Midland States Bancorp, Inc.

NASDAQ: MSBI

Third Quarter 2018 Earnings Call

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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 3Q18

3Q18 Earnings	Net income of $8.5 million, or $0.35 diluted EPS • Integration and acquisition expenses of $9.6 million • Adjusted earnings[1] of $0.64 per diluted share
Key Operating Trends	• Loan growth driven by portfolios providing higher risk-adjusted yields • Relatively stable net interest margin (excluding accretion income)
Improving Efficiencies	• Alpine conversion completed • Efficiency ratio improved to 63.0% from 67.8% in prior quarter
Stronger Contribution from Love Funding	• Rate lock commitments increased to $82.8 million from $11.1 million in prior quarter • Commercial FHA revenue increased to $3.1 million from $0.3 million in prior quarter

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

Loan Portfolio

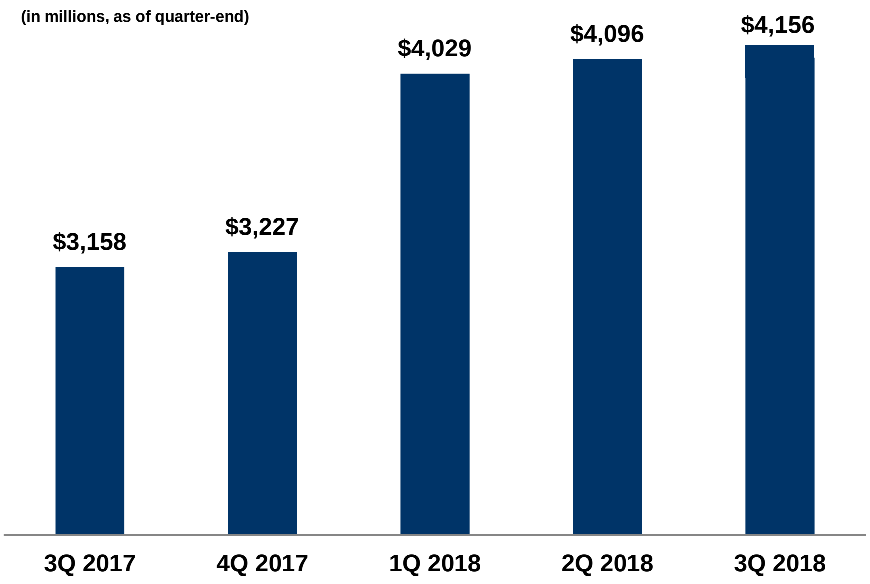
- **Total loan growth of $60.5 million or 5.9% annualized**
- **Strongest growth in commercial loans and leases, and consumer lending**
- **Equipment loan and lease financings increased $45.9 million, or 17.3%, from June 30, 2018 with YTD growth of $105.7 million, or 51.4%**
- **Remixing of loan portfolio resulting in lower residential real estate loan balances**

Loan Portfolio Mix

(in millions, as of quarter-end)

	3Q 2018	2Q 2018	3Q 2017
Commercial loans and leases	$ 1,035	$ 991	$ 714
Commercial real estate	1,712	1,711	1,472
Construction and land development	239	248	183
Residential real estate	586	602	446
Consumer	584	544	343
Total	**$ 4,156**	**$ 4,096**	**$ 3,158**

