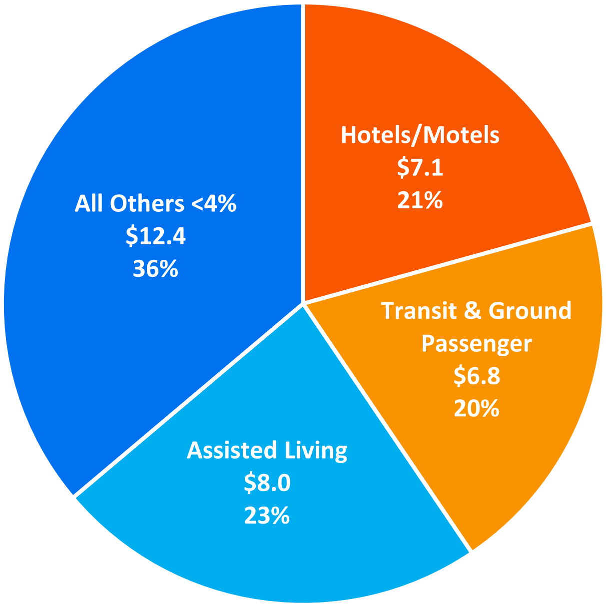
Loan Deferral Overview

Total Loan Deferrals			
	As of Mar. 31, 2021	As of Jun. 30, 2021	As of Sep. 30, 2021
Total Loans Deferred	$219.1 million	$107.3 million	$34.3 million
% of Total Loans	4.5%	2.2%	0.7%

Deferral Type (as of September 30, 2021)	
Full Payment Deferral	$3.2 million
Deferred Loans Making I/O or Other Payments	$31.1 million

Deferrals by Industry
(as of September 30, 2021)

($ in millions)



Loan Portfolio

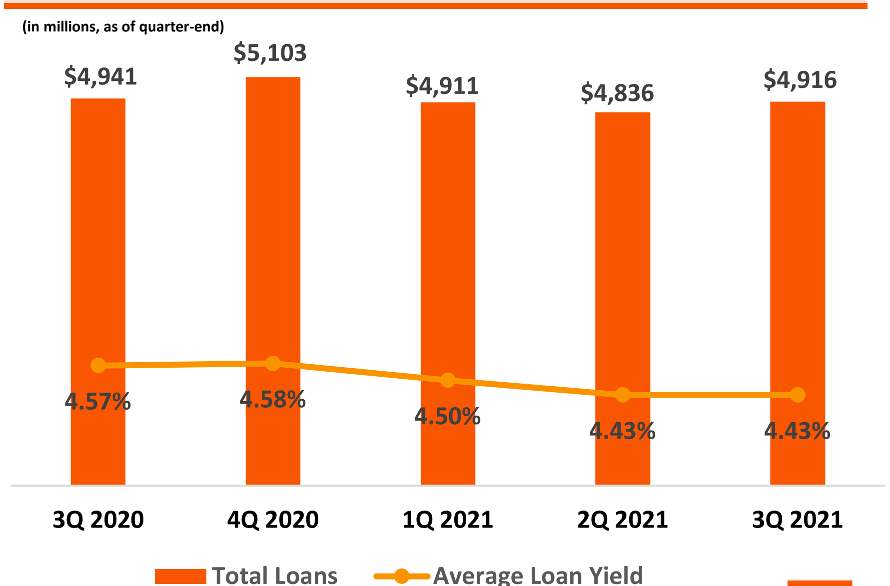
- **Total loans increased $79.7 million from prior quarter to $4.92 billion**
- **Increased commercial and CRE loan production, higher end of period balances on commercial FHA warehouse credit lines, and growth in consumer portfolio offset lower PPP loans and continued runoff in residential real estate portfolio driven by refinancing activity**
- **Equipment finance balances increased $27.6 million, or 3.2% from end of prior quarter**
- **Excluding PPP loans, commercial FHA warehouse credit lines, and GreenSky loans, total loans increased at an annualized rate of 6.0% during 3Q21**
- **PPP loans were $82.4 million at Sep. 30, 2021, a decrease of $64.3 million from June 30, 2021**

Loan Portfolio Mix

(in millions, as of quarter-end)

	3Q 2021	2Q 2021	3Q 2020
Commercial loans and leases	$ 1,880	$ 1,831	$ 1,939
Commercial real estate	1,562	1,540	1,497
Construction and land development	201	213	178
Residential real estate	344	367	471
Consumer	929	885	857
Total Loans	**$4,916**	**$4,836**	**$4,941**
Total Loans ex. Commercial FHA Lines and PPP	**$4,653**	**$4,560**	**$4,527**

Total Loans and Average Loan Yield



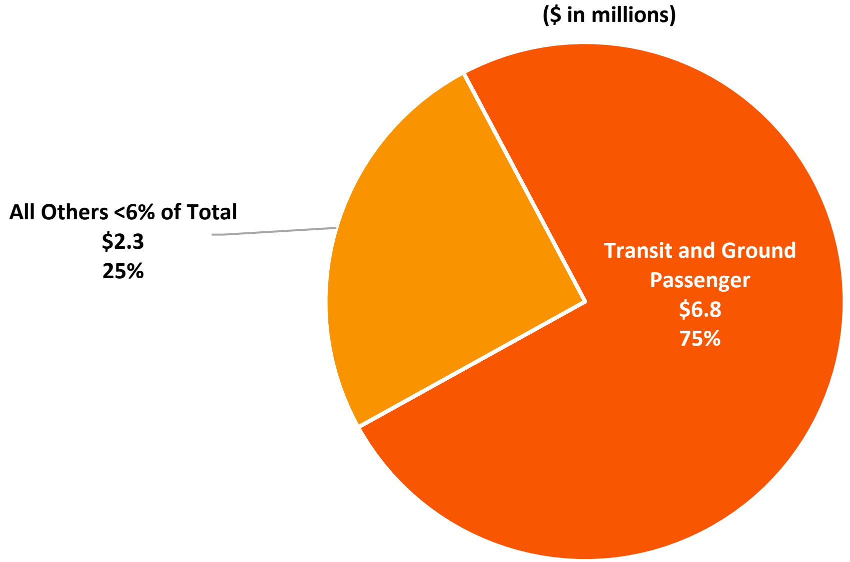
Midland Equipment Finance Portfolio Overview

Portfolio Characteristics (as of 9/30/21)	
Nationwide portfolio providing financing solutions to equipment vendors and end-users	
Total Outstanding Loans and Leases	$899.1 million (18.3% of total loans)
Number of Loans and Leases	7,471
Average Loan/Lease Size	$120,339
Largest Loan/Lease	$1.3 million
Weighted Average Rate	4.69%

