



Midland States Bancorp, Inc.

NASDAQ: MSBI

Investor Presentation

Piper Sandler East Coast Financial Services Conference

November 10, 2020



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Company Snapshot

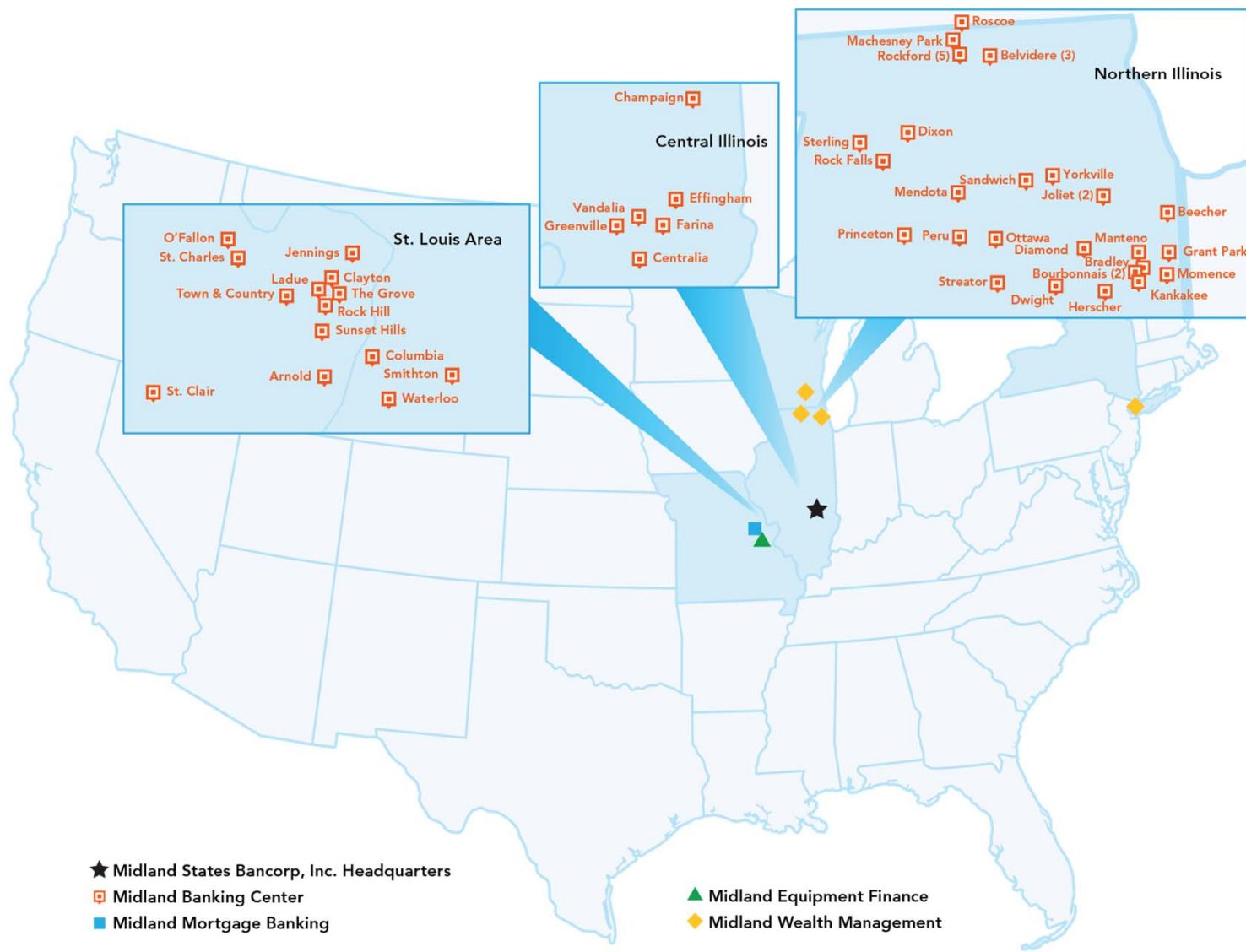
- **\$6.70 billion asset community bank established in 1881 and headquartered in Effingham, Illinois**
 - **3rd largest Illinois-based community bank¹**
- **\$3.26 billion Wealth Management business**
- **Diversified lender with national equipment financing and consumer loan origination platforms complementing in-market commercial relationship banking**
- **52 branches in Illinois and Missouri (pro forma to represent branch closures scheduled by end of 2020)**
- **14 successful acquisitions since 2008**