Total Loans



Total Deposits

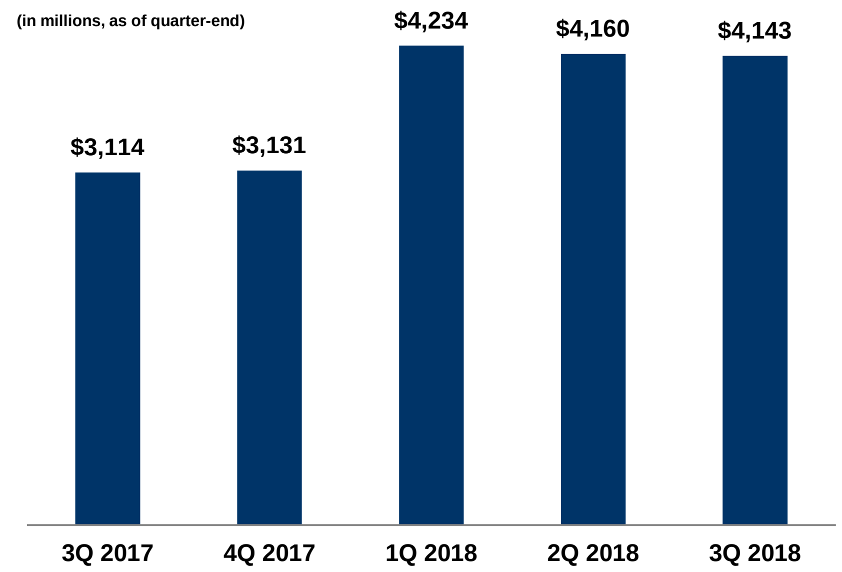
- **Total deposits decreased $16.7 million to $4.14 billion**
- **Decline in deposits attributable to expected attrition in Alpine deposit base following system conversion and focus on managing deposit costs**
- **$23.4 million increase in interest-bearing checking accounts**

Deposit Mix

(in millions, as of quarter-end)

	3Q 2018	2Q 2018	3Q 2017
Noninterest-bearing demand	$ 991	$ 1,002	$ 674
Interest-bearing:			
Checking	1,048	1,025	801
Money market	836	844	634
Savings	446	461	279
Time	634	638	494
Brokered	189	191	233
Total deposits	**$ 4,143**	**$ 4,160**	**$ 3,114**

