




Midland States Bancorp, Inc.

NASDAQ: MSBI

Fourth Quarter 2024 Earnings Presentation



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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 Earnings Available to Common Shareholders,” “Adjusted Diluted Earnings Per Common Share,” “Adjusted Return on Average Assets,” “Adjusted Return on Average Shareholders’ Equity,” “Adjusted Return on Average Tangible Common Equity,” “Adjusted Pre-Tax, Pre-Provision Earnings,” “Adjusted Pre-Tax, Pre-Provision Return on Average Assets,” “Efficiency Ratio,” “Tangible Common Equity to Tangible Assets,” “Tangible Book Value Per Share,” “Tangible Book Value Per Share excluding Accumulated Other Comprehensive Income,” 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.

Company Snapshot

Founded in 1881, this Illinois state-chartered community bank **focuses on in-market relationships** while having **national diversification through equipment finance**.

- 53 Branches in Illinois and Missouri
- 16 successful acquisitions since 2008



Midland States Bank is a 2024 Top Workplace!
3 Years Running

Financial Highlights as of December 31, 2024

\$7.5 Billion

Total Assets

\$5.2 Billion

Total Loans

\$6.2 Billion

Total Deposits

\$4.2 Billion

Assets Under Administration

YTD Adjusted ROAA ⁽¹⁾ :	(0.17)%
YTD Adjusted Return on TCE ⁽¹⁾ :	(4.40)%
TCE/TA:	6.14%
YTD PTPP ⁽¹⁾ ROAA:	1.37%
Dividend Yield:	5.08%
Price/Tangible Book:	1.16x

Notes:

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

Overview of 4Q24

Financial Performance

- Net loss available to common shareholders of (\$54.8 million), or (\$2.52) diluted EPS
- Pre-tax, pre-provision earnings⁽¹⁾ of \$21.5 million
- Strong noninterest income of \$19.6 million

Proactive Credit Administration Actions and Loan Sales

- Exited or agreed to exit portfolios with Lending Point and GreenSky
- Key strategic decisions in loan portfolios to reduce credit risk going forward
- Downgrade and charge-off of previously identified problem loans
- Generally stable asset quality throughout remainder of the portfolio

Successfully Growing Community Bank

- Another good quarter of business development in community bank with full banking relationships added with high quality in-market clients
- Community bank loans relatively stable during 4Q24, offset by intentional reduction of equipment finance and sale of non-core consumer portfolios
- Loan portfolio continues to shift towards in-market C&I and CRE loans resulting in higher quality loan portfolio

Positive Trends in Key Metrics

- Net interest margin expanded 9 bps to 3.19%
- Wealth management revenue increased due to impact of new wealth advisors added in 2024
- Increased liquidity with loan-to-deposit ratio decreasing to 83.4% from 91.9% at the end of the prior quarter

Notes:

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

Targeted Credit Management Efforts

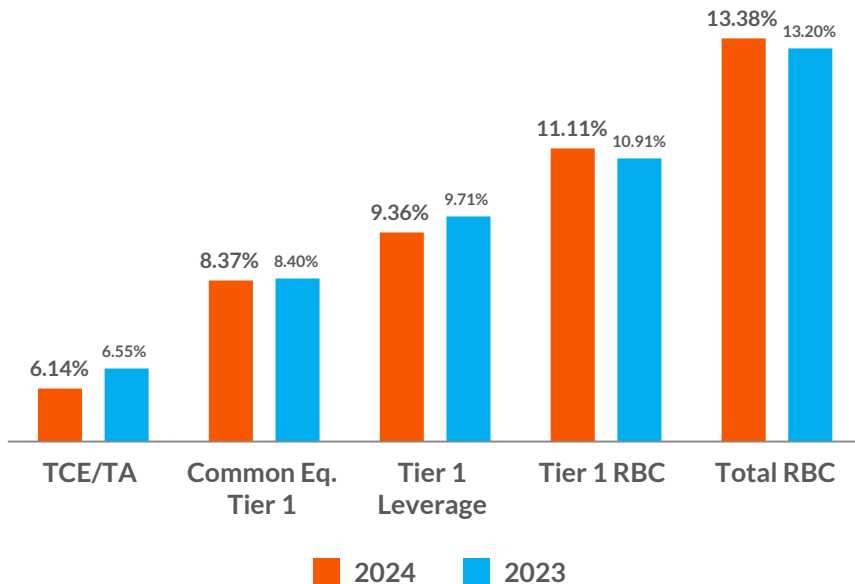
Addressing Credit Metrics to Improve Earnings & Liquidity in 2025

	<u>Overview</u>	<u>Action</u>	<u>Financial Impact</u>
Non-Core Consumer Loans	<ul style="list-style-type: none">• Portfolio originated by FinTech partners LendingPoint & Greensky• Unsecured portfolios which have exhibited increasing delinquencies & deterioration	<ul style="list-style-type: none">• Strategic decision to exit these portfolios• Sold 100% of \$87.1M LendingPoint portfolio with proceeds to reduce wholesale funding at a loss of \$17.3M• Committed to sell \$371.7M Greensky portfolio at a loss of \$33.4M to close in Q1'25 (89% of the portfolio)	Total NCOs: \$52.6M
Specialty Finance Group	<ul style="list-style-type: none">• Nationwide portfolio providing bridge loan financing for commercial real estate• Primarily multifamily and healthcare• Impacted by macroeconomic factors resulting in elevated NPLs	<ul style="list-style-type: none">• Strategic review resulted in downgrades and charge-offs• Moved \$57.8M to non-performing from substandard & recorded \$6.6M in NCOs• Updated appraisals received resulted in \$18.8M in NCOs• Stopped future origination of construction/rehab	Total NCOs: \$25.2M Impairment Losses: \$2.1M
Midland Equipment Finance	<ul style="list-style-type: none">• Loans & leases for customers across the U.S.• Deterioration has been experienced primarily in the trucking industry	<ul style="list-style-type: none">• Tightened underwriting standards to eliminate new trucking contracts, refocus on higher quality segments• Evaluated equipment values for nonaccrual assets resulting in charge-offs of \$15.3M• Adjusted valuations on repossessed equipment and equipment on operating leases resulting in \$7.6M impairment	Total NCOs: \$15.3M Impairment Losses: \$7.6M