Total Deferred Loans and Leases

	As of 3/31/21	**As of 6/30/21**	**As of 9/30/21**
Total Deferrals	$46.1 million	$35.6 million	$9.1 million
Percentage of Portfolio	5.4%	4.1%	1.0%
Deferred Loans Making I/O or Other Payments	$35.8 million	$32.6 million	$8.0 million

Equipment Finance Deferrals by Industry
(as of September 30, 2021)

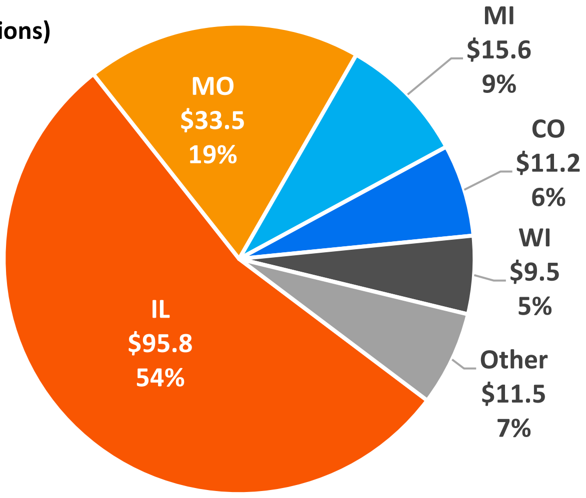


Hotel/Motel Portfolio Overview

Portfolio Characteristics (CRE & C&I) (as of 9/30/21)	
Total Outstanding	$177.1 million (3.6% of total loans)
Number of Loans	69
Average Loan Size	$2.6 million
Largest Loan	$11.2 million
Average LTV	56%
Total Deferred Loans as of 6/30/21	$39.4 million (21.8% of portfolio)
Total Deferred Loans as of 9/30/21	$7.1 million (4.0% of portfolio)*
Average LTV of Deferred Loans as of 9/30/21	53%
Deferred Loans Making I/O or Other Payments	$7.1 million (100% of deferrals)

Portfolio by State

($ in millions)



* All remaining loan deferrals are Upper Midscale chains

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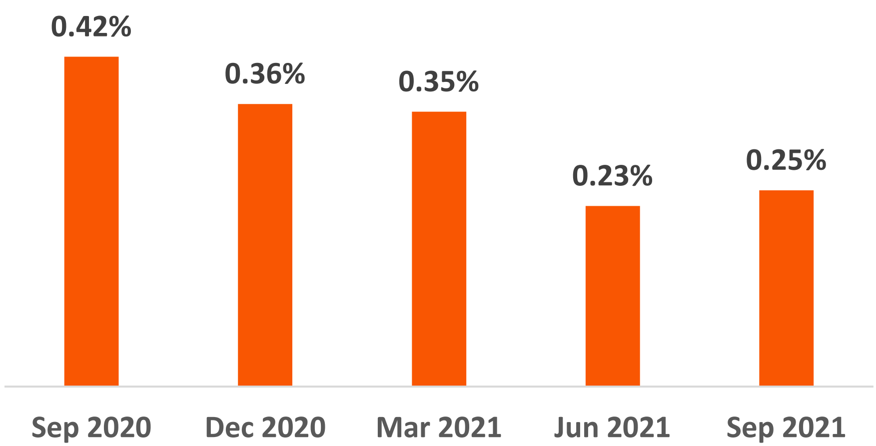
GreenSky Consumer Loan Portfolio Overview

Portfolio Characteristics (as of 9/30/21)	
Total Outstanding	$834.3 million (17.0% of total loans)
Number of Loans	389,705
Average Loan Size	$2,141
Average FICO Score	772
Total Deferred Loans (as of June 30, 2021)	$0.6 million (0.1% of portfolio)
Total Deferred Loans (as of September 30, 2021)	$0.7 million (0.1% of portfolio)

Delinquency Rate (greater than 60 days)



Prime Credit

- Average FICO score of 772
- No losses to MSBI in 10 year history of portfolio

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 32 of past 33 months including every month in 2020 and 2021
- Escrow deposits
  - Escrow deposits absorb losses in excess of cash flow waterfall
  - Escrow account totaled $34.6 million at 9/30/21 or 4.1% of the portfolio

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Total Deposits

- **Total deposits increased $405.0 million, or 7.8% from prior quarter, to $5.60 billion**
- **Increase in deposits largely attributable to increase in commercial FHA servicing deposits and other commercial deposits**
- **$184 million of CDs maturing in 4Q21 with a weighted average rate of 1.66%**

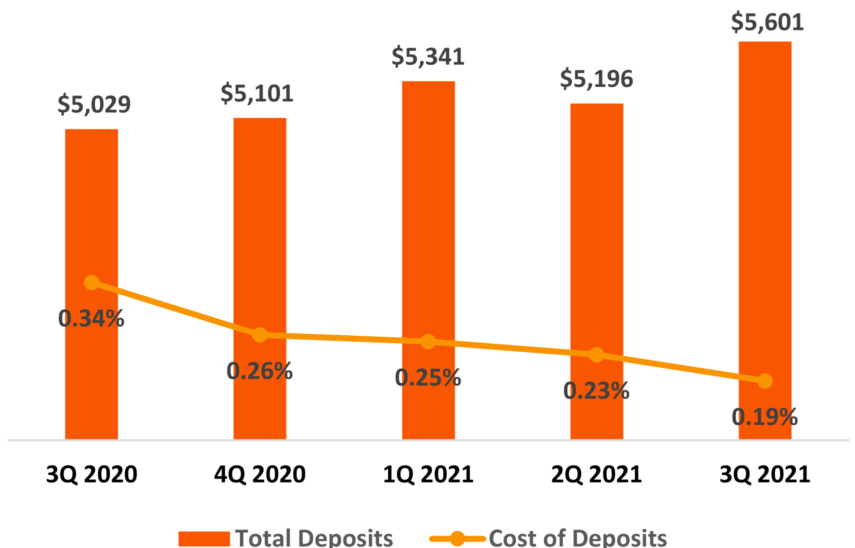
Deposit Mix

(in millions, as of quarter-end)

	3Q 2021	2Q 2021	3Q 2020
Noninterest-bearing demand	$ 1,673	$ 1,366	$ 1,355
Interest-bearing:			
Checking	1,697	1,619	1,581
Money market	853	788	826
Savings	666	669	581
Time	689	722	662
Brokered time	24	32	23
Total Deposits	**$5,601**	**$5,196**	**$5,029**

Total Deposits and Cost of Deposits

(in millions, as of quarter-end)