Notes:

- 1) Community bank defined as banks with less than \$10 billion in assets; Source: S&P Global Market Intelligence
- 2) All financial data as of September 30, 2020



Financial Services & Banking Center Footprint*



Residential Mortgage and Wealth Management services are also available through all Midland Banking Centers.

*Pro forma to represent branch closures scheduled by the end of 2020



Investment Summary



Experienced and deep management team



Consistent track record of driving compelling shareholder returns through disciplined strategic expansion and earnings growth



Organization-wide focus on expense management driving improvement in operating efficiencies

27%

Attractive, stable core deposit franchise with 27% non-interest bearing accounts¹



Proven track record of successful acquisitions with a focus on enhancing shareholder value while building a platform for scalability



Illinois and contiguous states provide ample opportunities for future acquisitions



Comprehensive risk management standards applied throughout the entire business



Business and Corporate Strategy

Customer-Centric Culture

Drive organic growth by focusing on customer service and accountability to our clients and colleagues; seek to develop bankers who create dynamic relationships; pursue continual investment in people; maintain a core set of institutional values

Operational Excellence

A corporate-wide focus on driving improvements in people, processes and technology in order to generate further improvement in Midland's operating efficiency and financial performance

Enterprise-Wide Risk Management

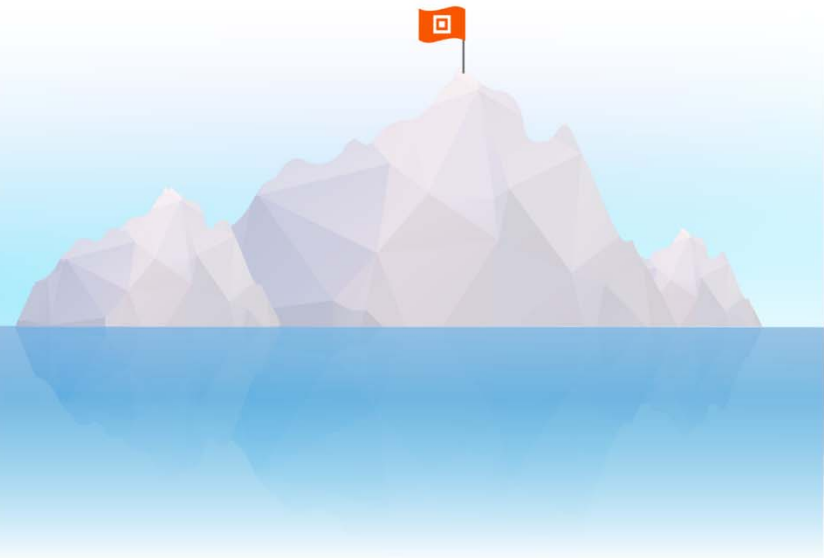
Maintain a program designed to integrate controls, monitoring and risk-assessment at all key levels and stages of our operations and growth; ensure that all employees are fully engaged

Accretive Acquisitions

Maintain experienced acquisition team capable of identifying and executing transactions that build shareholder value through a disciplined approach to pricing; take advantage of relative strength in periods of market disruption

Revenue Diversification

Generate a diversified revenue mix and focus on growing businesses that generate strong recurring revenues such as wealth management