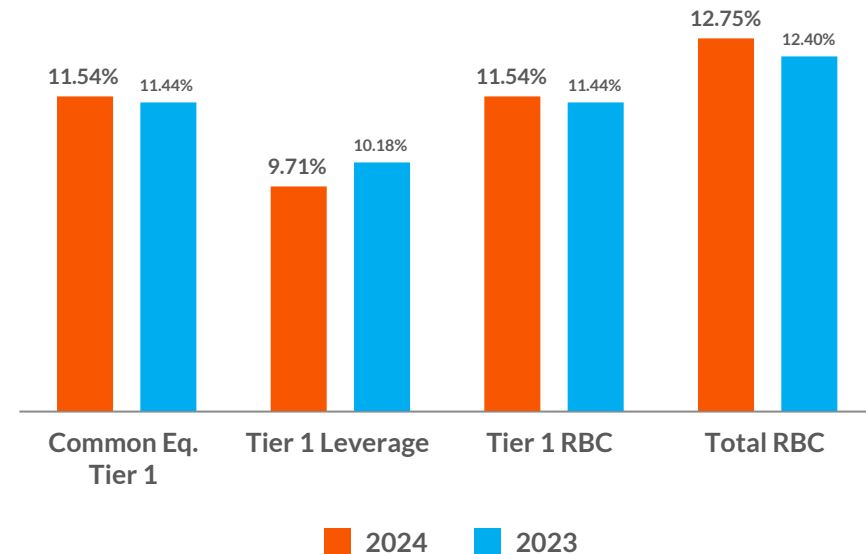
Capital Ratios and Strategy

- Capital initiatives result in capital levels consistent with prior years
- Internal capital generated from strong profitability and slower balance sheet growth expected to raise CET1 ratio to 9.25-9.50% by the end of 2025
- Capital actions and strong profitability expected to enable MSBI to raise capital ratios while maintaining current dividend payout

Consolidated Capital Ratios (as of December 31, 2024 & 2023)



Bank Capital Ratios (as of December 31, 2024 & 2023)



Liquidity Overview

- Continue to see improvements in its committed liquidity capacity quarter over quarter and year over year
- Internal guideline for additional brokered deposit capacity limited to 10% of total deposits

Liquidity Sources

(in millions)	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Cash and Cash Equivalents	\$ 114.8	\$ 121.9
Unpledged Securities	672.4	532.8
FHLB Committed Liquidity	1,290.2	1,086.3
FRB Discount Window Availability	538.8	552.8
Total Estimated Liquidity	\$ 2,616.2	\$ 2,293.8
Conditional Funding Based on Market Conditions		
Additional Credit Facility	\$ 360.0	\$ 433.0
Brokered CDs (additional capacity)	\$ 350.0	\$ 350.0

Loan Portfolio

- Total loans decreased \$581.2 million from prior quarter to \$5.17 billion
- Decrease primarily driven by sale of Lending Point portfolio, transferring GreenSky portfolio to held for sale and the continual intentional decline in equipment finance portfolio
- Decrease in non-core portfolios partially offset by new loan production from high quality commercial clients that provide full banking relationships
- Investments made to increase business development efforts in St. Louis resulted in total loans increasing at an annualized rate of 8% during 4Q24 in this market

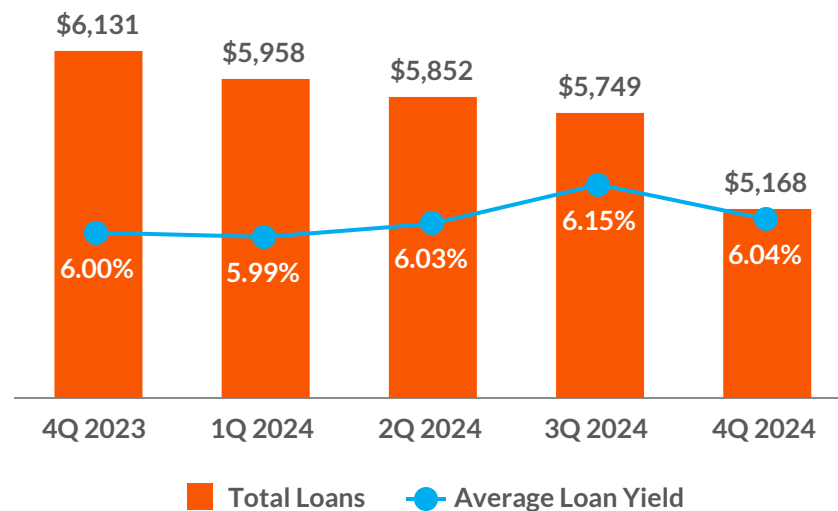
Loan Portfolio Mix

(in millions, as of quarter-end)

	4Q 2024	3Q 2024	4Q 2023
Commercial loans and leases	\$ 1,738	\$ 1,773	\$ 1,956
Commercial real estate	2,592	2,510	2,407
Construction and land development	300	422	453
Residential real estate	381	379	381
Consumer	157	663	935
Total Loans	\$ 5,168	\$ 5,749	\$ 6,131
Total Loans ex. Commercial FHA Lines	\$ 5,160	\$ 5,699	\$ 6,131

Total Loans and Average Loan Yield

(in millions, as of quarter-end)



Loan Segments

- Total loans in our Community Bank increased \$24 million from prior quarter to \$3.20 billion
- Loans in St. Louis region increased \$18 million or 8% annualized in 4Q24
- Focused on core, in-market loan relationships
- Continuing to add talent in faster growing markets to drive quality loan relationships and commercial deposits

Loan Portfolio Segments

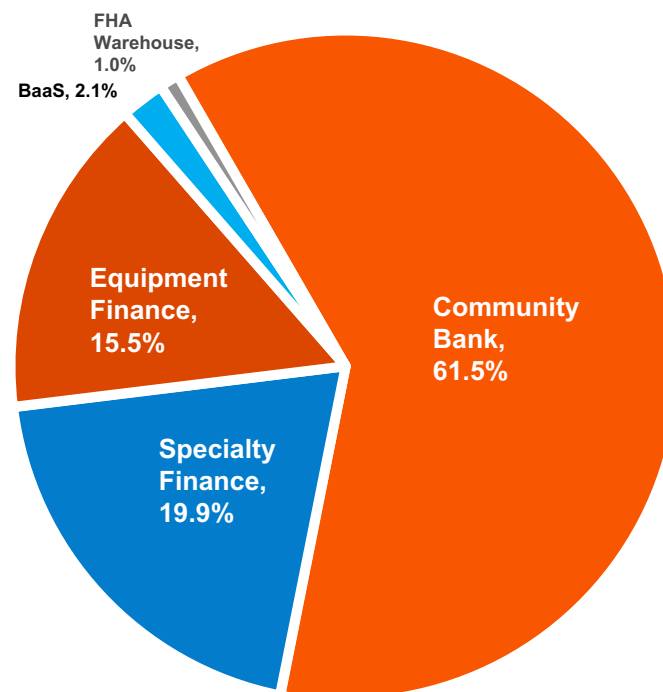
(in millions, as of quarter-end)

