

Filed by Midland States Bancorp, Inc.  
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Subject Company: Centru Financial Corporation  
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# Midland States Bancorp Acquisition of Centru Financial Corporation

Midland   
States Bancorp, Inc.

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# Transaction Highlights

## Scalable \$1 Billion Franchise that Strengthens Existing Footprint

- Centrue is a 140+ year old \$1 billion bank with deep ties to the communities it serves offering robust commercial, retail and mortgage banking services
- Midland further solidifies its position in its north/central Illinois and St. Louis markets and the combined entity would rank #1 and #2 by deposit market share in the Kankakee and Ottawa-Peru, IL MSAs, respectively
- Transaction creates the 6<sup>th</sup> largest Illinois-based bank by total assets<sup>(1)</sup>
- Centrue has a high quality, low-cost core deposit franchise with a weighted average cost of 0.18% for the LTM<sup>(2)</sup>

## Strong Transaction Economics

- Financially attractive transaction utilizing no revenue enhancements
  - ~8-9% EPS accretion in 2018, first full year pro forma
  - TBV per share dilution < 1.5% at transaction close
  - TBV per share earnback of ~2 years using the crossover method
  - 16%+ IRR
- Capital ratios remain strong on a pro forma basis

## Deal Execution

- Midland is deeply familiar with Centrue's operating markets and shares considerable overlap with Centrue's branch network (7 branches within 1.5 miles)<sup>(2)</sup>
- As a result of the overlap, in addition to other operating efficiencies, Midland anticipates achieving 40% cost savings on a fully phased-in basis
- Complementary corporate cultures and passionate focus on customer service
- This is Midland's 11<sup>th</sup> announced acquisition since 2008

### Notes:

(1) Excludes Discover Financial Services and merger targets.

(2) Per SNL Financial and Centrue Financial Corporation's Earnings Presentation.

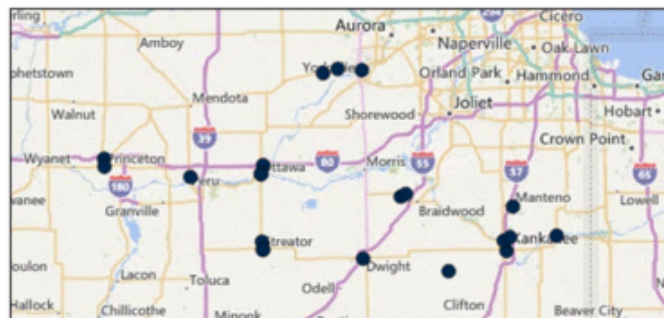


# Centrue Financial Corporation Overview

## Overview

- **Established in 1874, Centrue is a regional, full-service community bank**
  - Headquartered in Ottawa, Illinois
  - Offers commercial, retail and mortgage banking services
- **Branch network with solid market share in its core markets and foothold in two large markets**
  - Top 5 deposit market share in core markets (Kankakee and LaSalle Counties)
  - Strong fit with Midland States' market strategy
  - 20 bank branches (7 within 1.5 miles of MSBI branches<sup>(1)</sup>)
- **Stable, low-cost deposit franchise**
  - LTM 18 bps cost of total deposits<sup>(1)</sup>
  - Weighted average life of core deposits of 7.3 years<sup>(1)</sup>
  - Core deposits account for 73% of total deposits<sup>(1),(2)</sup>
- **Healthy and growing loan portfolio**
  - 3 year compound annual growth rate of 10.1%<sup>(1)</sup>
  - NPAs/Assets of 0.68% and NPLs/Loans of 0.24%<sup>(1)</sup>

## Branch Map<sup>(3)</sup>



## Financial Highlights<sup>(1),(4)</sup>

Balance Sheet (\$M)		Capital	
Assets	\$977.8	TCE / TA	12.72%
Net Loans	\$676.9	Tier 1 Common Ratio	13.77%
Deposits	\$740.0	Total Capital Ratio	14.95%
Profitability		Asset Quality	
NIM	3.43%	NPAs/Assets	0.68%
ROAE	5.09%	LLR/Loans	1.30%
ROAA	0.64%	LLR/NPLs	545.6%
Efficiency Ratio	78.3%	NCOs/Avg. Loans	0.02%

### Notes:

(1) Per SNL Financial and Centrue Financial Corporation's Earnings Presentation. Financials as of 12/31/2016.

(2) Core deposits defined as checking, savings, NOW and money market deposits.