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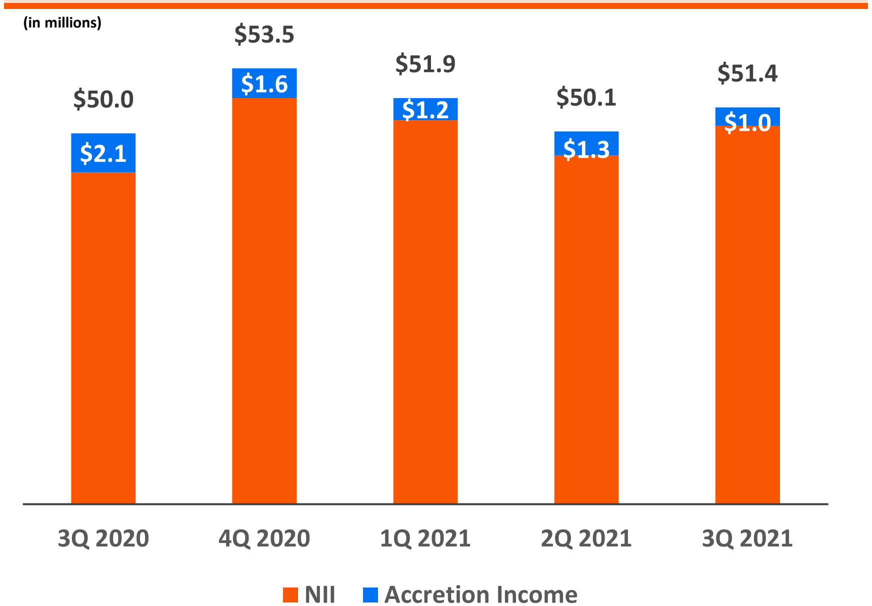
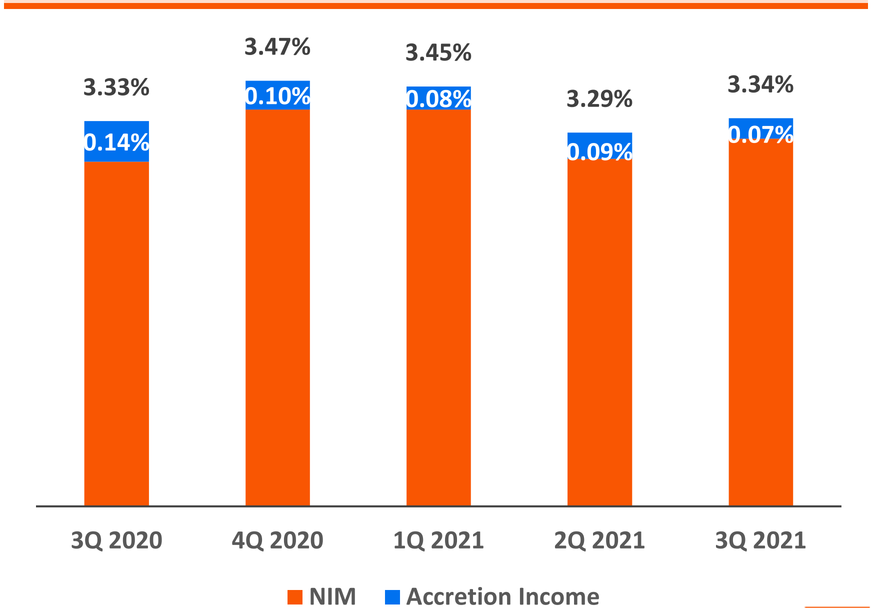
Net Interest Income/Margin

- **Net interest income increased 2.6% from the prior quarter due primarily to an increase in net interest margin**
- **Net interest margin, excluding accretion income, increased 7 bps from prior quarter due primarily to a reduction in the cost of funds**
- **Excess liquidity expected to result in a lower net interest margin in 4Q21**

Net Interest Income



Net Interest Margin



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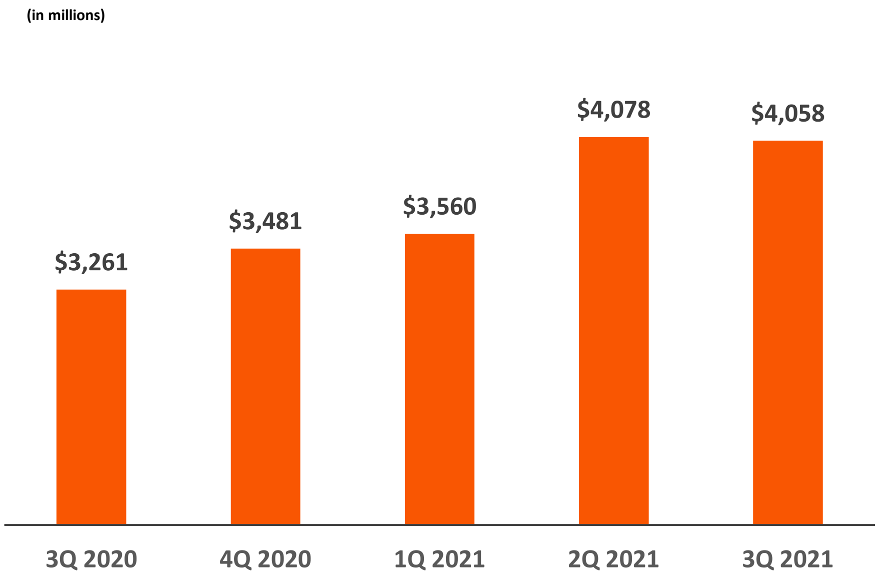
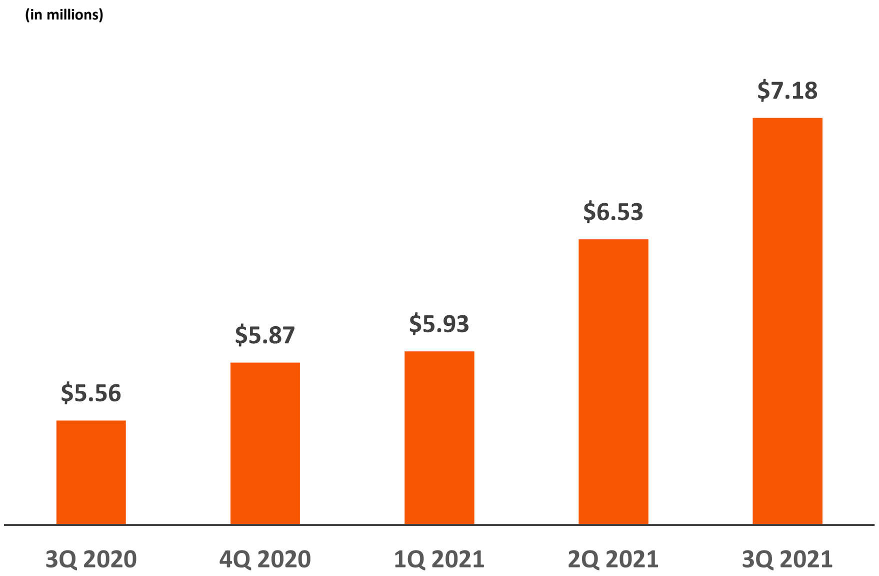
Wealth Management