	4Q 2024	3Q 2024	4Q 2023
Regions:			
Eastern	\$ 900	\$ 903	\$ 855
Northern	715	731	728
Southern	720	695	731
St. Louis	868	850	774
Community Bank	\$ 3,203	\$ 3,179	\$ 3,088
Other:			
FHA Warehouse Line	\$ 8	\$ 50	\$ —
Specialty Finance	1,038	1,003	1,114
Equipment Finance	808	860	1,004
Non-Core Consumer ⁽¹⁾ and other	111	657	925
Total Loans	\$ 5,168	\$ 5,749	\$ 6,131

Notes:

(1) includes loans originated through Greensky relationship

Loan Segment Mix



Total Deposits

- Total deposits decreased \$59.6 million from prior quarter, primarily due to decreases in higher cost time deposits
- Impact of new commercial deposit relationships offset seasonal outflow of commercial deposits resulting in a slight increase in noninterest-bearing demand deposits from end of prior quarter
- Stable deposit mix and lower interest rates resulted in 17 basis point decline in cost of deposits

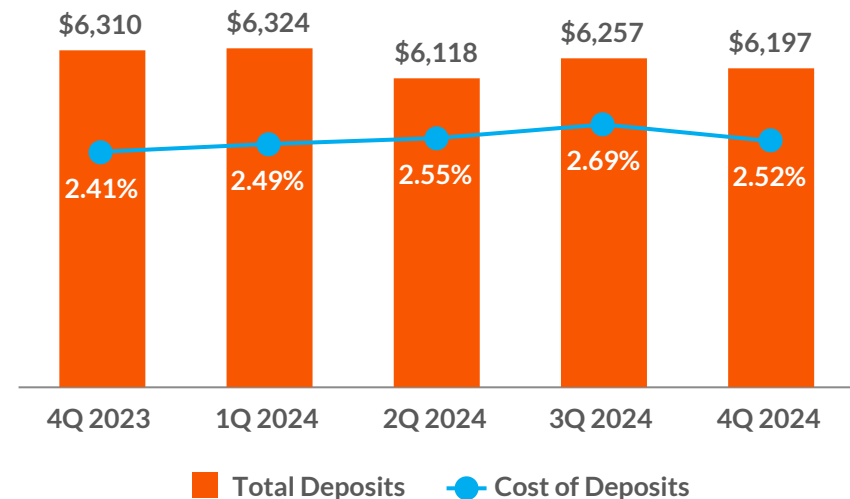
Deposit Mix

(in millions, as of quarter-end)

	4Q 2024	3Q 2024	4Q 2023
Noninterest-bearing demand	\$ 1,056	\$ 1,051	\$ 1,145
Interest-bearing:			
Checking	2,378	2,390	2,512
Money market	1,174	1,187	1,136
Savings	507	510	559
Time	823	849	863
Brokered time	260	269	95
Total Deposits	\$ 6,197	\$ 6,257	\$ 6,310

Total Deposits and Cost of Deposits

(in millions, as of quarter-end)



Deposit Summary

- Retail and commercial deposits remained relatively stable to slightly positive from prior quarter
- Public funds and servicing deposits decreased \$68 and \$63 million due to seasonal factors
- Total brokered deposits increased \$82 million in 4Q24, limiting reliance on FHLB Advances
- Interest rates will decrease for servicing and brokered deposits, reducing pressure on cost of funds

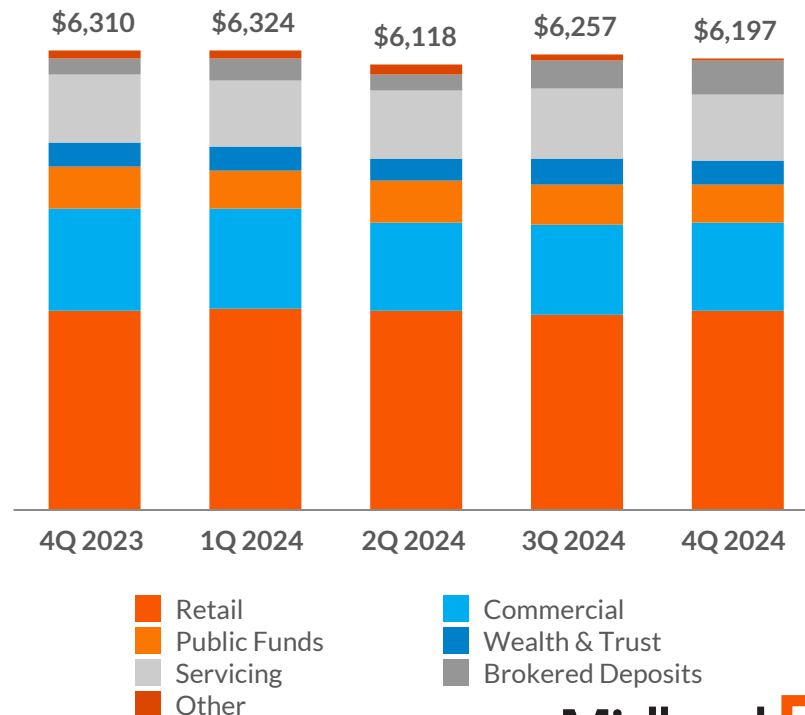
Deposits by Channel

(in millions, as of quarter-end)

	4Q 2024	3Q 2024	4Q 2023
Retail	\$ 2,750	\$ 2,695	\$ 2,758
Commercial	1,210	1,219	1,392
Public Funds	506	574	569
Wealth & Trust	341	332	322
Servicing	896	959	952
Brokered Deposits	473	391	210
Other	21	87	107
Total Deposits	\$ 6,197	\$ 6,257	\$ 6,310

Trend of Deposit Channel Mix

(in millions, as of quarter-end)