Experienced Senior Leadership Team



John M. Schultz | Chairman of the Board

- Held the position since 2006
- Chief Executive Officer of Agracel, Inc.
- Author of *Boomtown USA: the 7 ½ Keys to Big Success in Small Towns*



Jeffrey G. Ludwig | President and CEO of Midland States Bancorp

- Assumed Company CEO role in Jan. 2019 after serving as Bank CEO
- More than 10 years serving as CFO
- Joined Midland States in November 2006; 16+ years in banking industry



Jeffrey S. Mefford | President of Midland States Bank and EVP of Midland States Bancorp

- 25+ years in community banking
- Appointed Bank President in March 2018
- Oversees commercial, retail, mortgage and treasury sales



Douglas J. Tucker | SVP, Corporate Counsel and Director of IR

- 20+ years experience advising banks and bank holding co.
- Significant IPO, SEC reporting and M&A experience
- Served as lead outside counsel for all of Midland's acquisitions and capital raise transactions from 2007 prior to joining the Company



Eric T. Lemke | Chief Financial Officer

- Promoted to Chief Financial Officer in November 2019
- Joined Midland States in 2018 as Director of Assurance and Audit
- 25+ years of financial accounting and reporting experience in financial services



Jeffrey A. Brunoehler | Chief Credit Officer

- 30+ years in banking, lending and credit
- Leads the credit underwriting, approval and loan portfolio management functions
- Joined Midland in 2010



Successful Acquisition History

- Midland States has completed 14 transactions since 2008, including FDIC-assisted, branch, whole bank, asset purchase and business line acquisitions, and a New York trust asset acquisition
- Demonstrated history of earnings expansion
- Deliberate diversification of geographies and revenue channels
- Successful post-closing integration of systems and businesses

Selected Acquisitions

	2009	2010	2014	2016	2017	2018	2019
	Strategic Capital Bank	AMCORE Bank, N.A.	Love Savings / Heartland Bank	Sterling Bancorp	Centrue Financial	Alpine Bancorp.	HomeStar Financial
Acquisition Type	FDIC-Assisted	12 Branches	Whole Bank	Trust Administration	Whole Bank	Whole Bank and Wealth Mgmt	Whole Bank
Assets Acquired (\$mm)	\$540.4	\$499.5	\$889.0	-	\$990.2	\$1,243.3	\$366.0
Location	Champaign, IL	Northern Illinois	St. Louis, MO	Yonkers, NY	Northern Illinois	Rockford, IL	Kankakee, IL
	Financially Transformative	Operationally Transformative	Revenue Diversification	Expansion of Trust Business	Enhanced Scale and Market Presence	Expanded Core Bank and Wealth Management	Low-cost Deposit Franchise and Market Presence

