Midland States Bancorp, Inc.
NASDAQ: MSBI

Second Quarter 2021 Earnings Call

Midland
States Bancorp, Inc.

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 2Q21

2Q21 Earnings	• Net income of $20.1 million, or $0.88 diluted EPS • Adjusted earnings[1] of $19.8 million, or $0.86 diluted EPS, excludes impact of: ➢ $6.8 million tax benefit related to settlement of prior tax issue ➢ $3.6 million in professional fees related to settlement ➢ $3.7 million FHLB advance prepayment penalty
Improving Level of Profitability Positively Impacting Capital Ratios	• Return on average shareholders' equity of 12.59% • Return on average tangible common equity[1] of 17.85% • TCE/Tangible Assets ratio increased 45 bps to 7.12%
Excess Liquidity Used to Eliminate Higher Cost Funding Sources	• Prepayment of $85 million longer-term FHLB advance expected to positively impact NIM by 6 bps • Redemption of $31 million of sub debt expected to positively impact NIM by 4 bps • Elimination of higher cost funding sources should support NIM expansion in second half of 2021
Increasing Loan Production	• Increased production in equipment finance, CRE and construction offset by declines in commercial FHA warehouse lines, PPP loans, and residential real estate loans • Growth in consumer portfolio helps to offset runoff in residential real estate portfolio
Strong Increase in Non-Interest Income	• Non-interest income increased 17.6% from prior quarter and accounted for 26% of revenue • Increased economic activity driving higher fee income • Acquisition of ATG Trust Company in June contributed to 10% increase in wealth management revenue

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

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Paycheck Protection Program Overview

Paycheck Protection Program (as of 6/30/21)	
Loans Outstanding	$146.7 million
Round 1	$50.1 million
Round 2	$96.6 million
Total Fees Earned	$15.2 million
Fees Recognized in 2Q21	$2.0 million
Remaining Fees to be Recognized	$5.6 million

Paycheck Protection Program Loan Forgiveness		
	As of 3/31/21	**As of 6/30/21**
Loans Submitted to SBA	$196.5 million	$263.8 million
Loans Forgiven by SBA	$146.0 million	$238.3 million
Percentage of Total Round 1 PPP Loans Forgiven	52.6%	83.7%
Percentage of Total Round 1 and 2 PPP Loans Forgiven		62.9%

Impact on 2Q21 Financials

	At or for the Three Months Ended 6/30/21	Metrics Excluding PPP Impact
Total Loans	$4.84 billion	$4.69 billion
Average Loans	$4.83 billion	$4.64 billion
Net Interest Income FTE[(1)]	$50.5 million	$48.0 million
Net Interest Margin[(1)]	3.29%	3.23%
ACL/Total Loans	1.21%	1.25%

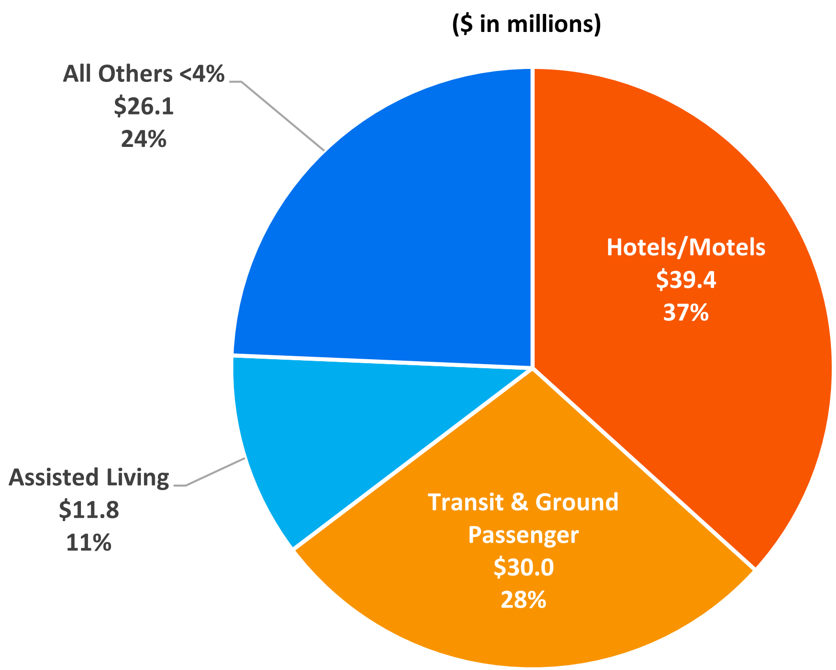
1. Loan fees and deferred loan origination costs being amortized over an estimated 24 to 60 month life of PPP loans

Loan Deferral Overview

Total Loan Deferrals			
	As of Dec. 31, 2020	As of Mar. 31, 2021	As of Jun. 30, 2021
Total Loans Deferred	$209.1 million	$219.1 million	$107.3 million
% of Total Loans	4.1%	4.5%	2.2%

Deferral Type (as of June 30, 2021)	
Full Payment Deferral	$22.3 million
Deferred Loans Making I/O or Other Payments	$85.0 million

Deferrals by Industry
(as of June 30, 2021)



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Loan Portfolio

- **Total loans decreased $74.9 million from prior quarter to $4.84 billion**
- **Decline due to lower end of period balances on commercial FHA warehouse credit lines, lower PPP loans and continued runoff in residential real estate portfolio driven by refinancing activity**
- **Increase in loan production resulted in higher balances of commercial real estate, construction and consumer loans**
- **Excluding PPP loans and commercial FHA warehouse credit lines, total loans increased at an annualized rate of 6% during 2Q21**
- **PPP loans were $146.7 million at Jun. 30, 2021, a decrease of $64.8 million from Mar. 31, 2021**

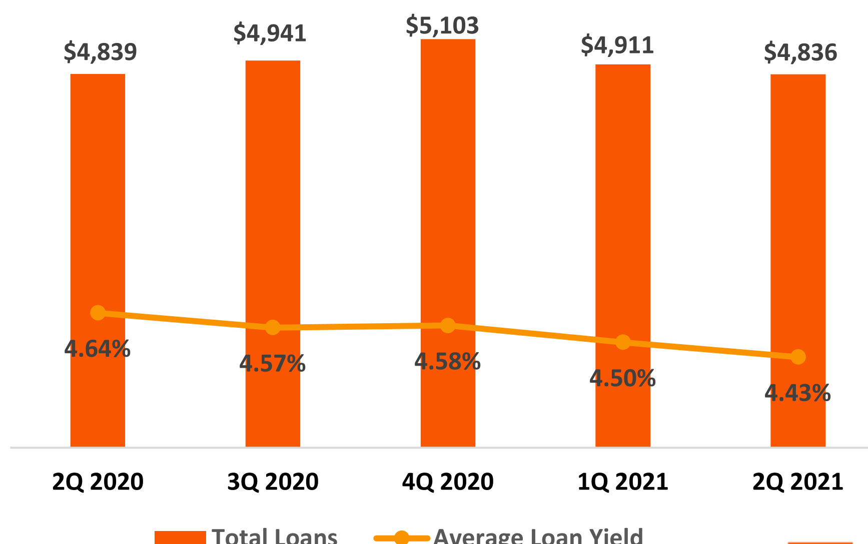
Loan Portfolio Mix

(in millions, as of quarter-end)