(3) Centrue has one branch location in the St. Louis MSA which is not pictured.

(4) Financial data as of 12/31/16 and profitability is LTM as of 12/31/16



# Centrue Financial Corporation's Recent Improvements

- Over the last several years, Centrue has committed significant resources to repositioning itself

## Strengthened Balance Sheet

- Centrue was recapitalized via a private placement of common stock on 3/31/2015
- NPLs / Loans have declined from 5.08% at 12/31/13 to 0.24% at 4Q'16<sup>(1)</sup>
- Improvement in balance sheet positioning occurred while simultaneously growing loans and maintaining an attractive core deposit profile
  - 23.9% loan growth since 12/31/14<sup>(1)</sup>
  - 9.5% core deposit growth since 12/31/14<sup>(2)</sup>

## Improved Regulatory Position

- Termination of Joint Regulatory Agreement
- Centrue is "well capitalized" compared to all regulatory capital thresholds

## Protected Deferred Tax Asset

- Centrue reversed the valuation allowance on its \$38.2M deferred tax asset in 4Q'15
- This transaction preserves 100% of the deferred tax asset (net balance of \$35.4M at 9/30/2016) which will help to offset future taxable income

## Improved Core Earnings Power

- Centrue's core earnings power started to improve in 2016
- Considering the overlap of the two franchises and Midland's intention to streamline the operating position of Centrue, there is opportunity for substantial operating synergies for the combined company on a go-forward basis

### Notes:

(1) Per SNL Financial and Centrue Financial Corporation's Earnings Presentation.

(2) Core deposits defined as checking, savings, NOW and money market deposits.



# Pro Forma Franchise

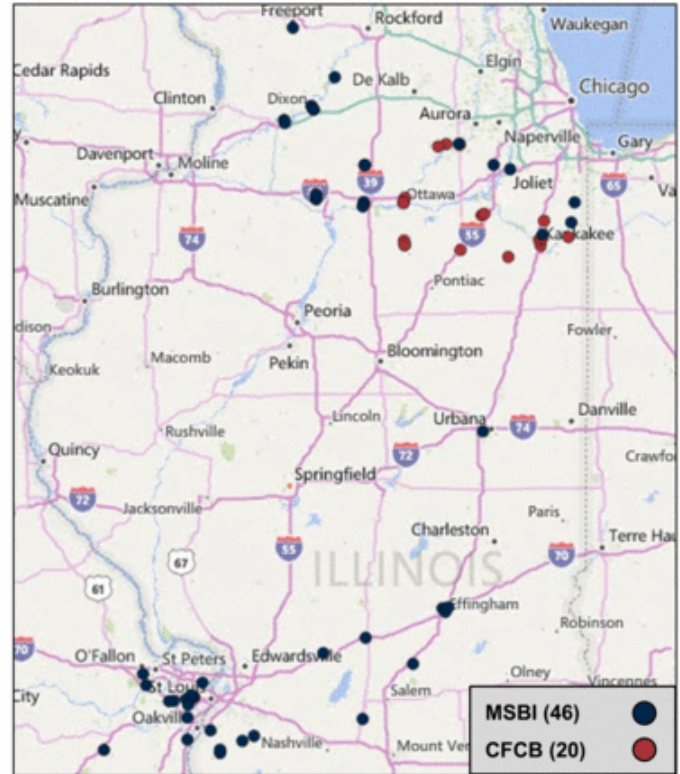
## Overview

- 52 branches throughout Illinois, as well as 13 branches in Missouri and 1 in Colorado
- Transaction creates the 6<sup>th</sup> largest Illinois-based bank by total assets<sup>(1)</sup>
- \$4.2 billion in assets<sup>(2)</sup>
- \$3.0 billion in gross loans<sup>(2)</sup>
- \$3.1 billion in deposits<sup>(2)</sup>