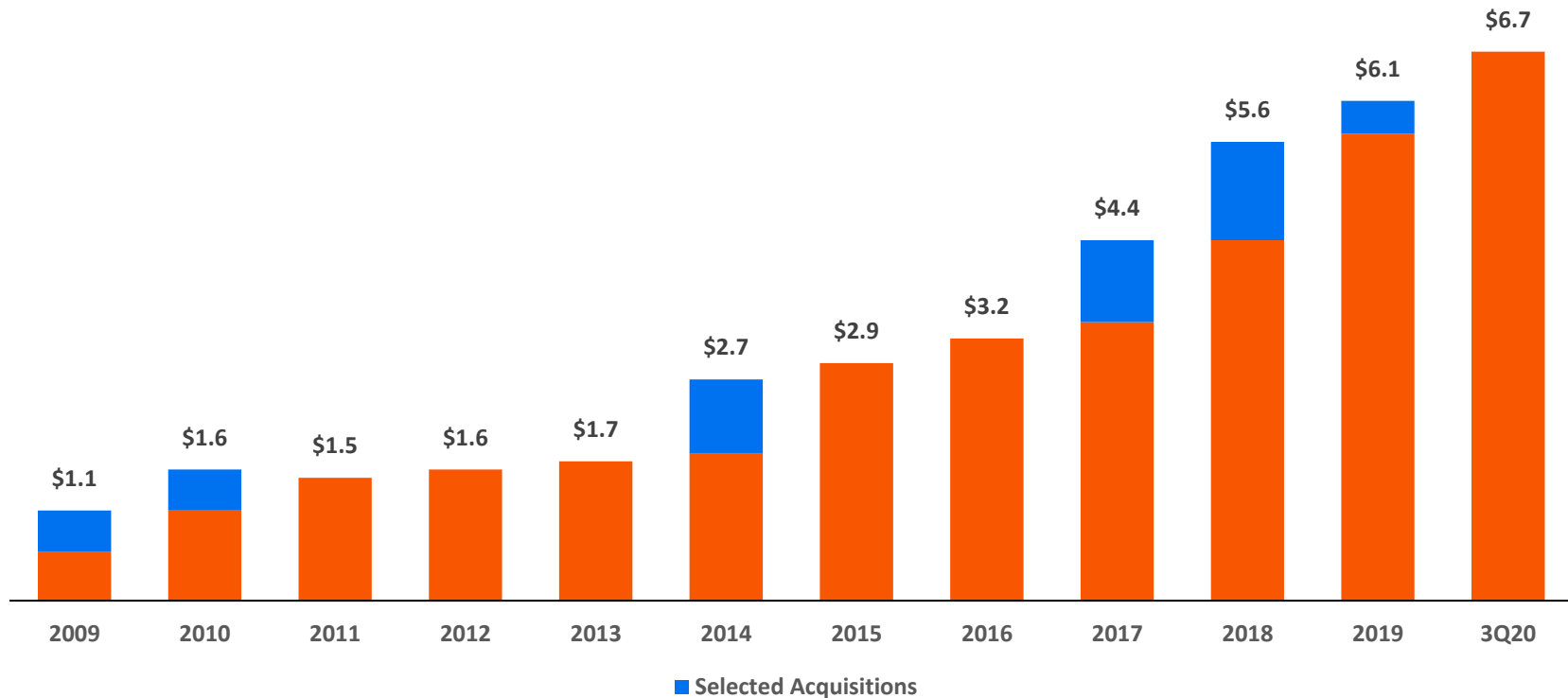


Successful Execution of Strategic Plan...

Total Assets

(at period-end in Billions)

CAGR: 18%



Selected Acquisitions: Total Assets at Time of Acquisition (in millions)	
2009: Strategic Capital Bank (\$540)	2010: AMCORE Bank (\$500)
2014: Love Savings/Heartland Bank (\$889)	2017: Centrue Financial (\$990)
2018: Alpine Bancorp. (\$1,243)	2019: HomeStar Financial Group (\$366)