	2Q 2021	1Q 2021	2Q 2020
Commercial loans and leases	$ 1,831	$ 1,977	$ 1,856
Commercial real estate	1,540	1,494	1,495
Construction and land development	213	192	208
Residential real estate	367	399	509
Consumer	885	849	771
Total Loans	**$4,836**	**$4,911**	**$4,839**
Total Loans ex. Commercial FHA Lines and PPP	**$4,560**	**$4,494**	**$4,436**

Total Loans and Average Loan Yield

(in millions, as of quarter-end)



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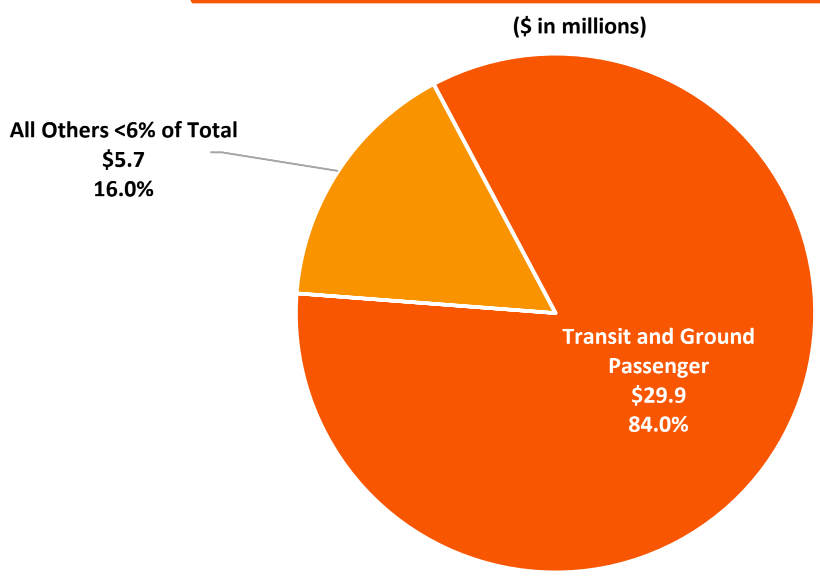
Midland Equipment Finance Portfolio Overview

Portfolio Characteristics (as of 6/30/21)	
Nationwide portfolio providing financing solutions to equipment vendors and end-users	
Total Outstanding Loans and Leases	$871.5 million (18.0% of total loans)
Number of Loans and Leases	7,121
Average Loan/Lease Size	$122,384
Largest Loan/Lease	$1.4 million
Weighted Average Rate	4.64%

Total Deferred Loans and Leases			
	As of 12/31/20	**As of 3/31/21**	**As of 6/30/21**
Total Deferrals	$50.1 million	$46.1 million	$35.6 million
Percentage of Portfolio	5.8%	5.4%	4.1%
Deferred Loans Making I/O or Other Payments	$28.2 million	$35.8 million	$32.6 million

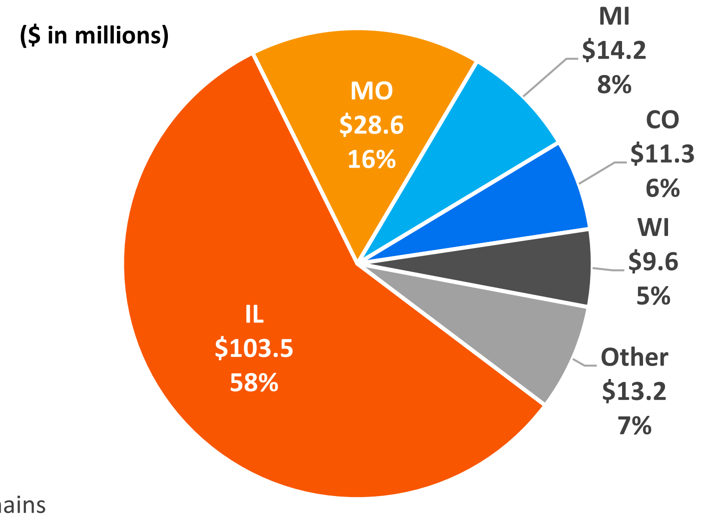
Equipment Finance Deferrals by Industry
(as of June 30, 2021)



Hotel/Motel Portfolio Overview

Portfolio Characteristics (CRE & C&I) (as of 6/30/21)	
Total Outstanding	$180.4 million (3.7% of total loans)
Number of Loans	64
Average Loan Size	$2.8 million
Largest Loan	$11.3 million
Average LTV	52%
Total Deferred Loans as of 3/31/21	$117.4 million (70.3% of portfolio)
Total Deferred Loans as of 6/30/21	$39.4 million (21.8% of portfolio)*
Average LTV of Deferred Loans as of 6/30/21	50%
Deferred Loans Making I/O or Other Payments	$30.2 million (76.6% of deferrals)

Portfolio by State

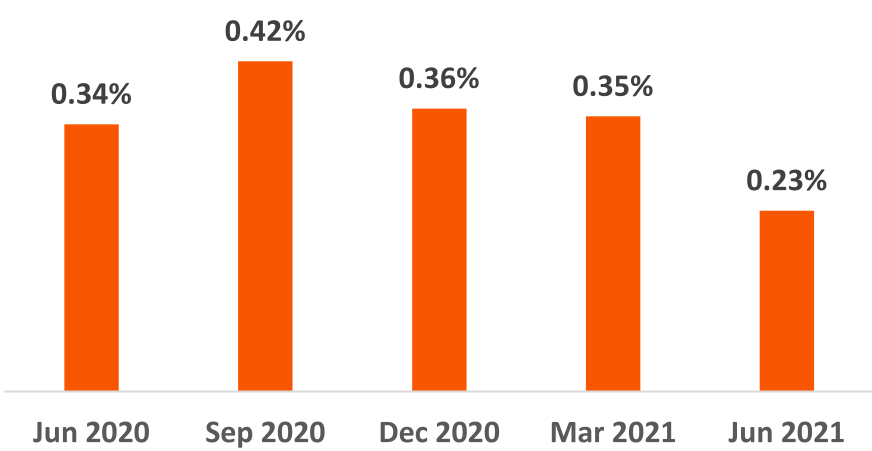


* All remaining loan deferrals are Upper Midscale chains

GreenSky Consumer Loan Portfolio Overview

Portfolio Characteristics (as of 6/30/21)	
Total Outstanding	$796.5 million (16.5% of total loans)
Number of Loans	371,110
Average Loan Size	$2,146
Average FICO Score	772
Total Deferred Loans (as of March 31, 2021)	$3.8 million (0.5% of portfolio)
Total Deferred Loans (as of June 30, 2021)	$0.6 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
- Portfolio can be sold to provide liquidity