- **During 3Q21, assets under administration decreased $19.4 million, primarily due to market performance**
- **Wealth Management revenue increased 9.9% from prior quarter, primarily due to full quarter contribution of ATG Trust Company**

Assets Under Administration



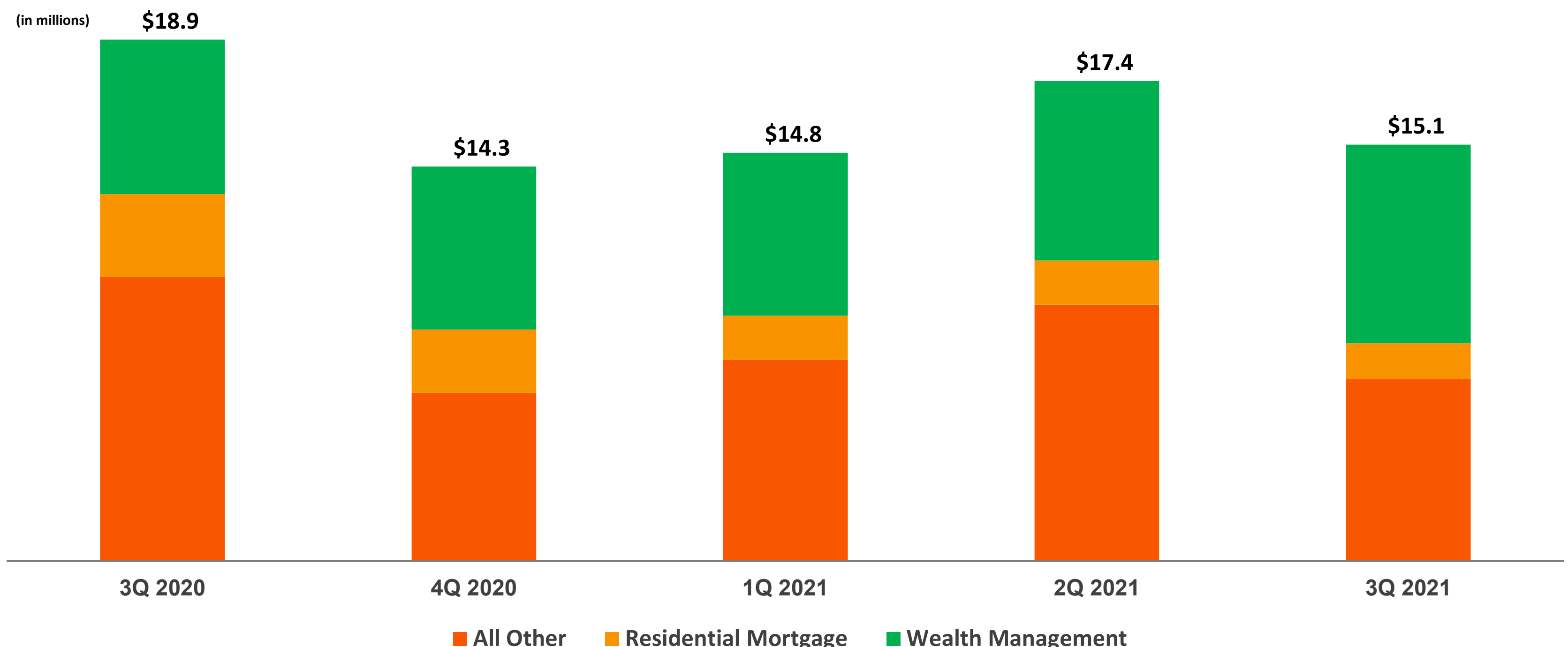
Wealth Management Revenue



Noninterest Income

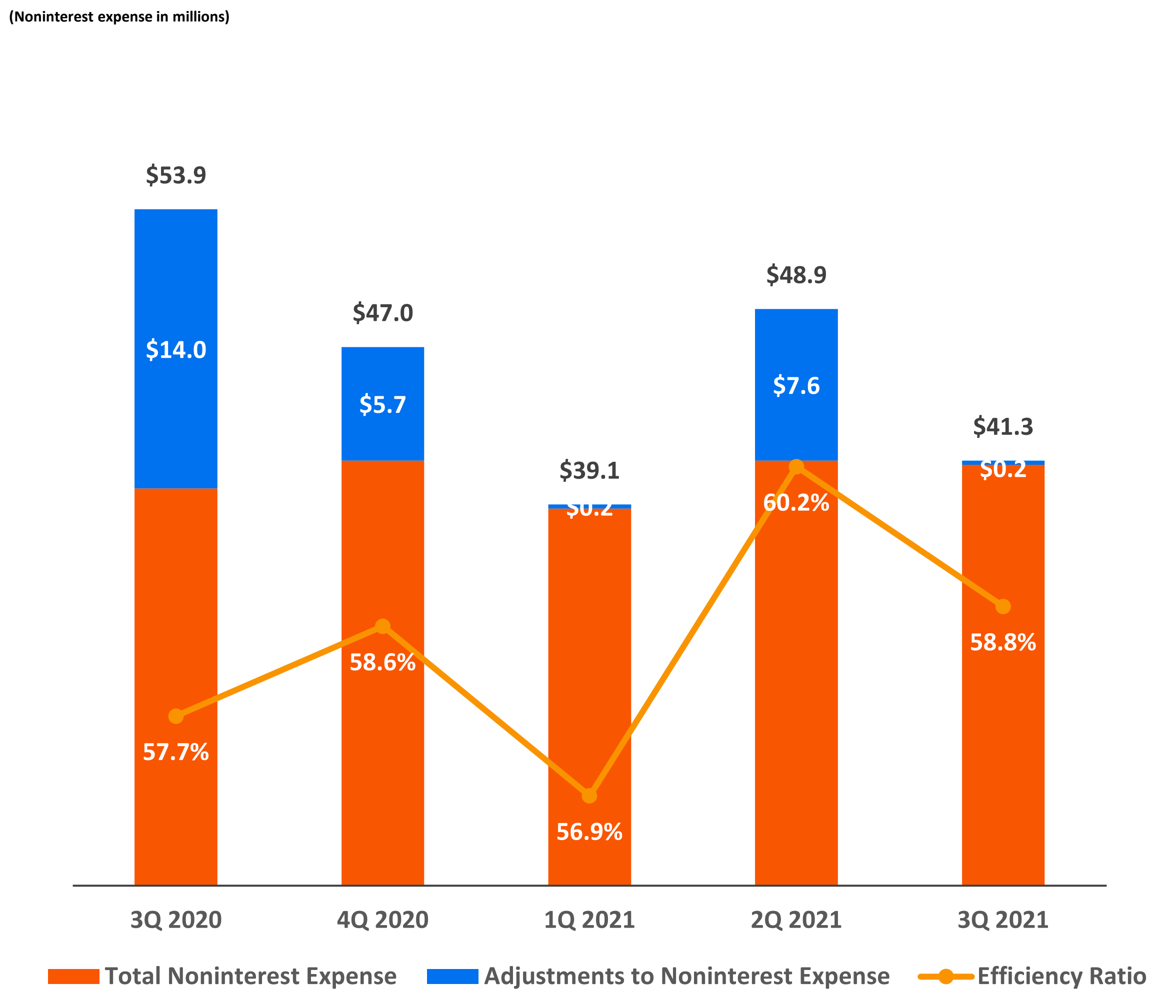
- Noninterest income decreased 13.1% from prior quarter
- Impairment on commercial MSRs impacted noninterest income by $3.0 million and $1.1 million in 3Q21 and 2Q21, respectively
- Excluding the impact of the impairment of commercial MSRs, noninterest income decreased 2.1% primarily due to the sale of other real estate owned recognized in 2Q21, partially offset by higher wealth management revenue