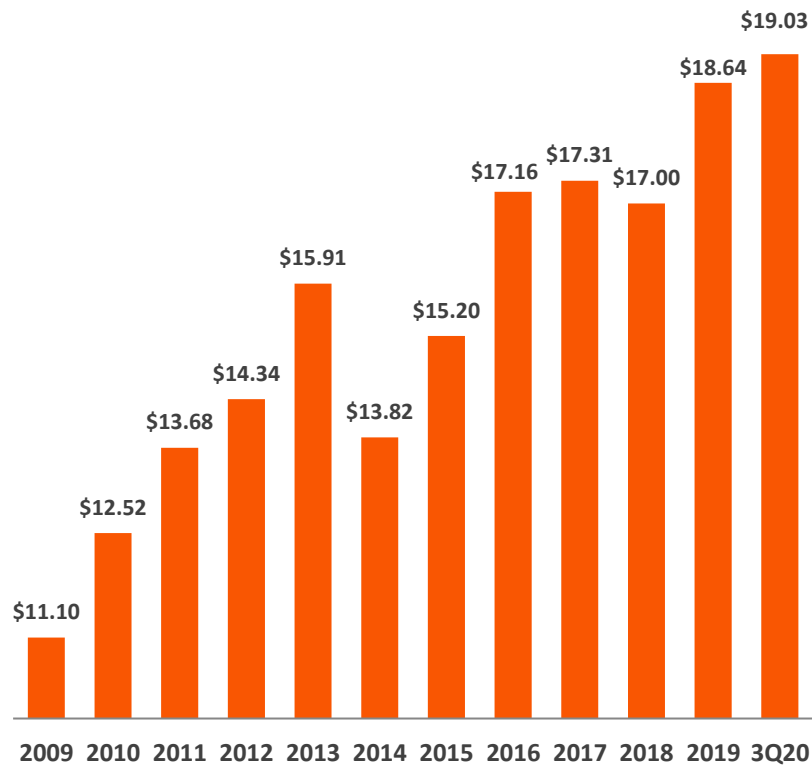


...Leads to Creation of Shareholder Value

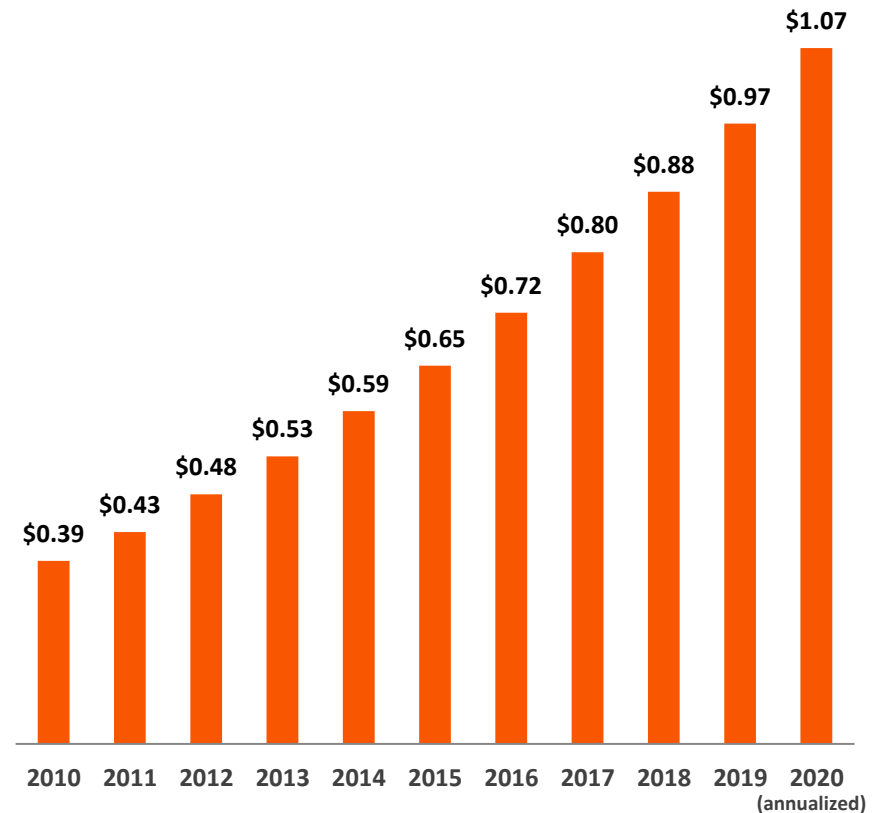
10%+ annual dividend growth over the past 15 years

Tangible Book Value Per Share⁽¹⁾

(at period-end)



Dividends Declared Per Share



Note:

(1) Tangible book value per share is a non-GAAP financial measure; tangible book value per share is defined as tangible common equity divided by shares of common stock outstanding (in the case of the “as converted” measure, assuming the conversion of all preferred shares that were outstanding prior to December 31, 2014); please refer to the reconciliation in the Appendix