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 29 of past 30 months including every month in 2020 and 2021
- Escrow deposits
  - Escrow deposits absorb losses in excess of cash flow waterfall
  - Escrow account totaled $32.7 million at 6/30/21 or 4.1% of the portfolio

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Total Deposits

- **Total deposits decreased $144.2 million, or 2.7% from prior quarter, to $5.20 billion**
- **Decline in deposits largely attributable to decrease in commercial FHA servicing deposits and outflow of retail deposits as consumers spend stimulus payments**
- **$163 million of CDs maturing in 3Q21 with a weighted average rate of 1.47%**

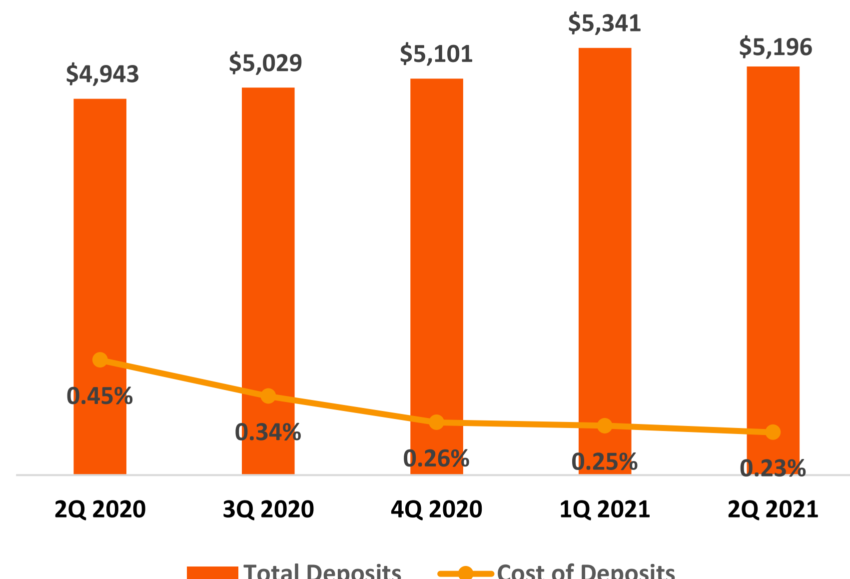
Deposit Mix

(in millions, as of quarter-end)

	2Q 2021	1Q 2021	2Q 2020
Noninterest-bearing demand	$ 1,366	$ 1,522	$ 1,273
Interest-bearing:			
Checking	1,619	1,601	1,485
Money market	788	819	878
Savings	669	653	595
Time	722	719	690
Brokered time	32	25	23
Total Deposits	**$5,196**	**$5,341**	**$4,943**

Total Deposits and Cost of Deposits

(in millions, as of quarter-end)



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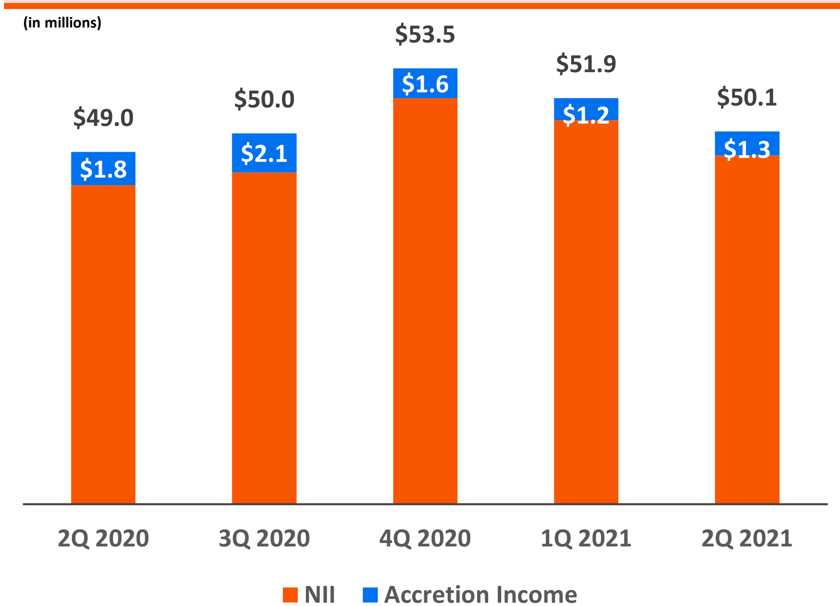
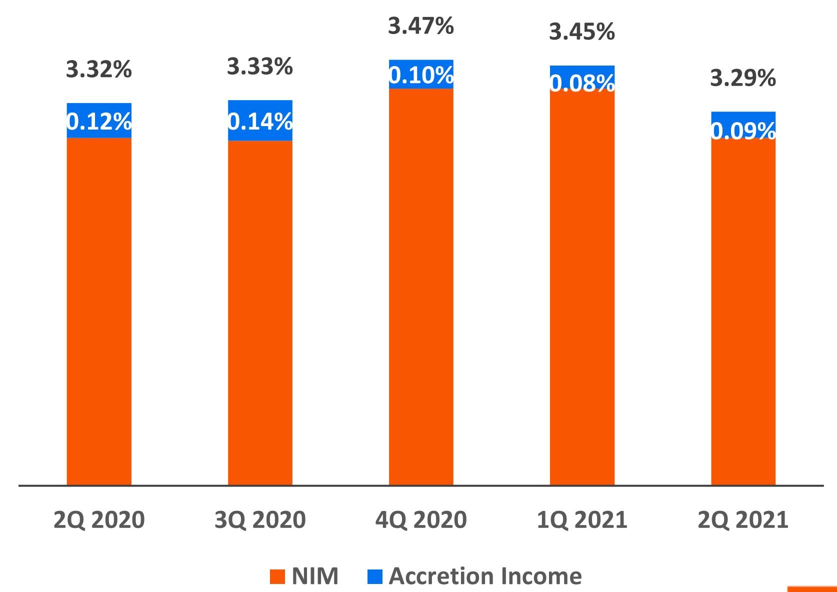
Net Interest Income/Margin