Noninterest Income



Noninterest Expense and Operating Efficiency

Noninterest Expense and Efficiency Ratio [1]



- **Efficiency Ratio [1] was 58.8% in 3Q21 vs. 60.2% in 2Q21**
- **Adjustments to non-interest expense:**

($ in millions)	3Q21	2Q21
Integration and acquisition related expenses	($0.1)	($3.8)
➢ Professional fees related to tax settlement	--	($3.6)
➢ Other expenses	($0.1)	($0.2)
FHLB advance prepayment fee	--	($3.7)
Loss on MSRs held for sale	($0.1)	($0.1)

- **Excluding these adjustments, noninterest expense decreased $0.2 million**
- **Operating expense run-rate expected to be $40.0 - $42.0 million in 4Q21**

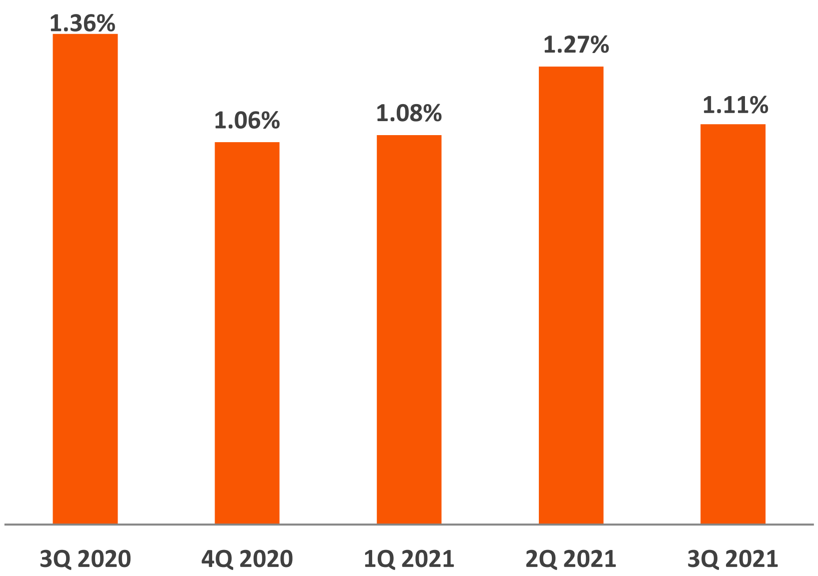
Notes:
(1) Represents a non-GAAP financial measure. See "Non-GAAP Reconciliation" in the appendix.

Asset Quality

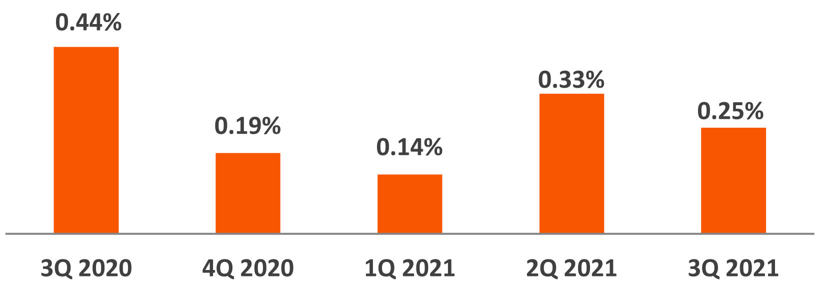
- Nonperforming loans decreased $6.7 million due to upgrades, disposition of certain loans, and minimal new inflow into nonperforming category
- Net charge-offs of $3.0 million, or 0.25% of average loans
- $1.5 million specific reserve charged-off on one of the three hotel loans put into NPL in 2Q21 prior to expected note sale in 4Q21; no additional deterioration in other two loans
- No provision for credit losses on loans due to improving asset quality; Negative provision for credit losses of $0.2 million on available-for-sale securities

Nonperforming Loans / Total Loans

(Total Loans as of quarter-end)



NCO / Average Loans



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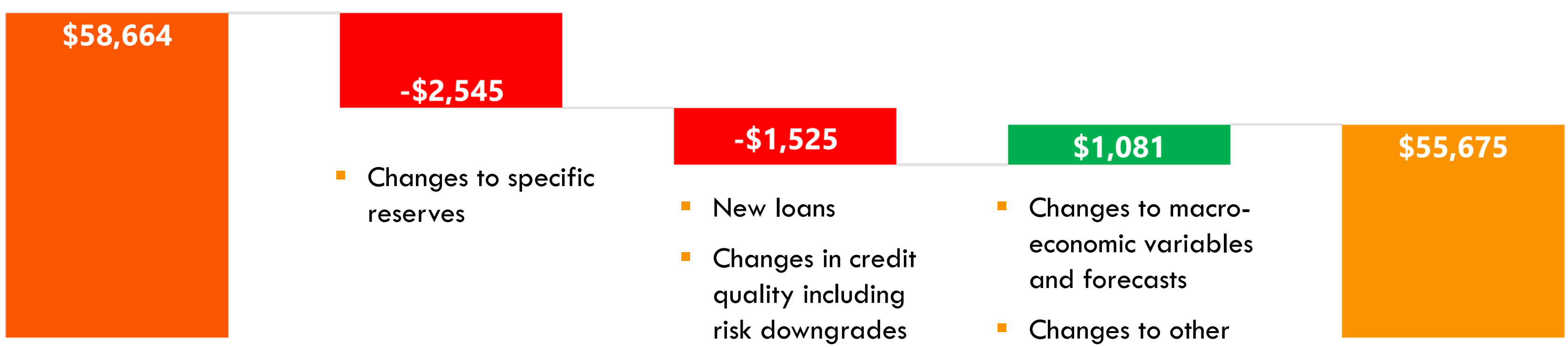
Changes in Allowance for Credit Losses