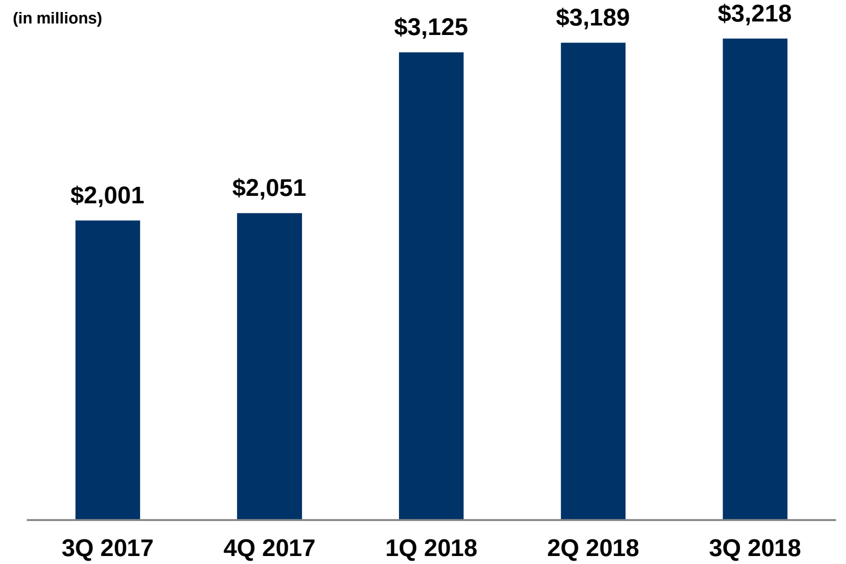
Total Deposits



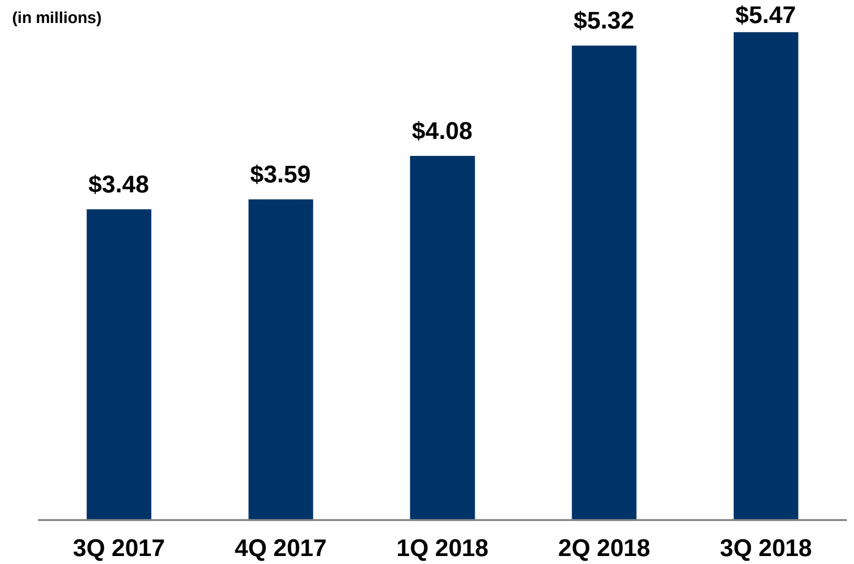
Wealth Management

- **Total Wealth Management revenue increased 2.8% from the prior quarter**
- **Year-over-year organic growth in assets under administration was $135.7 million, or 6.8%, excluding Alpine acquisition**

Assets Under Administration



Wealth Management Revenue

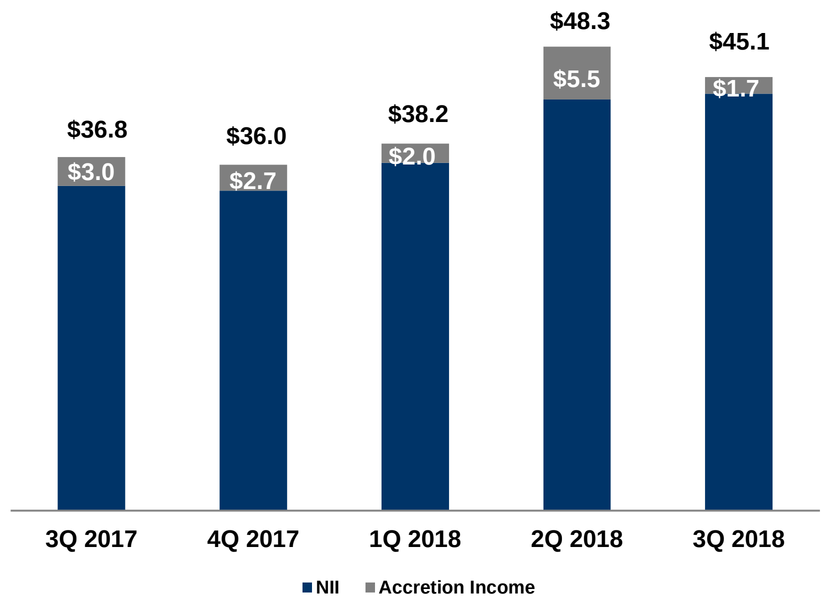


Net Interest Income/Margin

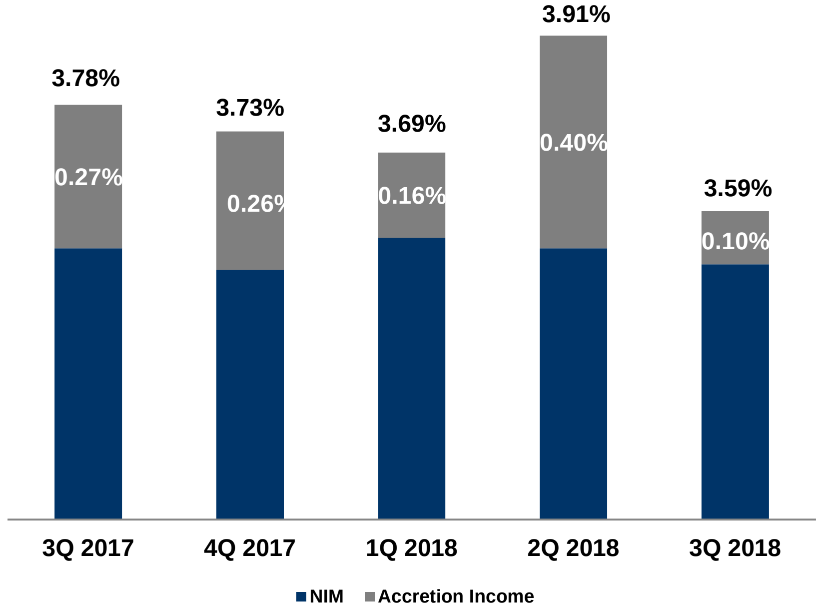
- Net interest income and margin decreased due to lower accretion income
- Excluding the impact of accretion income, net interest margin declined 2 bps
- Expected scheduled accretion income following finalization of purchase accounting for Alpine:
  - ➢ $2.0-$2.5 million in 4Q18; $7.0-$7.5 million in FY 2019