- **Net interest income decreased 3.4% from the prior quarter due to lower prepayment fees, an unfavorable shift in the mix of earning assets, and the recovery of interest on a previously charged-off loan in 1Q21**
- **Net interest margin, excluding accretion income, declined 17 bps from prior quarter due primarily to an unfavorable shift in the mix of earning assets**
- **Elimination of higher cost funding sources and favorable shift in the mix of earning assets expected to positively impact NIM during 2H21, excluding impact of accretion and PPP income**

Net Interest Income



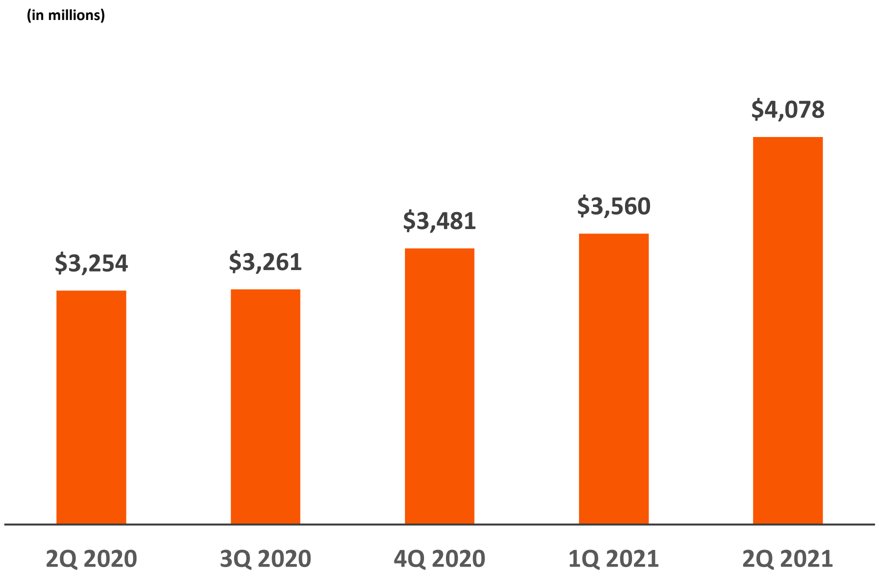
Net Interest Margin



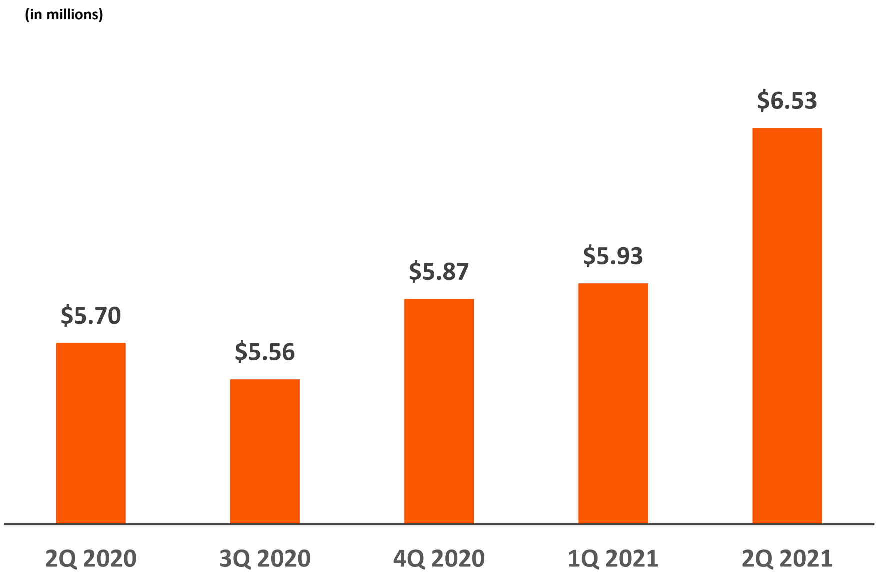
Wealth Management

- **During 2Q21, assets under administration increased $517.2 million, primarily due to acquisition of ATG Trust Company in June**
- **Wealth Management revenue increased 10.1% from prior quarter, primarily due to one month contribution of ATG Trust Company**

Assets Under Administration



Wealth Management Revenue



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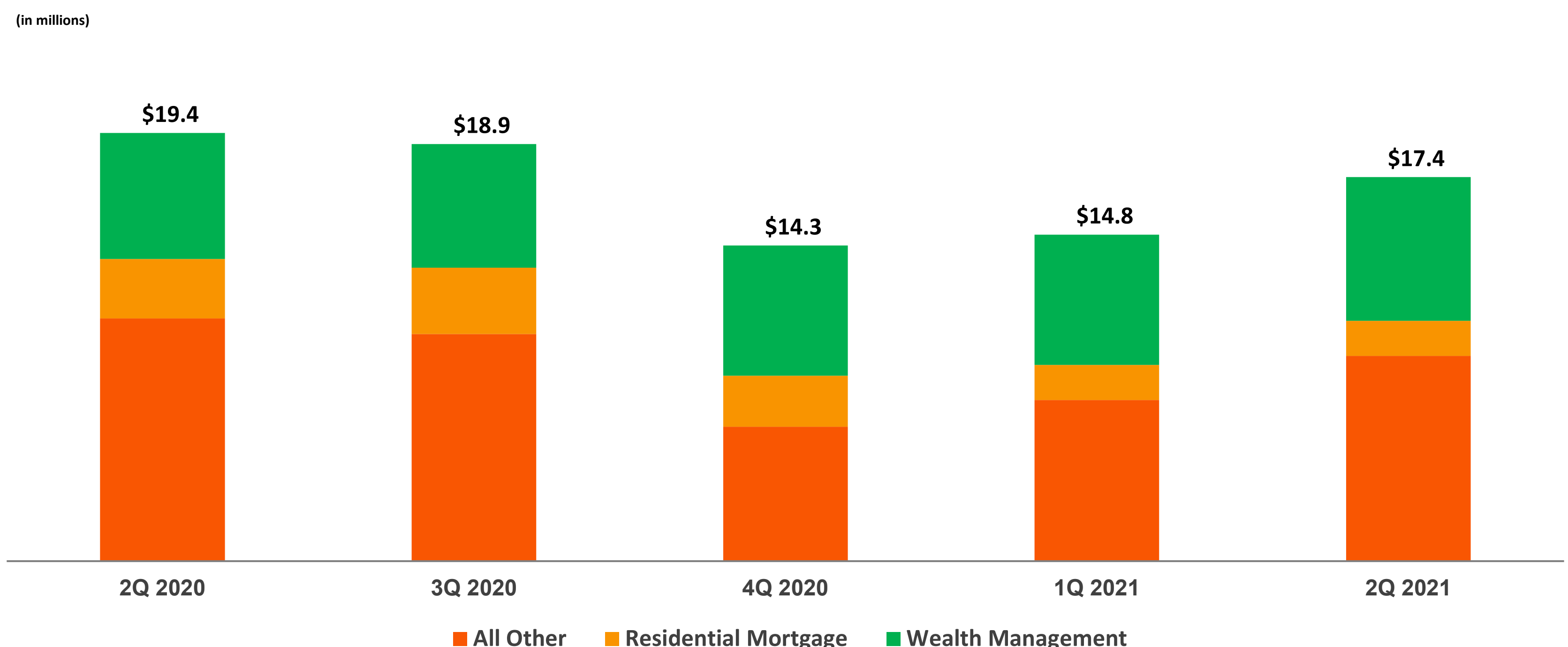
Noninterest Income