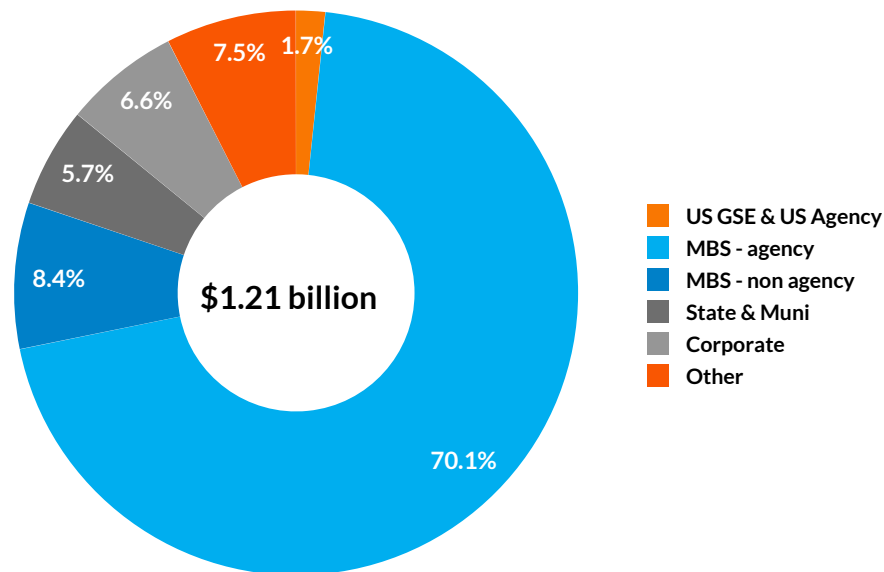


Investment Portfolio

As of December 31, 2024

- All Investments are classified as Available for Sale
- Average T/E Yield is 4.73% for 4Q24
- Average Duration is 4.87 years
- Purchased \$119 million with T/E Yield of 5.42% and sold \$15 million with T/E floating Yield of 5.54% in 4Q24

Fair Value of Investments by Type

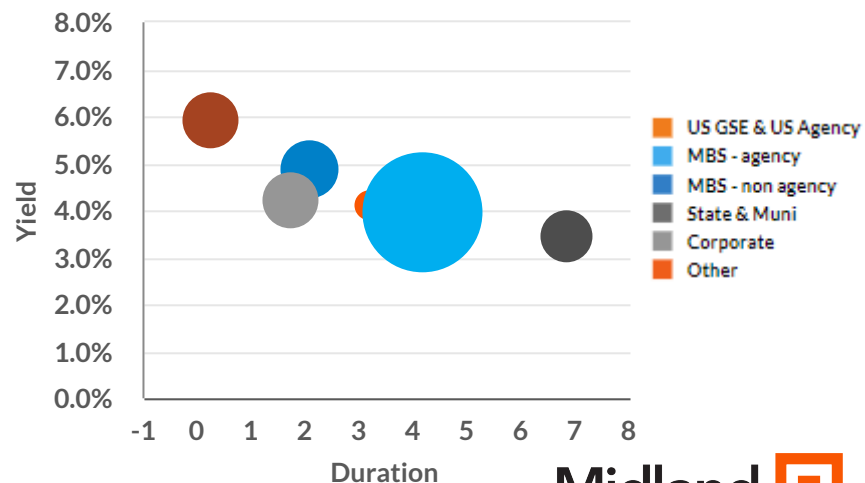


Investment Mix & Unrealized Gain (Loss)

(in millions)

	Fair Value	Book Value	Unrealized Gain (Loss)
US GSE & US Agency	\$ 20	\$ 22	\$(2)
MBS - agency	847	940	(93)
MBS - non agency	101	103	(2)
State & Municipal	69	76	(7)
Corporate	80	87	(7)
Other	90	90	—
Total Investments	\$ 1,208	\$ 1,317	\$(109)

Investments by Yield and Duration

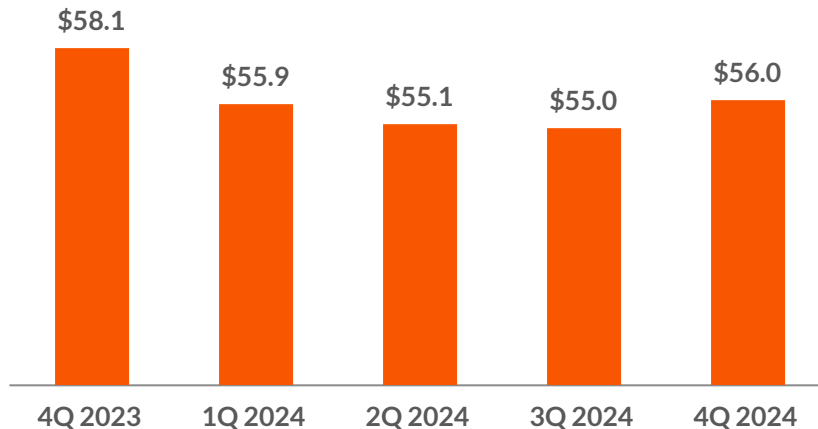


Net Interest Income/Margin

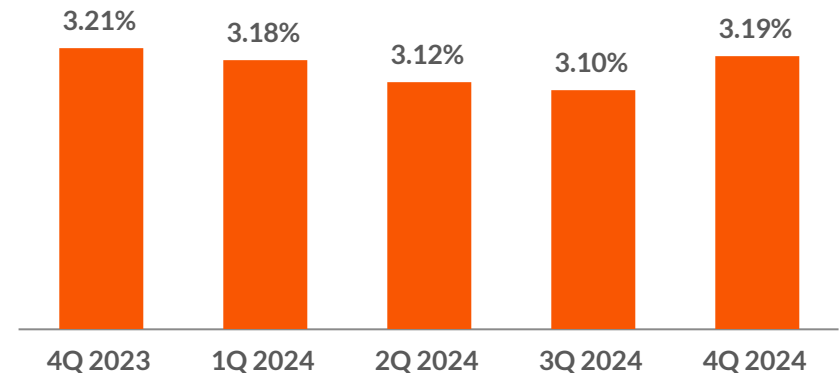
- Net interest income increased from prior quarter due to expanded net interest margin
- Net interest margin increased 9 bp to 3.19% as the decrease in the average cost of deposits exceeded the decrease in the average yield on earning assets
- Average rate on new and renewed loan originations was 7.14% in 4Q24 and higher than average rates on loan payoffs making them accretive to net interest margin
- Successfully reducing deposit rates and maintaining stable deposit balances

Net Interest Income

(in millions)



Net Interest Margin



Loans & Securities - Repricing and Maturity

Total Loans and Leases (net of unearned income)⁽¹⁾

(in millions)