## Pro Forma Deposit Market Share<sup>(3)</sup>

Illinois (Excluding Chicago MSA)				
Rank	Institution	# of Branches	Total Deposits (\$000)	Market Share (%)
1	First Busey Corp. (IL)	33	2,966,082	3.46
2	PNC Financial Services Group (PA)	46	2,875,029	3.35
3	Hometown Community Bncp Inc. (IL)	37	2,823,045	3.29
4	JPMorgan Chase & Co. (NY)	20	2,458,255	2.87
5	U.S. Bancorp (MN)	70	2,325,929	2.71
6	Regions Financial Corp. (AL)	56	2,268,487	2.65
7	First Mid-Illinois Bancshares (IL)	52	2,248,941	2.62
8	United Community Bancorp Inc. (IL)	47	2,044,099	2.38
<b>9</b>	<b>Pro Forma</b>	<b>43</b>	<b>1,880,360</b>	<b>2.19</b>
9	Heartland Bancorp Inc. (IL)	42	1,562,575	1.82
10	Banc Ed Corp. (IL)	19	1,527,912	1.78
11	Midland States Bancorp Inc. (IL)	29	1,338,854	1.56
35	Centrue Financial Corporation (IL)	14	541,506	0.63
<b>Total For Institutions In Market</b>		<b>1,956</b>	<b>85,748,805</b>	<b>100.00</b>

## Branch Map



### Notes:

- (1) Excludes Discover Financial Services and merger targets.
- (2) MSBI and CFCB as of 12/31/2016.
- (3) Per 2016 FDIC Summary of Deposits. Note: branch count does not account for pending branch closures. Branch map does not depict Midland's Colorado location.



# Diversified, Low Risk Loan Portfolio

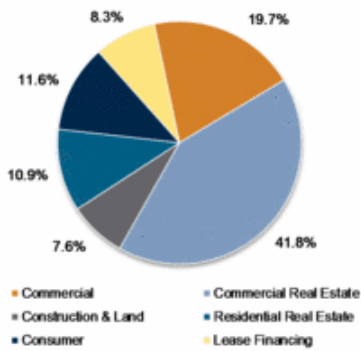
## Centrue Financial Loan Portfolio

- **Well diversified loan portfolio:**
  - Commercial loans represent more than 11% of loans
  - More than 20% growth in total loans since 1Q'15
  - Non-performing loans as of 12/31/16 represented 0.24% of total loans, down significantly from 5.08% at 12/31/13
- **The majority of commercial real estate loans are comprised of owner-occupied CRE**

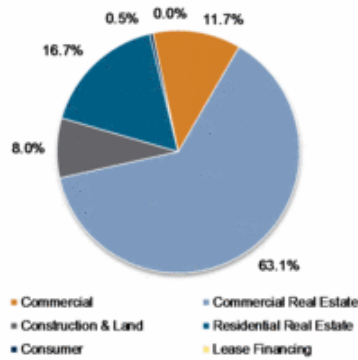
## Centrue Loan Growth



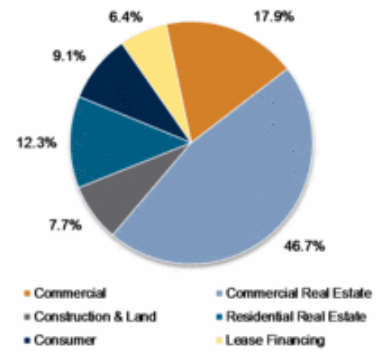
### Midland States



### Centrue



### Pro Forma



Notes:

Source: Centrue filings.

Note: Midland States Bancorp, Inc.'s and Centrue Financial Corp.'s financials based on BHC-GAAP data as of 12/31/2016.

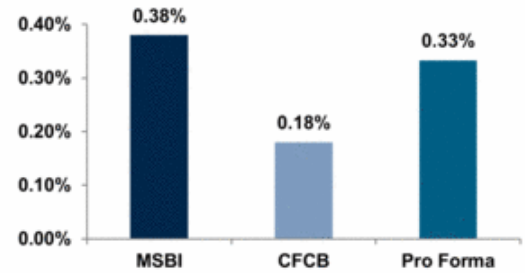


# Attractive Core Deposit Base

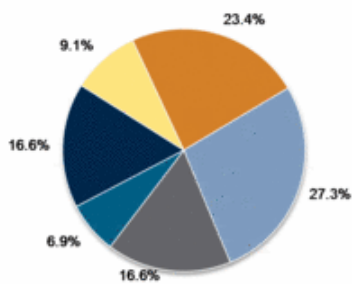
## Centrue Financial Deposit Overview

- 140+ year presence in its core markets has provided Centrue with an attractive, stable core deposit base
  - 18 bps LTM cost of total deposits<sup>(1)</sup>
  - 7.3 years weighted average life<sup>(1)</sup>
  - Non-time deposits of 73%<sup>(1)</sup>
- The combined entity would rank #1 and #2 by deposit market share in the Kankakee and Ottawa-Peru, IL MSAs, respectively<sup>(2)</sup>