Strategic Initiatives Strengthening Franchise

Significant Corporate Actions Since Coming Public in 2016

Action	Strategic Rationale	Financial Impact
Three whole bank acquisitions	<ul style="list-style-type: none">• Added scale• Added low-cost deposits• Deepened presence in Illinois	Realized synergies from M&A have positively impacted earnings power and efficiency ratio
Three Wealth Management acquisitions	<ul style="list-style-type: none">• Increased AUA• Added an RIA to expand asset-based fee model	Increased stream of predictable, recurring Wealth Management revenue
Expanded equipment finance group	<ul style="list-style-type: none">• Increased production of credits with more attractive risk-adjusted yields	Positively impacted NIM and loan growth
Branch network and facility reductions	<ul style="list-style-type: none">• Consolidate branches in key markets• Reflects increasing adoption of digital banking platform	Reduced operating expenses, increased branch productivity, and improved operating efficiencies
Sale of Commercial FHA Loan Origination platform	<ul style="list-style-type: none">• Remove inconsistent revenue and profit contributor• Retain servicing component including low-cost deposits	Reduced operating expenses and improved consistency of earnings stream
Optimized residential mortgage team	<ul style="list-style-type: none">• Rightsized staffing to improve profitability• Focus production on core Illinois markets	Reduced operating expenses and improved profitability of business line



2020 Optimization and Efficiency Initiatives

Sale of Commercial FHA Loan Origination Platform

Initiative Details

- Sale of origination platform to Dwight Capital
- No significant gain on sale (reduced goodwill by \$10.9 million)
- \$3.0 million tax charge on sale
- Retain servicing and low-cost deposits
- Ongoing warehouse and servicing deposit relationship with Dwight Capital

FY 2021 Expected Financial Impact

- Ongoing commercial FHA revenue of \$1.2 million for servicing
- \$8-\$9 million expense reduction

Branch Network and Facilities Optimization

- Pending consolidation of 13 branches (20% of network and ~30 FTEs)
- Most affected branches located within 3 miles of another Midland branch
- 4 of the branches have been closed since March due to pandemic
- Expected to retain 70% to 80% of deposits from consolidated branches
- Exiting three corporate locations including St. Louis and Denver

- Restructuring charge in 3Q20 of \$13.6 million
- Other branch renovation and upgrading projects beginning in 4Q20 and continuing in 2021 at a cost of \$4 million
- \$6 million expense reduction in 2021



Recent Financial Trends



Overview of 3Q20

3Q20 Earnings

- Net income of \$86 thousand, or \$0.00 diluted EPS, reflect \$13.9 million in one-time charges primarily related to branch and facilities optimization plan
- Adjusted earnings⁽¹⁾ of \$12.0 million, or \$0.52 diluted EPS, excluding charges primarily related to branch and facilities optimization plan

Solid Balance Sheet Growth

- Annualized loan growth of 8.4%, driven by growth in equipment finance, consumer and warehouse lines to commercial FHA lenders
- Annualized deposit growth of 6.9%, driven by continued increases in core deposits

Asset Quality

- 69% decline in total deferred loans
- Increase in NPAs primarily due to three relationships
- Allowance for credit losses strengthened to 1.07% of total loans

Positive Trends Across Multiple Business Lines

- Wealth management continues to provide stable source of noninterest income
- Equipment financing group continues to see strong demand
- Residential mortgage banking group capitalizing on continued demand for refinancings

Optimization and Efficiency Initiatives

- Sale of commercial FHA origination platform
- Announcement of branch and facilities optimization plan



Loan Portfolio

- Total loans increased \$102.0 million, or 2.1% from prior quarter, to \$4.94 billion
- Increase primarily attributable to growth in commercial and consumer portfolios, partially offset by decrease in residential real estate loans
- PPP loans totaled \$277.6 million at September 30, 2020
- Equipment finance balances increased \$65.0 million, or 8.7%, from June 30, 2020
- \$9.2 million increase in warehouse credit line utilization by commercial FHA loan originators