Net Interest Income

(in millions)



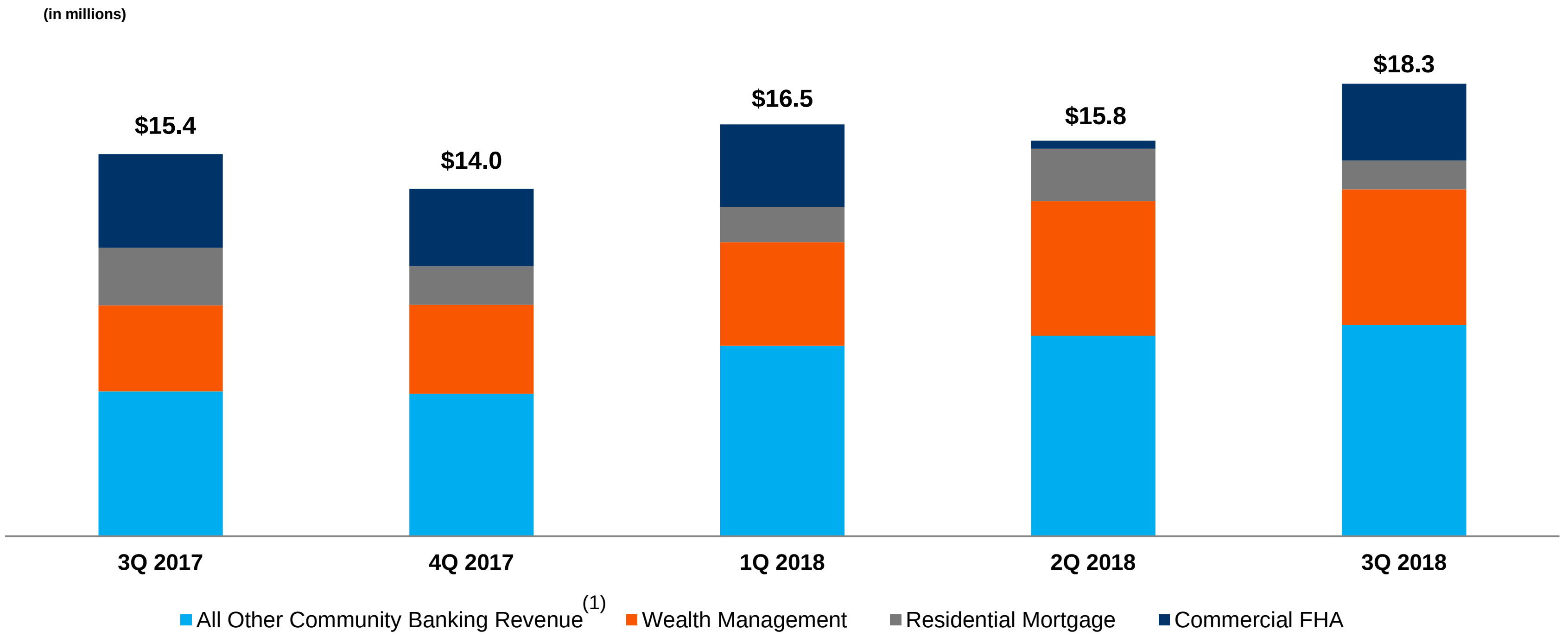
Net Interest Margin



Noninterest Income

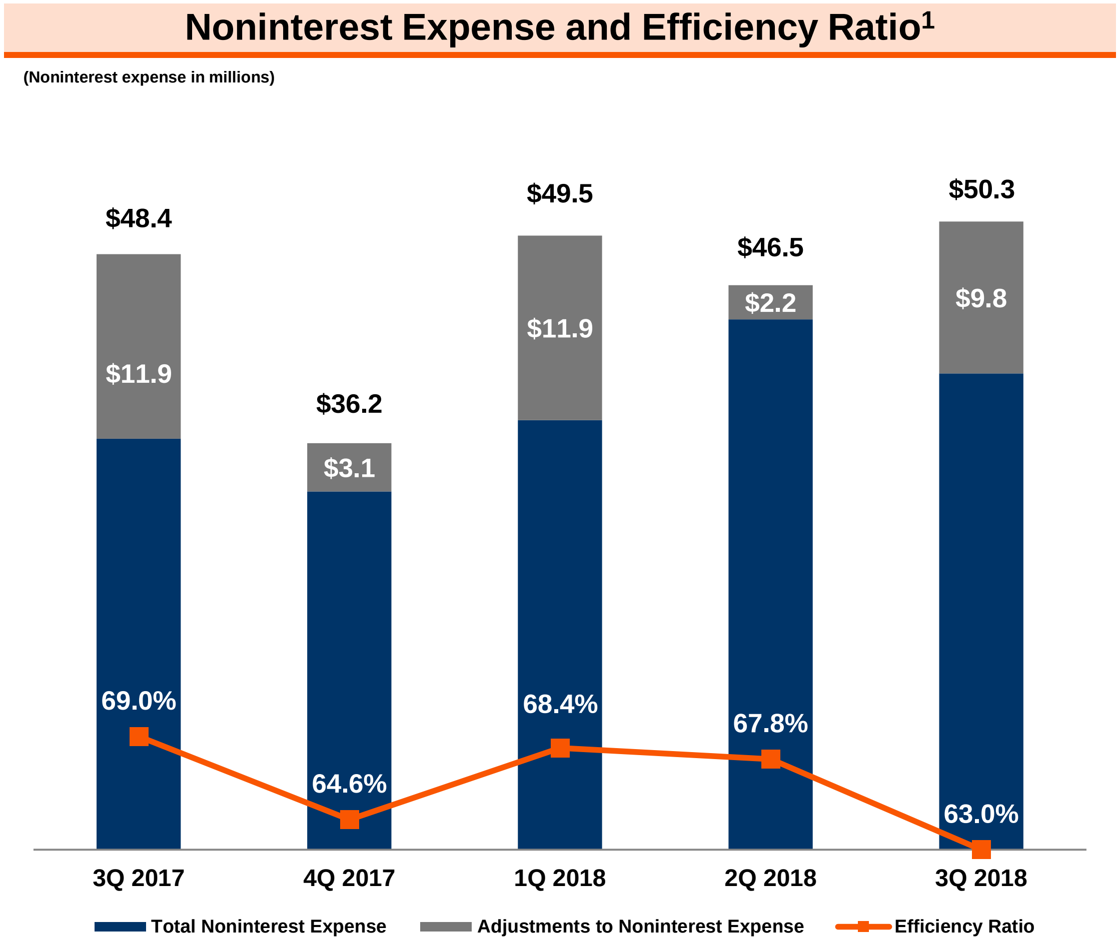
- Noninterest income increased 15.3% from prior quarter
- Commercial FHA revenue returned to more normalized level ($3.1 million)
- Decline in residential mortgage banking revenue reflects lower demand
- Wealth management remains largest contributor to noninterest income

Noninterest Income



(1) Represents service charges, interchange revenue, net gain (loss) on sale of investment securities, and other income

Noninterest Expense and Operating Efficiency



- Efficiency Ratio[1] was 63.0% in 3Q18 vs. 67.8% in 2Q18
- Integration and acquisition related expenses
  - $9.6 million in 3Q18
  - $2.0 million in 2Q18
- Loss on mortgage servicing rights held for sale
  - $0.3 million in 3Q18
  - $0.2 million in 2Q18
- Excluding these items, noninterest expense decreased 8.5% on a linked-quarter basis
- 2019 quarterly run-rate for noninterest expense projected to be approximately $43 million