- **Noninterest income increased 17.6% from prior quarter**
- **Impairment on commercial MSRs impacted noninterest income by $1.1 million and $1.3 million in 2Q21 and 1Q21, respectively**
- **Excluding the impact of the impairment of commercial MSRs, noninterest income increased primarily due to higher wealth management revenue, interchange revenue, gain on sales of investment securities and OREO**

Noninterest Income



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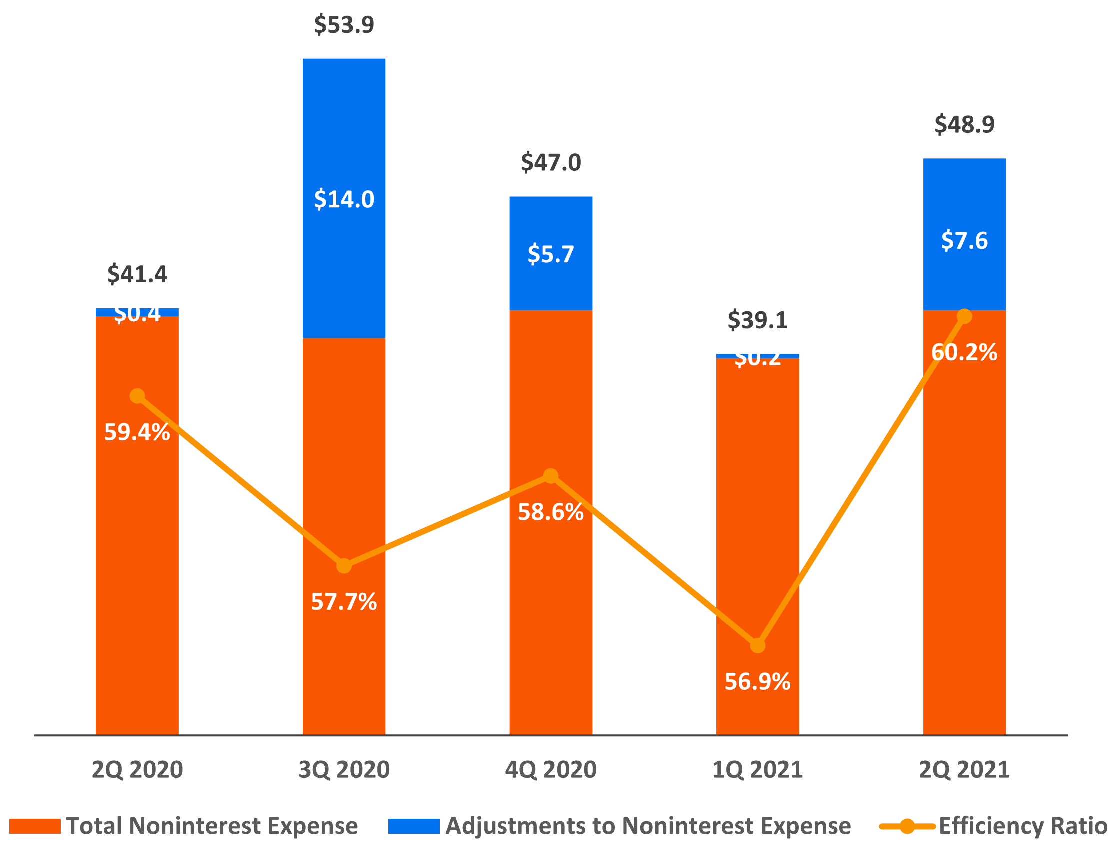
Noninterest Expense and Operating Efficiency

Noninterest Expense and Efficiency Ratio [1]

(Noninterest expense in millions)



- **Efficiency Ratio [1] was 60.2% in 2Q21 vs. 56.9% in 1Q21**
- **Adjustments to non-interest expense:**

($ in millions)	2Q21	1Q21
Integration and acquisition related expenses	($3.8)	($0.2)
➢ Professional fees related to tax settlement	($3.6)	
➢ Other expenses	($0.2)	
FHLB advance prepayment fee	($3.7)	--

- **Excluding these adjustments, noninterest expense increased primarily due to:**
  - ➢ **Higher salaries and benefits expense resulting from increased incentive compensation**
- **Operating expense run-rate expected to be $40.0 - $42.0 million in 2H21**

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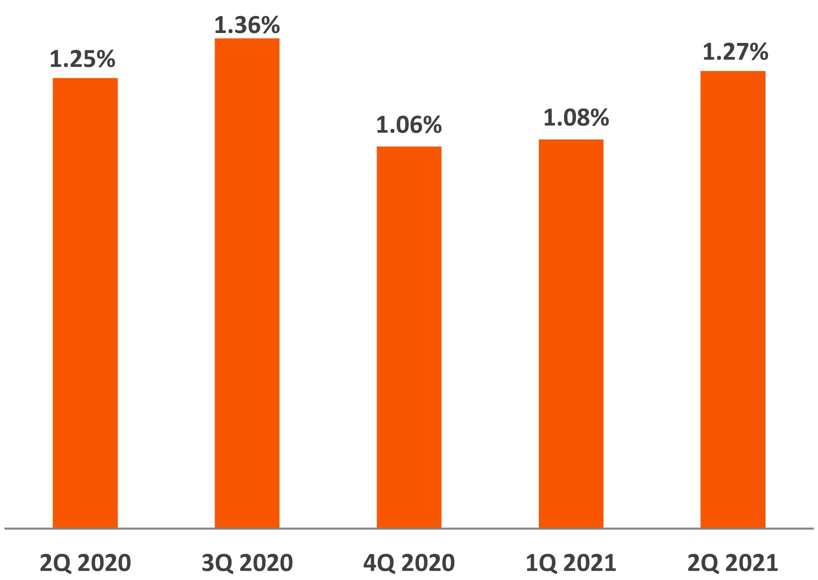
Notes:
(1) Represents a non-GAAP financial measure. See "Non-GAAP Reconciliation" in the appendix.