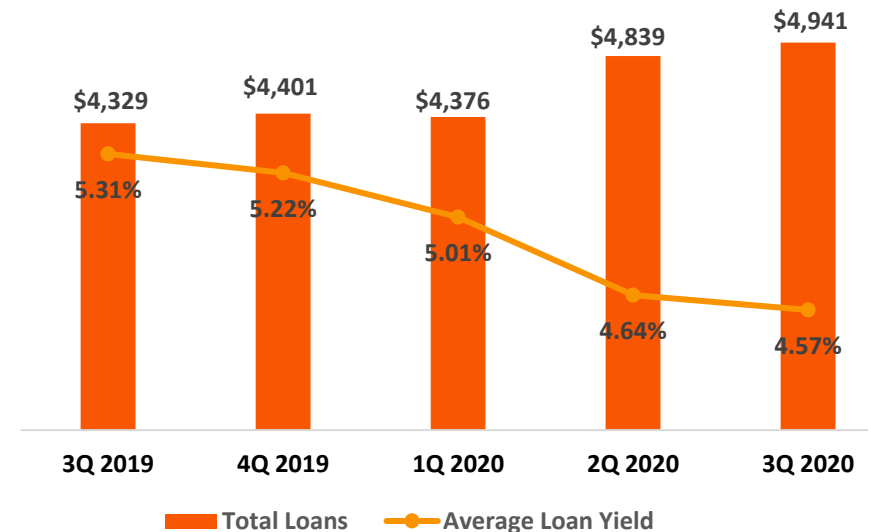
Loan Portfolio Mix

(in millions, as of quarter-end)

	3Q 2020	2Q 2020	3Q 2019
Commercial loans and leases	\$ 1,938	\$ 1,856	\$ 1,293
Commercial real estate	1,497	1,495	1,622
Construction and land development	178	208	216
Residential real estate	471	509	588
Consumer	857	771	610
Total Loans	\$4,941	\$4,839	\$4,329

Total Loans and Average Loan Yield

(in millions, as of quarter-end)





Total Deposits

- Total deposits increased \$85.6 million, or 1.7% from prior quarter, to \$5.03 billion
- Growth in deposits attributable to increase in commercial FHA servicing deposits
- Continued intentional run-off of higher-cost time deposits, replaced with lower-cost core deposits

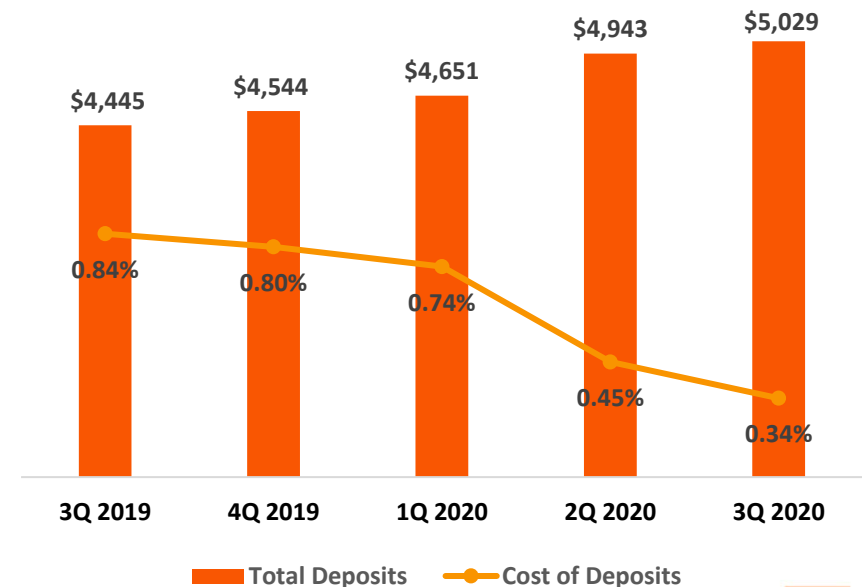
Deposit Mix

(in millions, as of quarter-end)