($ in thousands)



Specific Reserves

- Changes to specific reserves

Portfolio Changes

- New loans
- Changes in credit quality including risk downgrades and deferrals
- Changes in allocations to COVID-19 impacted segments
- Aging of existing portfolio
- Other charge-offs and recoveries

Economic Factors

- Changes to macro-economic variables and forecasts
- Changes to other economic qualitative factors

ACL by Portfolio

($ in thousands)

Portfolio	Total Loans at 9/30/21	ACL	% of Total Loans	Total Loans at 6/30/21	ACL	% of Total Loans
Commercial	$ 799,189	$ 6,360	0.80%	$ 719,642	$ 5,825	0.81%
Warehouse Lines	180,248	-	0.00%	129,607	-	0.00%
Commercial Other	668,146	8,231	1.23%	704,438	9,024	1.28%
Equipment Finance	486,623	7,856	1.61%	464,380	8,635	1.86%
Paycheck Protection Program	82,410	124	0.15%	146,728	220	0.15%
Lease Financing	412,430	7,586	1.84%	407,161	5,389	1.32%
CRE non-owner occupied	921,344	17,943	1.95%	908,787	21,168	2.33%
CRE owner occupied	437,140	6,855	1.57%	440,722	7,153	1.62%
Multi-family	128,961	1,591	1.23%	116,176	1,754	1.51%
Farmland	74,568	564	0.76%	74,804	643	0.86%
Construction and Land Development	200,792	1,131	0.56%	212,508	1,733	0.82%
Residential RE First Lien	277,819	2,551	0.92%	296,256	3,028	1.02%
Other Residential	66,595	466	0.70%	70,356	655	0.93%
Consumer	77,132	268	0.35%	74,627	266	0.36%
Consumer Other(1)	851,438	2,129	0.25%	810,389	2,026	0.25%
Total Loans	**4,915,554**	**55,675**	**1.13%**	**4,835,866**	**58,664**	**1.21%**
Loans (excluding GreenSky, PPP and warehouse lines)	**3,745,257**	**53,253**	**1.42%**	**3,695,247**	**56,259**	**1.52%**

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

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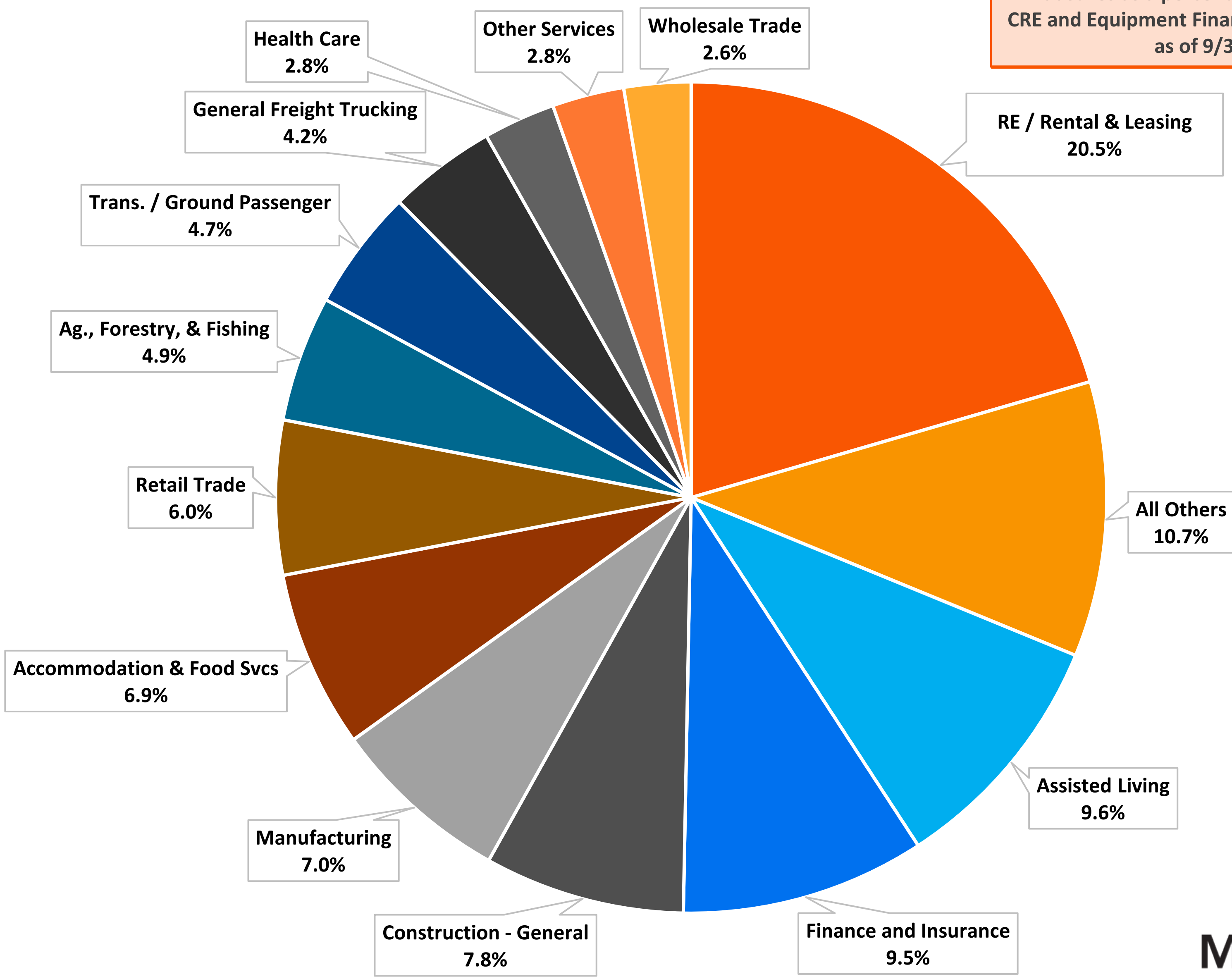
Outlook