Asset Quality

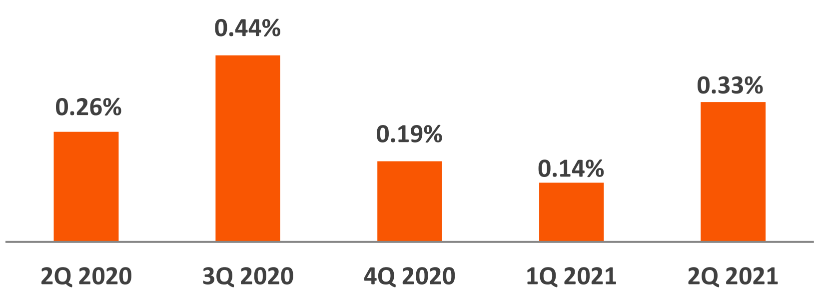
- **Nonperforming loans increased $8.5 million due primarily to addition of three loans in the hotel/motel portfolio**
- **Sale of properties for slight gain resulted in a $7.5 million decline in OREO from 1Q21**
- **Net charge-offs of $4.0 million, or 0.33% of average loans, approximately half of which was related to charge-off of commercial relationship placed on NPL in 1Q21**
- **No provision for credit losses on loans due to improving portfolio mix and economic forecasts; Negative provision for credit losses of $0.5 million on unfunded commitments and 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)

ACL 3/31/21

$62,687

Specific Reserves

-$1,176

- Changes to specific reserves

Portfolio Changes

-$1,863

- 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

-$982

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

ACL 6/30/21

$58,664

ACL by Portfolio

($ in thousands)

Portfolio	Total Loans at 6/30/21	ACL	% of Total Loans	Total Loans at 3/31/21	ACL	% of Total Loans
Commercial	$ 719,642	$ 5,825	0.81%	$ 808,262	$ 8,214	1.02%
Warehouse Lines	129,607	-	0.00%	205,115	-	0.00%
Commercial Other	704,438	9,024	1.28%	766,632	9,125	1.19%
Equipment Finance	464,380	8,635	1.86%	456,059	8,575	1.88%
Paycheck Protection Program	146,728	220	0.15%	211,564	317	0.15%
Lease Financing	407,161	5,389	1.32%	402,546	6,036	1.50%
CRE non-owner occupied	908,787	21,168	2.33%	853,110	20,890	2.45%
CRE owner occupied	440,722	7,153	1.62%	443,403	7,411	1.67%
Multi-family	116,176	1,754	1.51%	120,784	2,776	2.30%
Farmland	74,804	643	0.86%	76,734	744	0.97%
Construction and Land Development	212,508	1,733	0.82%	191,870	1,239	0.65%
Residential RE First Lien	296,256	3,028	1.02%	321,857	3,275	1.02%
Other Residential	70,356	655	0.93%	76,644	706	0.92%
Consumer	74,627	266	0.36%	76,943	341	0.44%
Consumer Other[(1)]	810,389	2,026	0.25%	772,021	1,930	0.25%
Total Loans	**4,835,866**	**58,664**	**1.21%**	**4,910,806**	**62,687**	**1.28%**
Loans (excluding GreenSky, PPP and warehouse lines)	**3,695,247**	**56,259**	**1.52%**	**3,667,924**	**60,292**	**1.64%**

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

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Outlook

- **Continued improvement in economic conditions should lead to reductions in problem loans and increased loan demand**
- **Loan pipeline in Community Banking group approximately 14% higher than end of 1Q21, which should lead to higher level of loan growth in second half of 2021, favorable shift in earning asset mix, and further increases in profitability**
- **Continued implementation of technology initiatives expected to result in further efficiencies and stable expense levels in second half of 2021**
- **Significant progress made on internal business optimization goals and strengthening of capital ratios provides opportunity to resume evaluation of small M&A opportunities with compelling strategic and economic rationales**

APPENDIX

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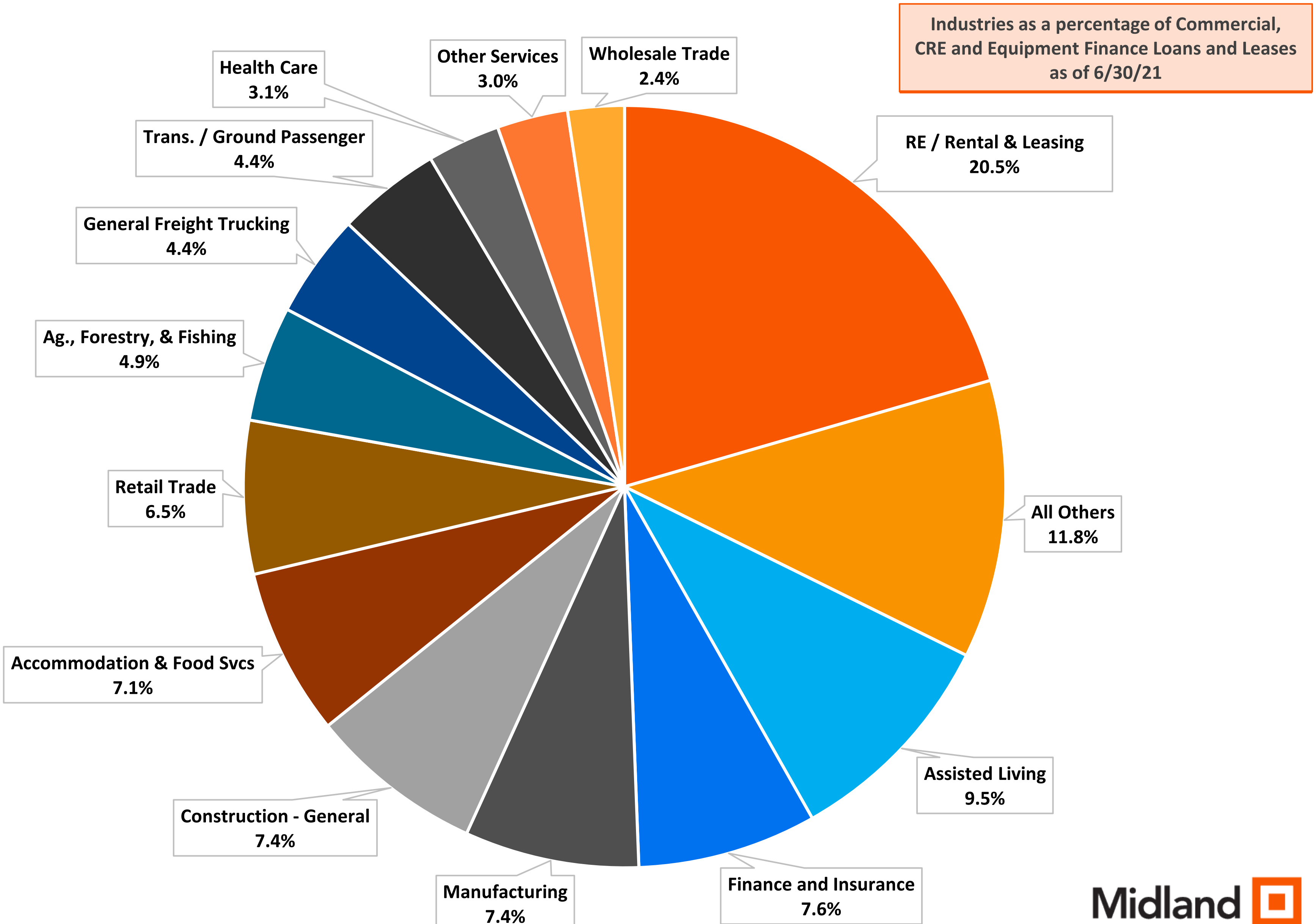
Commercial Loans and Leases by Industry