As of December 31, 2024

	Repricing Term							Total	Rate Structure		
	3 mos or less	3-12 mos	1-3 years	3-5 years	5-10 years	10-15 years	Over 15 years		Floating Rate	Adjustable Rate	Fixed Rate
Commercial loans and leases	\$ 749	\$ 248	\$ 524	\$ 184	\$ 28	\$ 4	\$ 1	\$1,738	\$ 599	\$ 74	\$ 1,065
Commercial real estate	943	353	771	371	139	14	1	2,592	625	250	1,717
Construction and land	207	31	49	12	1	—	—	300	163	3	134
Residential real estate	68	41	52	56	59	34	71	381	55	108	218
Consumer	17	39	71	21	9	—	—	157	3	—	154
Total	\$1,984	\$ 712	\$1,467	\$ 644	\$ 236	\$ 52	\$ 73	\$5,168	\$ 1,445	\$ 435	\$ 3,288
% of Total	38 %	14 %	28 %	12 %	5 %	1 %	1 %	100 %	28 %	8 %	64 %
Weighted Average Rate	6.84 %	5.62 %	5.31 %	5.90 %	4.70 %	4.48 %	4.75 %	5.95 %	7.53 %	4.99 %	5.44 %

Investment Securities Available for Sale⁽²⁾

(in millions)

As of December 31, 2024

Maturity & Projected Cash Flow Distribution

	1 year or less	1-3 years	3-5 years	5-10 years	Over 10 years	Total
Amortized Cost	\$ 158	\$ 199	\$ 220	\$ 347	\$ 391	\$ 1,317
% of Total	12 %	15 %	17 %	26 %	30 %	100 %

Notes:

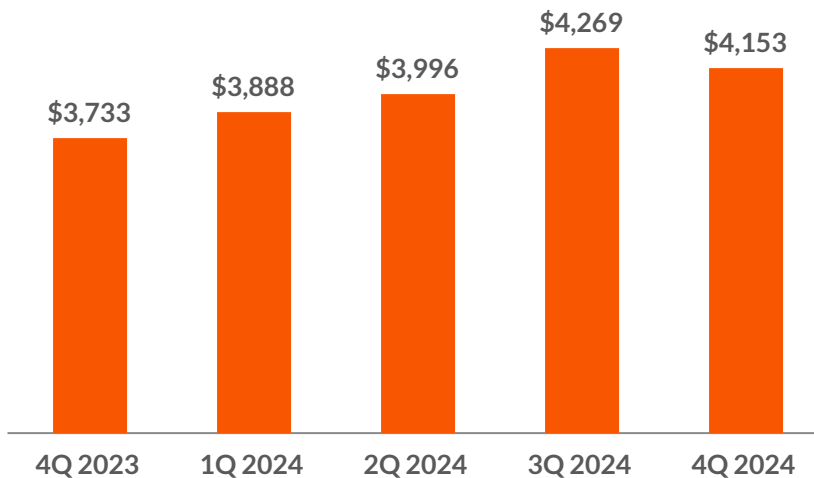
- (1) Based on projected principal payments for all loans plus the next reset for floating and adjustable rate loans and the maturity date of fixed rate loans.
- (2) Projected principal cash flows for securities. Differences between amortized cost and total principal are included in Over 10 years.

Wealth Management

- Assets under administration decreased \$116 million mainly due to market performance and resolution of estates and trusts
- Wealth Management fees increased due to additional trust and estate fees collected in the quarter
- Continual hiring of wealth advisors positively impacting new business development

Assets Under Administration

(in millions)



Wealth Management Revenue

(in millions)

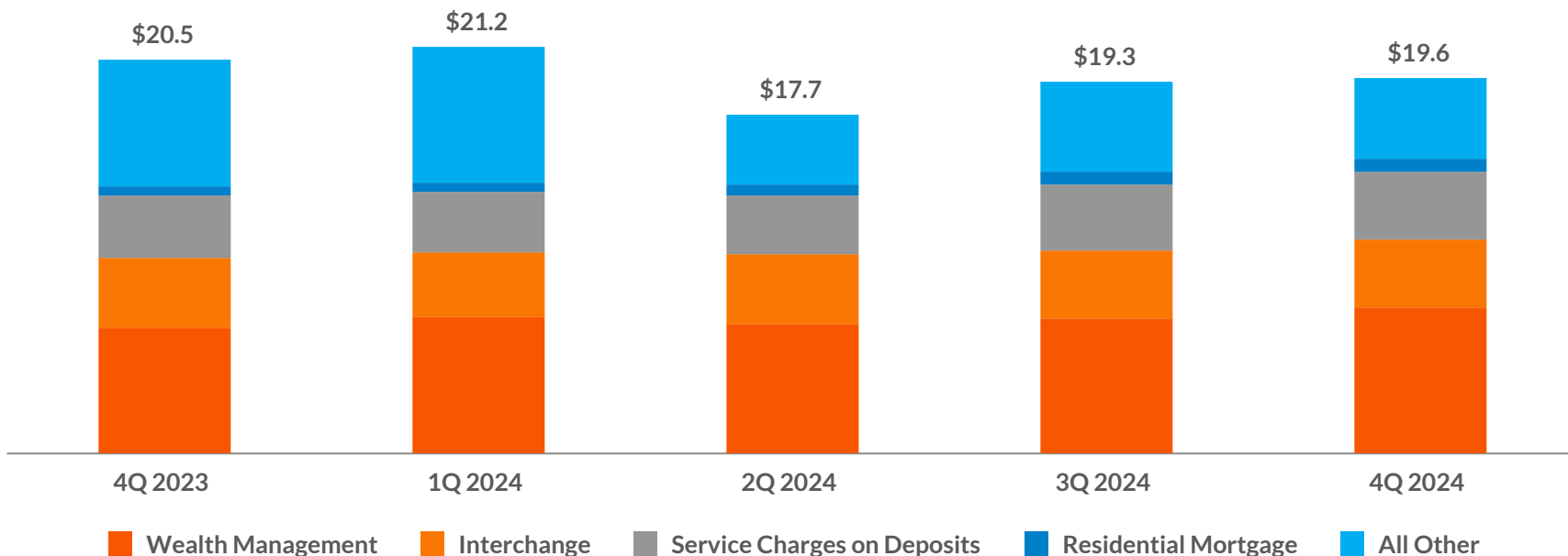


Noninterest Income

- Noninterest income increased from prior quarter.
- Wealth Management revenue was \$0.6 million higher from additional trust and estate fees
- Service charges and interchange revenue increased \$0.1 million in the current quarter
- Income from limited partnership investments decreased \$0.3 million
- Fee income expected to be \$19.0 - \$19.5 million in the near-term quarters