- GreenSky relationship to gradually wind down over next two years
  - Loan originations expected to continue through mid-2022 and keep balances relatively stable
  - After loan originations end, GreenSky portfolio expected to decline by $400-$450 million over the following year
  - Runoff expected to slow after the first year with remaining portfolio paying off over next several years
  - Well positioned to replace GreenSky portfolio through combination of larger commercial banking team, new direct consumer lending programs, and other Fintech partnership opportunities
- Healthy loan and deposit pipelines should drive quality balance sheet growth and a continuation of positive trends in 4Q21
- Dwight Capital relationship expanding in 4Q21 to include approximately $400 million of additional low-cost servicing deposits
- Continued focus on expanding presence and adding new banking talent in higher growth markets in Northern Illinois and St. Louis
- Growth in balance sheet and recurring fee income expected to continue resulting in higher levels of revenue, increasing operating leverage and improved profitability

APPENDIX

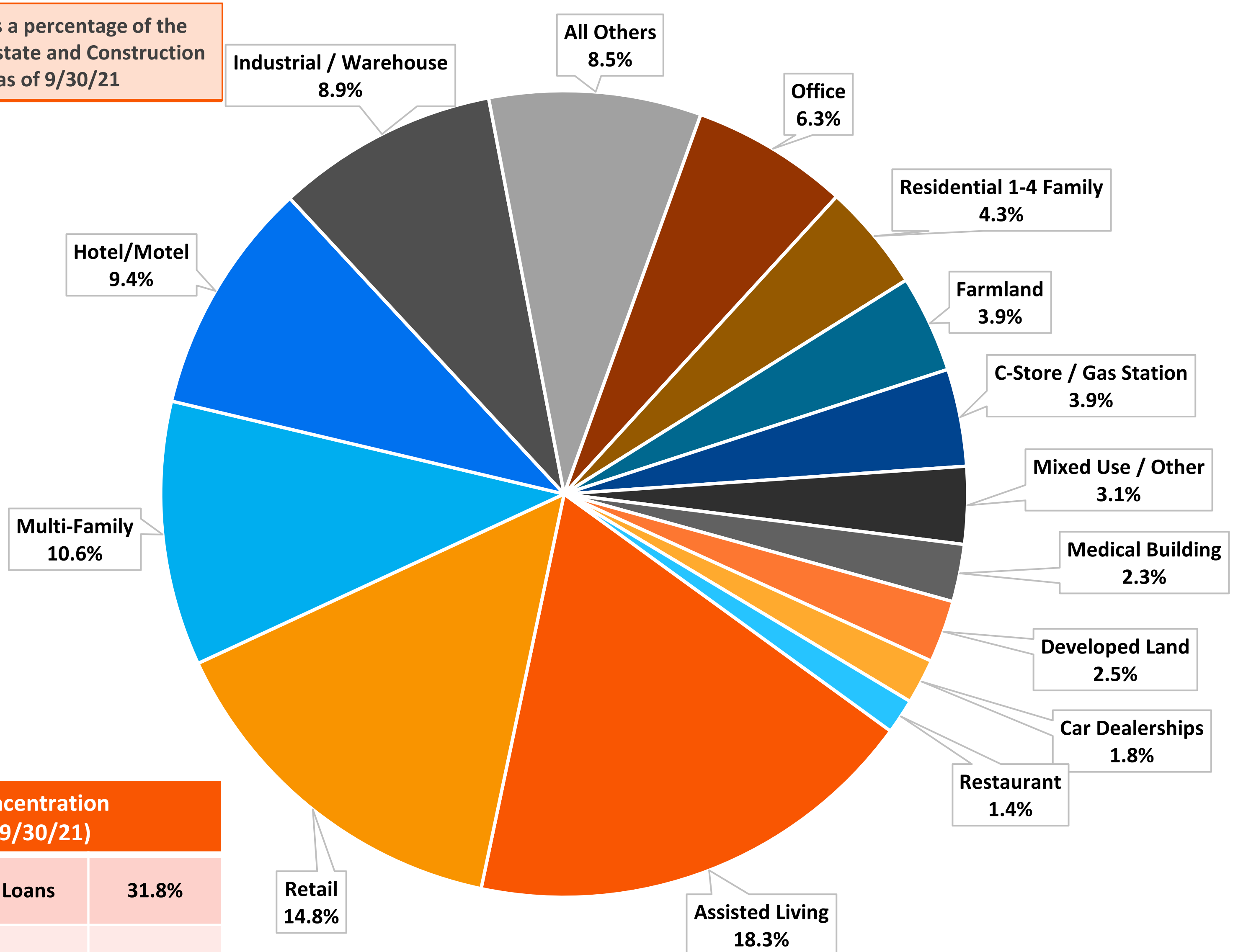
Commercial Loans and Leases by Industry

Industries as a percentage of Commercial, CRE and Equipment Finance Loans and Leases as of 9/30/21



Commercial Real Estate Portfolio by Collateral Type

Collateral type as a percentage of the Commercial Real Estate and Construction Portfolio as of 9/30/21



CRE Concentration (as of 9/30/21)	
CRE as a % of Total Loans	31.8%
CRE as a % of Total Risk-Based Capital(1)	185.3%

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

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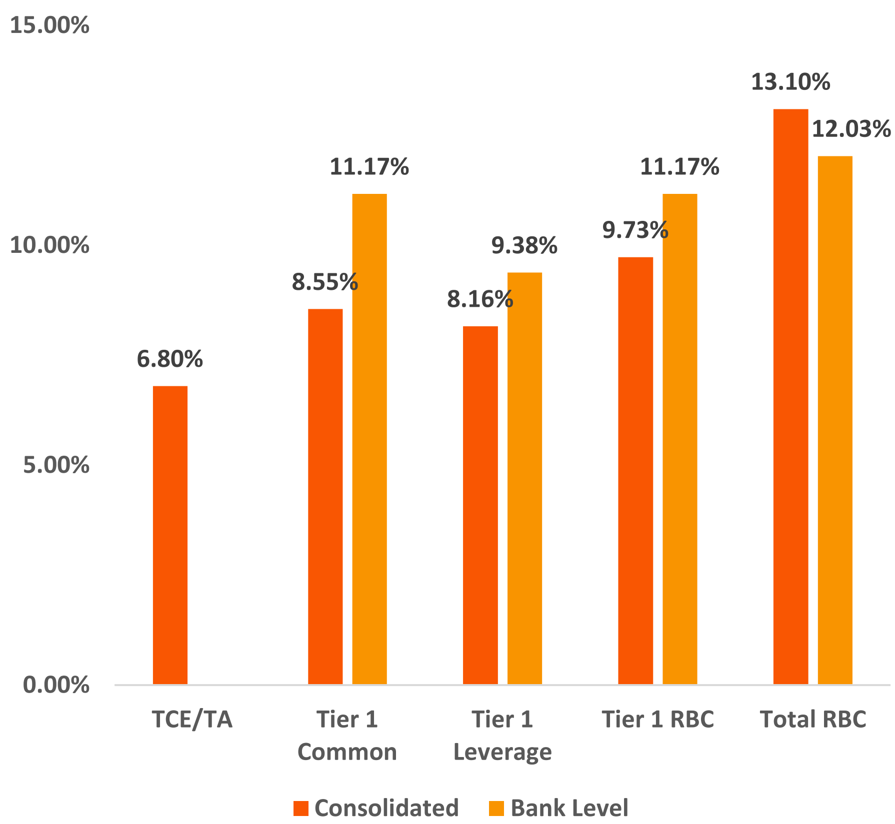
Capital and Liquidity Overview