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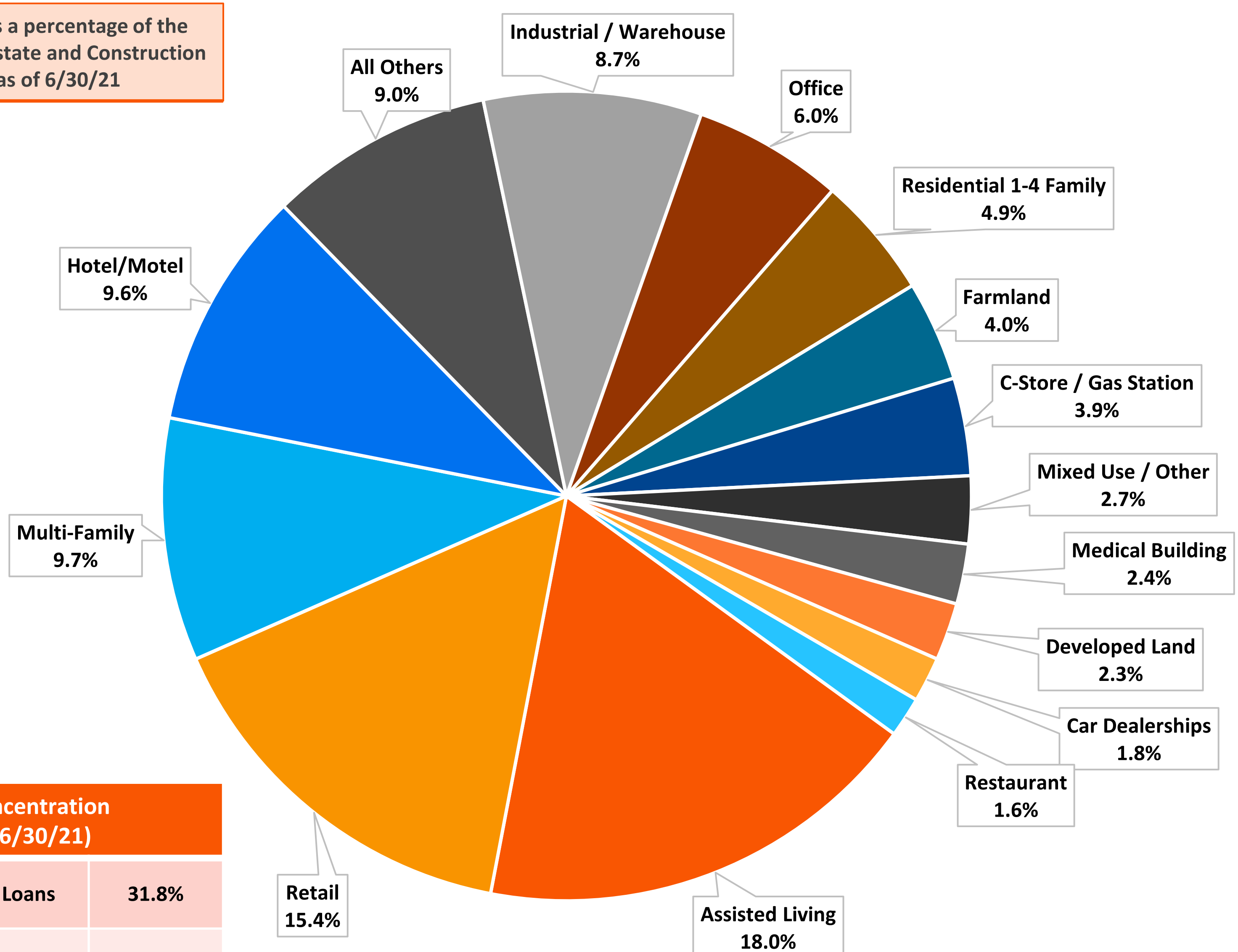
Commercial Real Estate Portfolio by Collateral Type

Collateral type as a percentage of the Commercial Real Estate and Construction Portfolio as of 6/30/21



CRE Concentration (as of 6/30/21)	
CRE as a % of Total Loans	31.8%
CRE as a % of Total Risk-Based Capital(1)	182.0%

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

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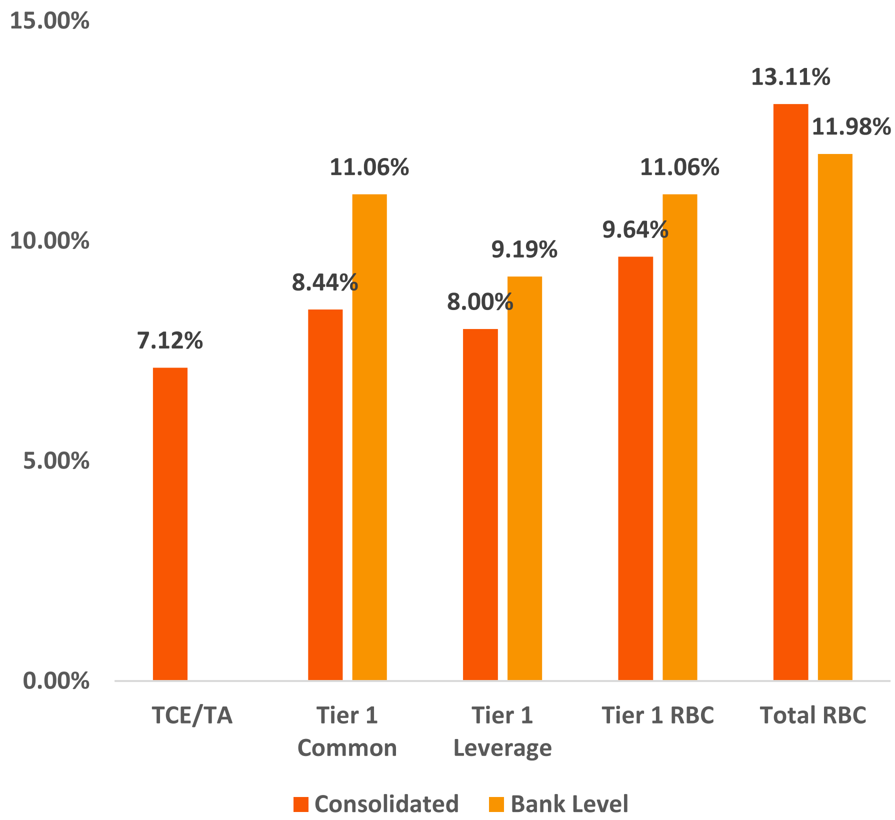
Capital and Liquidity Overview