## LTM Cost of Deposits

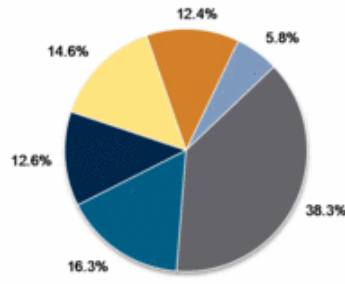


### Midland States



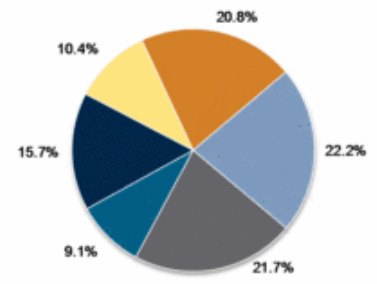
- Noninterest-bearing Deposits
- Money Market Accounts
- Time Deposits
- NOW Accounts
- Savings Accounts
- Brokered Deposits

### Centrue



- Noninterest-bearing Deposits
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#### Notes:

Source: Centrue filings.

(1) Per 12/31/2016 earnings presentation.

(2) Per FDIC Summary of Deposits.

Note: Midland States Bancorp, Inc.'s and Centrue Financial Corp.'s financials based on BHC-GAAP data as of 12/31/2016.





# Summary of Deal Terms

<b>Aggregate Deal Value</b>	<ul style="list-style-type: none"><li>• \$175.1 million or \$26.75 per share (total deal value includes cash consideration for outstanding equity awards)</li><li>• Midland will also assume Centruē's outstanding preferred stock</li></ul>
<b>Consideration Mix</b>	<ul style="list-style-type: none"><li>• 65% Stock, 35% cash</li></ul>
<b>Consideration Structure</b>	<ul style="list-style-type: none"><li>• Centruē shareholders may elect to receive 0.7604 MSBI Shares or \$26.75 in cash for each outstanding Centruē share, or a combination thereof (subject to proration based on achieving the aforementioned consideration mix)</li></ul>
<b>Termination Fee</b>	<ul style="list-style-type: none"><li>• \$7.5 million termination fee payable by Centruē if deal terminated under certain circumstances</li><li>• \$2.5 million termination fee payable by Centruē or Midland if deal terminated due to such party's material breach of its representations, warranties or covenants</li></ul>
<b>Pricing Ratios</b>	<ul style="list-style-type: none"><li>• Price / Tangible Book Value: 140.9%</li><li>• Price / 2018 Earnings + Cost Savings: 11.7x</li><li>• Core Deposit Premium: 7.6%</li></ul>
<b>Required Approvals</b>	<ul style="list-style-type: none"><li>• Customary regulatory and shareholder approval for both Midland States and Centruē Financial</li></ul>
<b>Minimum Equity</b>	<ul style="list-style-type: none"><li>• If Centruē has total stockholders' equity less than \$125.9 million<sup>(1)</sup> at closing the aggregate purchase price will be adjusted pro rata</li></ul>
<b>Anticipated Closing</b>	<ul style="list-style-type: none"><li>• Mid-2017</li></ul>

## Notes:

(1) Refer to the definitive merger agreement for additional details related to possible adjustments.



# Key Transaction Assumptions

## Cost Saves & One Time Charges

- 40% of Centruē's non-interest expense base (fully realized in 2018 and beyond)
- \$18.2 million of one time deal charges, or 10.4% of total deal value

## Fair Market Value Adjustments & Purchase Accounting

- 1.5% gross credit mark on outstanding loan balances
- \$775 thousand write-down on OREO
- \$600 thousand write-down on investment portfolio
- 15.0% trust preferred securities mark, amortized over the remaining life using the straight line method
- No impairment to Centruē's deferred tax asset is expected using current 382 limitation rules (including benefit of net unrealized built in gains)

## Core Deposit Intangibles

- Core deposit intangible created equal to 1.5% of Centruē's non-time deposits, amortized over ten years using the sum of years digits method

## Revenue Enhancements

- None assumed

## Pro Forma Capital Ratios

- 8.0% TCE/TA
- 8.9% Leverage Ratio
- 8.7% Tier 1 Common Ratio
- 10.4% Tier 1 Capital Ratio
- 12.4% Total Risk Based Capital Ratio