Capital Ratios
(as of 9/30/21)



Liquidity Sources
(as of 9/30/21)

($ in millions)	
Cash and Cash Equivalents	$ 662.6
Unpledged Securities	291.6
FHLB Committed Liquidity	730.0
FRB Discount Window Availability	53.5
Primary Liquidity	**1,737.7**
FRB – PPP Liquidity Facility[1]	82.4
Secondary Liquidity	**82.4**
Total Estimated Liquidity	**$ 1,820.1**
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 $35.3 Million

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RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES (unaudited)

Adjusted Earnings Reconciliation

	For the Quarter Ended				
(dollars in thousands, except per share data)	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Income before income taxes - GAAP	$ 25,431	$ 19,041	$ 24,040	$ 10,746	$ 3,270
Adjustments to noninterest income:					
Gain on sales of investment securities, net	160	377	-	-	1,721
Other income	-	(27)	75	3	(17)
Total adjustments to noninterest income	160	350	75	3	1,704
Adjustments to noninterest expense:					
Loss on mortgage servicing rights held for sale	79	143	-	617	188
Impairment related to facilities optimization	-	-	-	(10)	12,651
FHLB advances prepayment fees	-	3,669	8	4,872	-
Integration and acquisition expenses	176	3,771	238	231	1,200
Total adjustments to noninterest expense	255	7,583	246	5,710	14,039
Adjusted earnings pre tax	25,526	26,274	24,211	16,453	15,605
Adjusted earnings tax	5,910	6,519	5,549	3,982	3,582
Adjusted earnings - non-GAAP	$ 19,616	$ 19,755	$ 18,662	$ 12,471	$ 12,023
Adjusted diluted earnings per common share	$ 0.86	$ 0.86	$ 0.82	$ 0.54	$ 0.52
Adjusted return on average assets	1.15 %	1.17 %	1.12 %	0.73 %	0.72 %
Adjusted return on average shareholders' equity	11.94 %	12.36 %	12.12 %	7.97 %	7.56 %
Adjusted return on average tangible common equity	16.82 %	17.52 %	17.39 %	11.50 %	11.04 %

Adjusted Pre-Tax, Pre-Provision Earnings Reconciliation

	For the Quarter Ended				
(dollars in thousands)	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Adjusted earnings pre tax - non- GAAP	$ 25,526	$ 26,274	$ 24,211	$ 16,453	$ 15,605
Provision for credit losses	(184)	(455)	3,565	10,058	11,728
Impairment on commercial mortgage servicing rights	3,037	1,148	1,275	2,344	1,418
Adjusted pre-tax, pre-provision earnings - non-GAAP	$ 28,379	$ 26,967	$ 29,051	$ 28,855	$ 28,751
Adjusted pre-tax, pre-provision return on average assets	1.67 %	1.60 %	1.75 %	1.69 %	1.72 %

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

Efficiency Ratio Reconciliation

	For the Quarter Ended				
(dollars in thousands)	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Noninterest expense - GAAP	$ 41,292	$ 48,941	$ 39,079	$ 47,048	$ 53,901
Loss on mortgage servicing rights held for sale	(79)	(143)	-	(617)	(188)
Impairment related to facilities optimization	-	-	-	10	(12,651)
FHLB advances prepayment fees	-	(3,669)	(8)	(4,872)	-
Integration and acquisition expenses	(176)	(3,771)	(238)	(231)	(1,200)
Adjusted noninterest expense	$ 41,037	$ 41,358	$ 38,833	$ 41,338	$ 39,862
Net interest income - GAAP	$ 51,396	$ 50,110	$ 51,868	$ 53,516	$ 49,980
Effect of tax-exempt income	402	383	386	413	430
Adjusted net interest income	51,798	50,493	52,254	53,929	50,410
Noninterest income - GAAP	15,143	17,417	14,816	14,336	18,919
Impairment on commercial mortgage servicing rights	3,037	1,148	1,275	2,344	1,418
Gain on sales of investment securities, net	(160)	(377)	-	-	(1,721)
Other	-	27	(75)	(3)	17
Adjusted noninterest income	18,020	18,215	16,016	16,677	18,633
Adjusted total revenue	$ 69,818	$ 68,709	$ 68,270	$ 70,607	$ 69,043
Efficiency ratio	58.78 %	60.19 %	56.88 %	58.55 %	57.74 %

Midland States Bancorp, Inc.

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, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**
Shareholders' Equity to Tangible Common Equity					
Total shareholders' equity—GAAP	$ 657,844	$ 648,186	$ 635,467	$ 621,391	$ 621,880
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(26,065)	(27,900)	(26,867)	(28,382)	(29,938)
Tangible common equity	$ 469,875	$ 458,382	$ 446,696	$ 431,105	$ 430,038
Total Assets to Tangible Assets:					
Total assets—GAAP	$ 7,093,959	$ 6,630,010	$ 6,884,786	$ 6,868,540	$ 6,700,045
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(26,065)	(27,900)	(26,867)	(28,382)	(29,938)
Tangible assets	$ 6,905,990	$ 6,440,206	$ 6,696,015	$ 6,678,254	$ 6,508,203
Common Shares Outstanding	22,193,141	22,380,492	22,351,740	22,325,471	22,602,844
Tangible Common Equity to Tangible Assets	6.80 %	7.12 %	6.67 %	6.46 %	6.61 %
Tangible Book Value Per Share	$ 21.17	$ 20.48	$ 19.98	$ 19.31	$ 19.03

Return on Average Tangible Common Equity (ROATCE)

	For the Quarter Ended				
(dollars in thousands)	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**
Net income available to common shareholders	$ 19,548	$ 20,124	$ 18,538	$ 8,333	$ 86
Average total shareholders' equity—GAAP	$ 651,751	$ 641,079	$ 624,661	$ 622,594	$ 632,879
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(168,771)
Other intangible assets, net	(27,132)	(26,931)	(27,578)	(29,123)	(30,690)
Average tangible common equity	$ 462,715	$ 452,244	$ 435,179	$ 431,567	$ 433,418
ROATCE	16.76 %	17.85 %	17.28 %	7.68 %	0.08 %

Midland States Bancorp, Inc.