Capital Ratios
(as of 6/30/21)



Liquidity Sources
(as of 6/30/21)

($ in millions)	
Cash and Cash Equivalents	$ 425.1
Unpledged Securities	308.6
FHLB Committed Liquidity	748.6
FRB Discount Window Availability	60.3
Primary Liquidity	**1,542.6**
FRB – PPP Liquidity Facility[(1)]	146.7
Secondary Liquidity	**146.7**
Total Estimated Liquidity	**$ 1,689.3**

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 $43.2 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)	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Income before income taxes - GAAP	$ 19,041	$ 24,040	$ 10,746	$ 3,270	$ 15,993
Adjustments to noninterest income:					
Gain on sales of investment securities, net	377	-	-	1,721	-
Other income	(27)	75	3	(17)	11
Total adjustments to noninterest income	350	75	3	1,704	11
Adjustments to noninterest expense:					
Loss on mortgage servicing rights held for sale	143	-	617	188	391
Impairment related to facilities optimization	-	-	(10)	12,651	60
FHLB advances prepayment fees	3,669	8	4,872	-	-
Integration and acquisition expenses	3,771	238	231	1,200	(6)
Total adjustments to noninterest expense	7,583	246	5,710	14,039	445
Adjusted earnings pre tax	26,274	24,211	16,453	15,605	16,427
Adjusted earnings tax	6,519	5,549	3,982	3,582	3,543
Adjusted earnings - non-GAAP	$ 19,755	$ 18,662	$ 12,471	$ 12,023	$ 12,884
Adjusted diluted earnings per common share	$ 0.86	$ 0.82	$ 0.54	$ 0.52	$ 0.55
Adjusted return on average assets	1.17 %	1.12 %	0.73 %	0.72 %	0.78 %
Adjusted return on average shareholders' equity	12.36 %	12.12 %	7.97 %	7.56 %	8.20 %
Adjusted return on average tangible common equity	17.52 %	17.39 %	11.50 %	11.04 %	12.14 %

Adjusted Pre-Tax, Pre-Provision Earnings Reconciliation

	For the Quarter Ended				
(dollars in thousands)	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Adjusted earnings pre tax - non- GAAP	$ 26,274	$ 24,211	$ 16,453	$ 15,605	$ 16,427
Provision for credit losses	(455)	3,565	10,058	11,728	10,997
Impairment on commercial mortgage servicing rights	1,148	1,275	2,344	1,418	107
Adjusted pre-tax, pre-provision earnings - non-GAAP	$ 26,967	$ 29,051	$ 28,855	$ 28,751	$ 27,531
Adjusted pre-tax, pre-provision return on average assets	1.60 %	1.75 %	1.69 %	1.72 %	1.68 %

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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)	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Noninterest expense - GAAP	$ 48,941	$ 39,079	$ 47,048	$ 53,901	$ 41,395
Loss on mortgage servicing rights held for sale	(143)	-	(617)	(188)	(391)
Impairment related to facilities optimization	-	-	10	(12,651)	(60)
FHLB advances prepayment fees	(3,669)	(8)	(4,872)	-	-
Integration and acquisition expenses	(3,771)	(238)	(231)	(1,200)	6
Adjusted noninterest expense	$ 41,358	$ 38,833	$ 41,338	$ 39,862	$ 40,950
Net interest income - GAAP	$ 50,110	$ 51,868	$ 53,516	$ 49,980	$ 48,989
Effect of tax-exempt income	383	386	413	430	438
Adjusted net interest income	50,493	52,254	53,929	50,410	49,427
Noninterest income - GAAP	17,417	14,816	14,336	18,919	19,396
Impairment on commercial mortgage servicing rights	1,148	1,275	2,344	1,418	107
Gain on sales of investment securities, net	(377)	-	-	(1,721)	-
Other	27	(75)	(3)	17	(11)
Adjusted noninterest income	18,215	16,016	16,677	18,633	19,492
Adjusted total revenue	$ 68,709	$ 68,270	$ 70,607	$ 69,043	$ 68,919
Efficiency ratio	60.19 %	56.88 %	58.55 %	57.74 %	59.42 %

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)	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Shareholders' Equity to Tangible Common Equity					
Total shareholders' equity—GAAP	$ 648,186	$ 635,467	$ 621,391	$ 621,880	$ 633,589
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(172,796)
Other intangible assets, net	(27,900)	(26,867)	(28,382)	(29,938)	(31,495)
Tangible common equity	$ 458,382	$ 446,696	$ 431,105	$ 430,038	$ 429,298
Total Assets to Tangible Assets:					
Total assets—GAAP	$ 6,630,010	$ 6,884,786	$ 6,868,540	$ 6,700,045	$ 6,644,498
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(172,796)
Other intangible assets, net	(27,900)	(26,867)	(28,382)	(29,938)	(31,495)
Tangible assets	$ 6,440,206	$ 6,696,015	$ 6,678,254	$ 6,508,203	$ 6,440,207
Common Shares Outstanding	22,380,492	22,351,740	22,325,471	22,602,844	22,937,296
Tangible Common Equity to Tangible Assets	7.12 %	6.67 %	6.46 %	6.61 %	6.67 %
Tangible Book Value Per Share	$ 20.48	$ 19.98	$ 19.31	$ 19.03	$ 18.72

Return on Average Tangible Common Equity (ROATCE)

	For the Quarter Ended				
(dollars in thousands)	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Net income available to common shareholders	$ 20,124	$ 18,538	$ 8,333	$ 86	$ 12,569
Average total shareholders' equity—GAAP	$ 641,079	$ 624,661	$ 622,594	$ 632,879	$ 631,964
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(168,771)	(172,796)
Other intangible assets, net	(26,931)	(27,578)	(29,123)	(30,690)	(32,275)
Average tangible common equity	$ 452,244	$ 435,179	$ 431,567	$ 433,418	$ 426,893
ROATCE	17.85 %	17.28 %	7.68 %	0.08 %	11.84 %

Midland States Bancorp, Inc.