# Transaction Background

## Experienced Acquirer

- Midland States is an experienced and disciplined buyer
- Including Centruze, Midland States has announced and/or completed 11 acquisitions, including:
  - Whole bank acquisitions
  - FDIC-assisted acquisitions
  - Out of market acquisitions
  - Non-bank acquisitions
- Track record of successful post-closing integration of systems and businesses

## Extensive Due Diligence Process

- Extensive due diligence led by Midland States M&A and Credit teams
- Extensive credit due diligence, including review of:
  - 71% of outstanding loan balances
  - 96% of hotel loans
  - 91% of convenience store related loans
  - 84% of multifamily loans
  - 100% of OREO balances
- Analysis and review of deferred tax asset and the ability to utilize 100% of the asset to offset future taxable income
  - Analysis and review included the impact of, and potential changes to, current tax law
- Granular review of cost structure and transaction charges
- Thorough review of all regulatory, legal, operational, and compliance risks



# APPENDIX



# Successful Acquisition History

- Including Centru, Midland States has announced 11 transactions since 2008, including FDIC-assisted, branch, whole bank, asset purchase, business line, and a New York trust asset acquisition
- Track record of successful post-closing integration of systems and businesses
- Demonstrated history of earnings expansion
- Deliberate diversification of geographies and revenue channels

	2008	2009	2010	2012	2013	2014	2016	2017			
	People's Natl. Bank	Waterloo Bancshares	Strategic Capital Bank	AMCORE BANK, N.A.	Westbridge Bank & Trust	EnablePay Direct, Inc.	Settlement Trust Group	Grant Park Bancshares	Love Savings / Heartland Bank	Sterling Bancorp	Centru Financial Corp.
Acquisition Type	Branch	Whole Bank	FDIC-Assisted	Branch	FDIC-Assisted	Asset Purchase	Trust Admin.	Whole Bank	Whole Bank	Trust Admin.	Whole Bank
Assets Acquired (\$M)	\$29.6	\$116.1	\$540.4	\$449.5	\$84.7	-	-	\$108.7	\$889.0	-	\$977.8
City, State	Mt. Vernon, IL	Waterloo, IL	Champaign, IL	Rockford, IL	Chesterfield, IL	Albertson, NY	Milwaukee, WI	Grant Park, IL	St. Louis, MO	Yonkers, NY	Ottawa, IL
			Financially Transformative	Operationally Transformative					Revenue Diversification		Solidifies Market Presence



# Centrue Financial Highlights

	YTD Ended December 31		2016			
	2015	2016	Q1	Q2	Q3	Q4
<b>Balance Sheet (\$000)</b>						
Total Assets	\$ 961,218	\$ 977,779	\$ 969,017	\$ 952,657	\$ 1,000,083	\$ 977,779
Total Loans <sup>(1)</sup>	645,806	685,775	661,082	657,941	666,795	685,775
Total Deposits	718,504	740,046	729,269	716,424	760,951	740,046
<b>Profitability (%)<sup>(2)</sup></b>						
Net Income (\$000)	42,602	6,316	918	2,128	1,055	2,215
ROAA	4.79	0.64	0.38	0.88	0.42	0.89
ROAE	60.29	5.09	3.03	6.96	3.35	6.97
Net Interest Margin	3.40	3.43	3.48	3.49	3.38	3.38
Efficiency Ratio	84.53	78.27	79.96	80.57	77.43	75.29
<b>Capital Ratios (%)</b>						
Risk-Based Capital Ratio	15.64	14.95	15.63	16.46	16.16	14.95
Leverage Ratio	12.10	11.49	11.72	12.17	12.22	11.49
Texas Ratio	11.40	5.01	10.13	7.10	5.95	5.01
<b>Asset Quality (%)</b>						
NPA's / Assets	1.50	0.68	1.34	0.98	0.79	0.68
NPL's / Loans	0.93	0.24	0.85	0.38	0.35	0.24
Delinquency Ratio	1.37	0.48	1.04	0.37	0.38	0.48
NCO's / Avg. Loans	(0.04)	0.00	(0.01)	0.01	(0.01)	0.02
Allowance / Gross Loans	1.33	1.30	1.36	1.36	1.35	1.30
Allowance / NPL's	143.02	545.59	158.97	353.33	388.50	545.59

**Notes:**

Source: Centrue Financial Corporation's Earnings Presentation.

(1) Includes loans held for sale.

(2) In Q4'15, Centrue reversed \$38.2 million DTA valuation allowance.