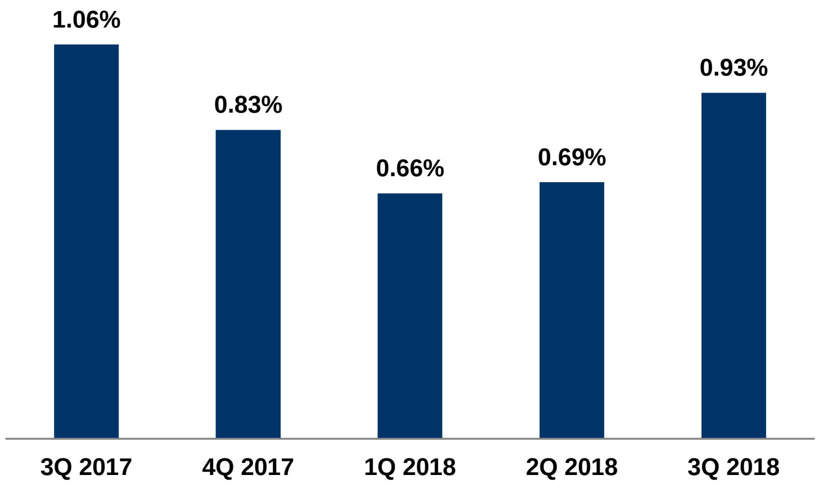
(1) Represents a non-GAAP financial measure. See "Non-GAAP Reconciliation" in the appendix.

Asset Quality

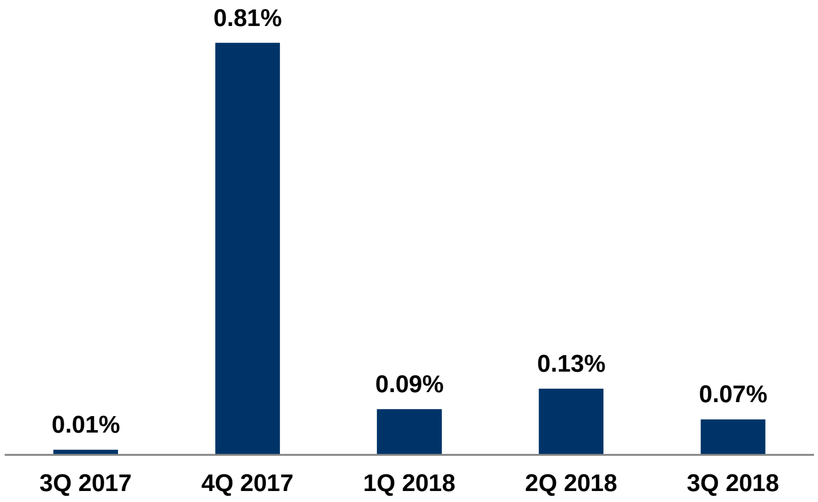
- Increase in nonperforming loans primarily attributable to the downgrade of two commercial loans and one commercial real estate loan
- Continued low level of charge-offs
- Provision for loan losses of $2.1 million in 3Q18
- ALLL/total loans of 0.47% and credit marks/total loans of 0.59% at September 30, 2018

Nonperforming Loans / Total Loans

(Total Loans as of quarter-end)



NCO / Average Loans



Outlook

- Realization of additional operating leverage expected to drive higher level of profitability in 2019
- Continued discipline in balance sheet growth to manage liquidity and protect net interest margin
- Loan production will remain focused on areas with most attractive risk-adjusted yields
- CEO succession plan
    - ➢ Leon Holschbach to retire from CEO position on December 31, 2018
    - ➢ Jeffrey Ludwig to assume role of CEO of Midland States Bancorp

APPENDIX

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

Adjusted Earnings Reconciliation

(dollars in thousands, except per share data)	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
	For the Quarter Ended				
Income before income taxes - GAAP	$ 10,933	$ 15,827	$ 3,182	$ 7,766	$ 2,316
Adjustments to noninterest income:					
(Loss) gain on sales of investment securities, net	-	(70)	65	2	98
Other	(12)	(48)	150	37	45
Total adjustments to noninterest income	(12)	(118)	215	39	143
Adjustments to noninterest expense:					
Loss on mortgage servicing rights held for sale	270	188	-	442	3,617
Integration and acquisition expenses	9,559	2,019	11,884	2,686	8,303
Total adjustments to noninterest expense	9,829	2,207	11,884	3,128	11,920
Adjusted earnings pre tax	20,774	18,152	14,851	10,855	14,093
Adjusted earnings tax	5,142	3,683	4,586	6,992	4,920
Revaluation of net deferred tax assets	-	-	-	(4,540)	-
Adjusted earnings - non-GAAP	15,632	14,469	10,265	8,403	9,173
Preferred stock dividends, net	35	36	36	37	27
Adjusted earnings available to common shareholders - non-GAAP	$ 15,597	$ 14,433	$ 10,229	$ 8,366	$ 9,146
Adjusted diluted earnings per common share	$ 0.64	$ 0.59	$ 0.48	$ 0.42	$ 0.46
Adjusted return on average assets	1.09 %	1.03 %	0.87 %	0.76 %	0.82 %
Adjusted return on average shareholders' equity	10.45 %	9.93 %	8.34 %	7.34 %	8.03 %
Adjusted return on average tangible common equity	16.02 %	15.27 %	11.86 %	9.88 %	10.83 %