Noninterest Income

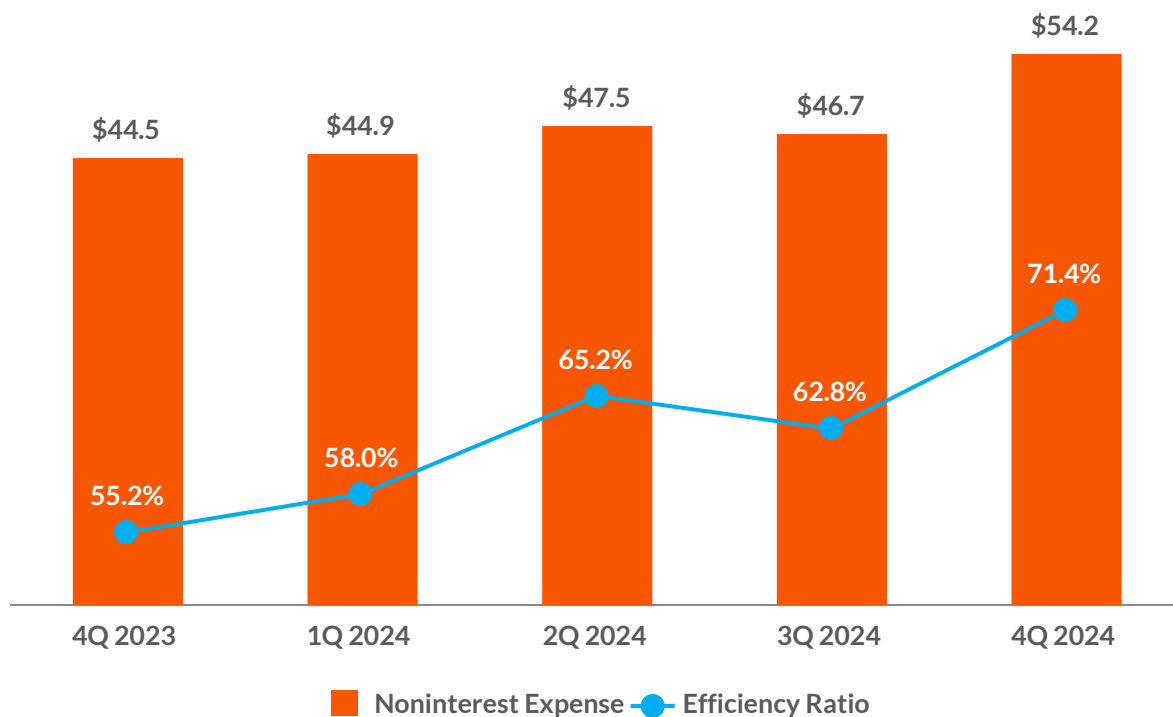
(in millions)



Noninterest Expense and Operating Efficiency

Noninterest Expense and Efficiency Ratio ⁽¹⁾

(Noninterest expense in millions)



- Efficiency Ratio ⁽¹⁾ was 71.4% in 4Q 2024 vs. 62.8% in 3Q 2024
- 4Q24 Noninterest Expenses includes:
 - \$7.6 million MEF impairment on operating lease collateral and surrendered equipment
 - \$2.1 million OREO impairment
- Near-term operating expense run-rate expected to be approximately \$48.5 - \$49.0 million

Notes:

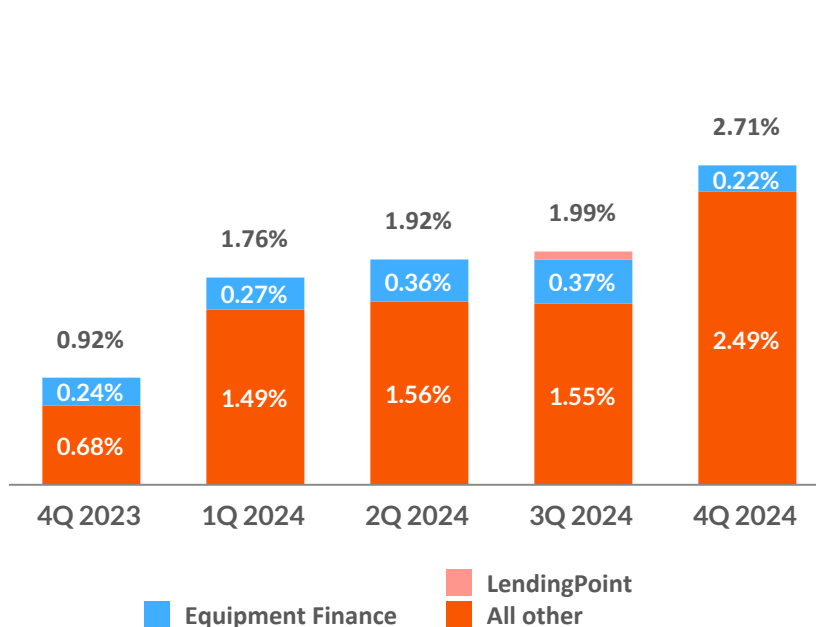
(1) Represents a non-GAAP financial measure. See "Non-GAAP Reconciliation" in the appendix.

Asset Quality

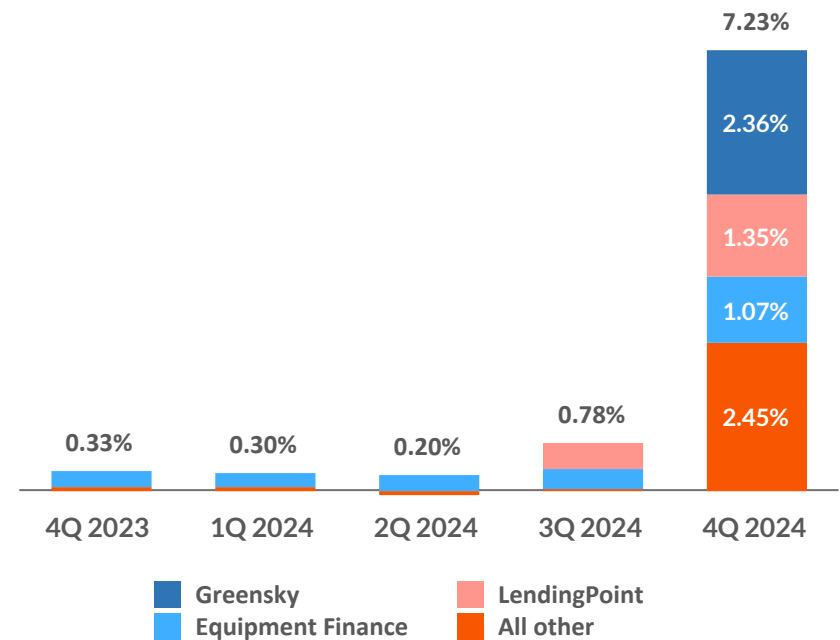
- Nonperforming loans increased from prior quarter
- Net charge-offs to average loans was 7.23% driven by non-core consumer, equipment finance and specialty finance portfolios
- Taking steps to improve asset quality through focus on relationship lending and tighter credit standards
- Focus on reducing non-performing loans in 2025