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

Efficiency Ratio Reconciliation

	For the Quarter Ended				
(dollars in thousands)	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**	**December 31, 2017**	**September 30, 2017**
Noninterest expense - GAAP	$ 50,317	$ 46,452	$ 49,499	$ 36,192	$ 48,363
Loss on mortgage servicing rights held for sale	(270)	(188)	-	(442)	(3,617)
Integration and acquisition expenses	(9,559)	(2,019)	(11,884)	(2,686)	(8,303)
Adjusted noninterest expense	$ 40,488	$ 44,245	$ 37,615	$ 33,064	$ 36,443
Net interest income - GAAP	$ 45,081	$ 48,286	$ 38,185	$ 36,036	$ 36,765
Effect of tax-exempt income	585	541	394	659	687
Adjusted net interest income	45,666	48,827	38,579	36,695	37,452
Noninterest income - GAAP	$ 18,272	$ 15,847	$ 16,502	$ 13,998	$ 15,403
Mortgage servicing rights impairment	297	500	133	494	104
Loss (gain) on sales of investment securities, net	-	70	(65)	(2)	(98)
Other	12	48	(150)	(37)	(45)
Adjusted noninterest income	18,581	16,465	16,420	14,453	15,364
Adjusted total revenue	$ 64,247	$ 65,292	$ 54,999	$ 51,148	$ 52,816
Efficiency ratio	63.02 %	67.76 %	68.39 %	64.64 %	69.00 %

MIDLAND STATES BANCORP, INC.

RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES (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, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Shareholders' Equity to Tangible Common Equity					
Total shareholders' equity—GAAP	$ 594,146	$ 592,535	$ 585,385	$ 449,545	$ 450,689
Adjustments:					
Preferred stock	(2,829)	(2,876)	(2,923)	(2,970)	(3,015)
Goodwill	(164,044)	(164,044)	(155,674)	(98,624)	(97,351)
Other intangibles	(39,228)	(41,081)	(46,473)	(16,932)	(17,966)
Tangible common equity	$ 388,045	$ 384,534	$ 380,315	$ 331,019	$ 332,357
Total Assets to Tangible Assets:					
Total assets—GAAP	$ 5,724,612	$ 5,730,600	$ 5,723,372	$ 4,412,701	$ 4,347,761
Adjustments:					
Goodwill	(164,044)	(164,044)	(155,674)	(98,624)	(97,351)
Other intangibles	(39,228)	(41,081)	(46,473)	(16,932)	(17,966)
Tangible assets	$ 5,521,340	$ 5,525,475	$ 5,521,225	$ 4,297,145	$ 4,232,444
Common Shares Outstanding	23,694,637	23,664,596	23,612,430	19,122,049	19,093,153
Tangible Common Equity to Tangible Assets	7.03 %	6.96 %	6.89 %	7.70 %	7.85 %
Tangible Book Value Per Share	$ 16.38	$ 16.25	$ 16.11	$ 17.31	$ 17.41

Return on Average Tangible Common Equity (ROATCE)

	For the Quarter Ended				
(dollars in thousands)	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Net income available to common shareholders	$ 8,462	$ 12,746	$ 1,770	$ 1,954	$ 2,009
Average total shareholders' equity—GAAP	$ 593,457	$ 584,653	$ 498,941	$ 453,968	$ 453,317
Adjustments:					
Preferred stock	(2,859)	(2,905)	(2,952)	(2,997)	(3,126)
Goodwill	(164,044)	(158,461)	(118,996)	(97,406)	(97,129)
Other intangibles	(40,228)	(44,098)	(27,156)	(17,495)	(18,153)
Average tangible common equity	$ 386,326	$ 379,189	$ 349,837	$ 336,070	$ 334,909
ROATCE	8.69 %	13.48 %	2.05 %	2.31 %	2.38 %