Nonperforming Loans / Total Loans

(Total Loans as of quarter-end)



NCO / Average Loans



ACL by Portfolio

(\$ in thousands)

December 31, 2024

September 30, 2024

Portfolio	Loans	Net Charge-offs	ACL	ACL % of Total Loans	Loans	Net Charge-offs	ACL	ACL % of Total Loans
Commercial	\$ 818,496	\$ 9,353	\$ 8,675	1.06 %	\$ 797,318	\$ 14	\$ 9,263	1.16 %
Commercial Other	528,407	8,347	11,987	2.27 %	559,354	1,993	14,844	2.65 %
Equipment Finance Loans	416,969	7,913	11,542	2.77 %	442,552	1,979	11,236	2.54 %
Equipment Finance Leases	391,390	7,369	14,480	3.70 %	417,531	2,896	13,724	3.29 %
CRE non-owner occupied	1,628,961	3,074	15,589	0.96 %	1,630,930	—	13,623	0.84 %
CRE owner occupied	440,806	—	4,110	0.93 %	455,101	32	5,017	1.10 %
Multi-family	454,249	6,083	5,818	1.28 %	355,988	(2)	3,619	1.02 %
Farmland	67,648	115	224	0.33 %	68,453	—	269	0.39 %
Construction and Land Development	299,842	17,991	3,550	1.18 %	422,253	(2)	12,061	2.86 %
Residential RE First Lien	315,775	595	7,382	2.34 %	315,634	12	4,738	1.50 %
Other Residential	64,782	(79)	601	0.93 %	63,023	85	614	0.97 %
Consumer	96,202	100	495	0.51 %	90,626	5	531	0.59 %
Consumer Other ⁽¹⁾	61,016	49,712	2,503	4.10 %	572,608	6,346	7,501	1.31 %
Total Loans	\$ 5,167,574	\$ 102,660	\$ 75,414	1.46 %	\$ 5,748,819	\$ 11,379	\$ 85,804	1.49 %

Notes:

(1) Primarily consists of loans originated through GreenSky relationship



2025 Outlook and Priorities

- **The Company has made several key strategic decisions to improve credit quality and forward earnings:**
 - **To focus on in-market lending opportunities with full relationships**
 - **A more conservative underwriting criteria for the Specialty Finance Group and Equipment Finance**
 - **Exiting non-core consumer lending portfolios**
- **These decisions position us for lower credit risk going forward**
- **Capital, liquidity, and reserves are well positioned**
- **Prudent risk management will remain top priority with business development efforts focused on adding new commercial and retail relationships throughout our markets**
- **Capitalizing on market disruption resulting from M&A to add new clients and banking talent**
- **Well positioned to benefit from lower interest rates with lower funding costs expected to lead to expanded net interest margin**
- **Positive trends in key areas should lead to improved financial performance in 2025**
 - * **Continued disciplined expense management while making investments in the business to increase market share, add clients, and generate profitable growth in the future**
 - * **Wealth Management revenue trending higher due to contributions of new advisors**
 - * **BaaS initiative continuing to seek high quality FinTech partners**

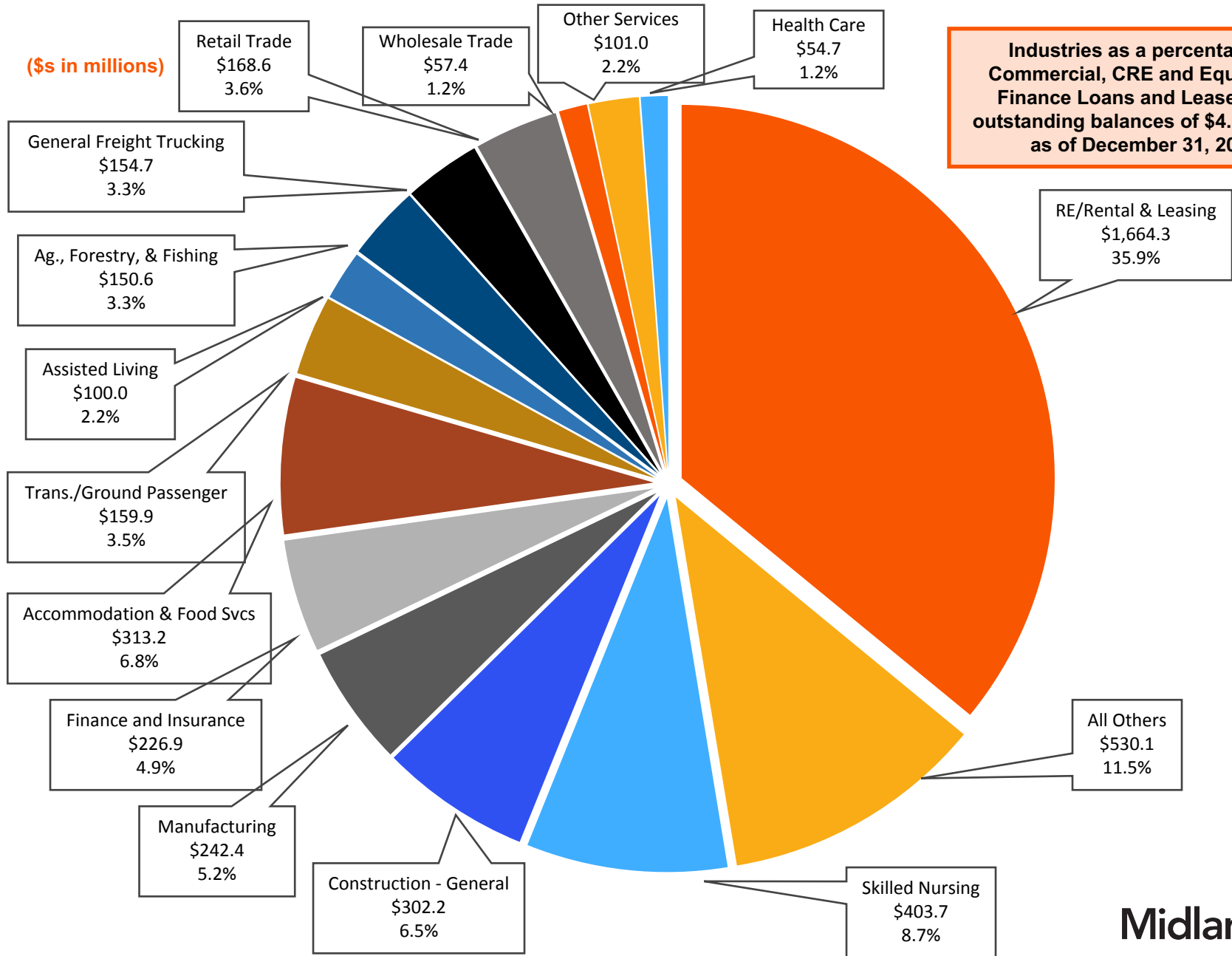


APPENDIX

Commercial Loans and Leases by Industry

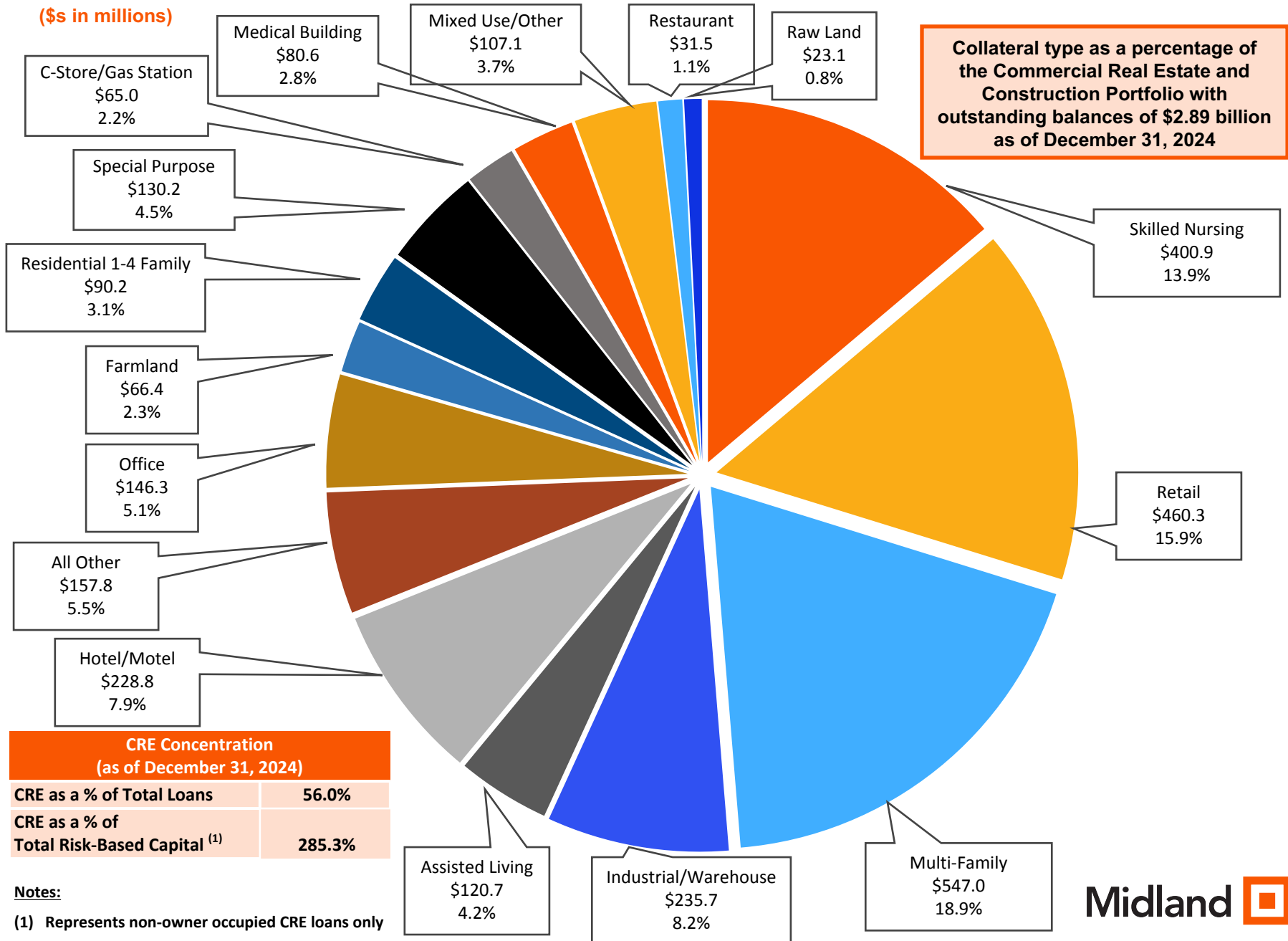
(\$s in millions)

Industries as a percentage of Commercial, CRE and Equipment Finance Loans and Leases with outstanding balances of \$4.63 billion as of December 31, 2024



Commercial Real Estate Portfolio by Collateral Type

(\$s in millions)



Collateral type as a percentage of the Commercial Real Estate and Construction Portfolio with outstanding balances of \$2.89 billion as of December 31, 2024

CRE Concentration (as of December 31, 2024)

CRE as a % of Total Loans	56.0%
CRE as a % of Total Risk-Based Capital ⁽¹⁾	285.3%

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

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

Efficiency Ratio Reconciliation

	For the Quarter Ended				
	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
<i>(dollars in thousands)</i>					
Noninterest expense - GAAP	\$ 54,183	\$ 46,733	\$ 47,479	\$ 44,867	\$ 44,488
Net interest income - GAAP	\$ 56,035	\$ 54,950	\$ 55,052	\$ 55,920	\$ 58,077
Effect of tax-exempt income	221	205	170	215	183
Adjusted net interest income	56,256	55,155	55,222	56,135	58,260
Noninterest income - GAAP	19,561	19,339	17,656	21,187	20,513
Loss on sales of investment securities, net	34	44	152	—	2,894
(Gain) on sale of Visa B shares	—	—	—	—	—
Loss (gain) on repurchase of subordinated debt	13	(77)	(167)	—	—
Adjusted noninterest income	19,608	19,306	17,641	21,187	22,309
Adjusted total revenue	\$ 75,864	\$ 74,461	\$ 72,863	\$ 77,322	\$ 80,569
Efficiency ratio	71.42 %	62.76 %	65.16 %	58.03 %	55.22 %