	3Q 2020	2Q 2020	3Q 2019
Noninterest-bearing demand	\$ 1,355	\$ 1,273	\$ 1,015
Interest-bearing:			
Checking	1,581	1,485	1,222
Money market	827	877	754
Savings	581	595	527
Time	662	690	833
Brokered time	23	23	94
Total Deposits	\$5,029	\$4,943	\$4,445

Total Deposits and Cost of Deposits

(in millions, as of quarter-end)



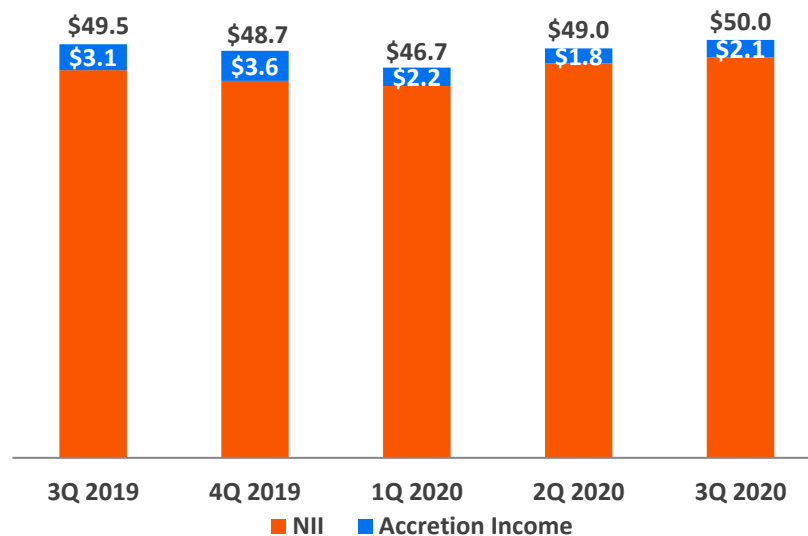


Net Interest Income/Margin

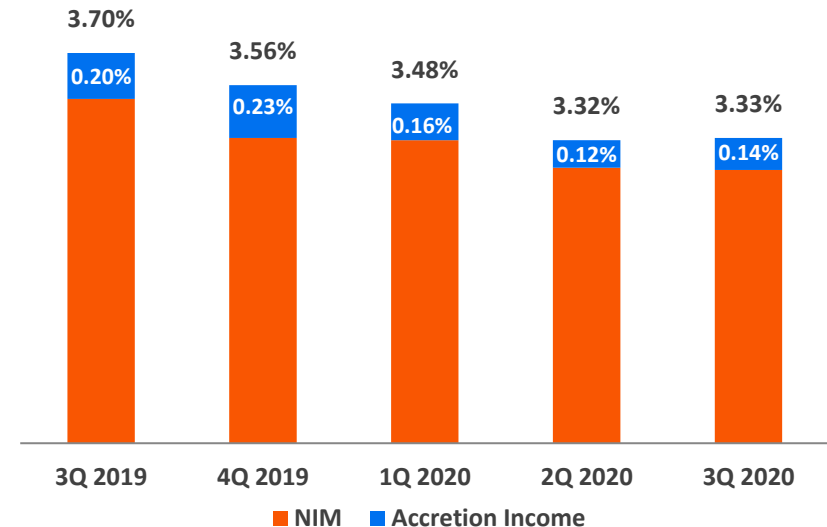
- Net interest income increased 2.0% from the prior quarter due to higher average loan balances
- Net interest margin remained stable as decline in average yield on earning assets was largely offset by decline in cost of deposits
- 11 basis point decline in cost of deposits
- CD maturities (\$91 million at WAR of 1.11% in 4Q20) and redeployment of excess liquidity expected to positively impact NIM in 4Q20

Net Interest Income

(in millions)



Net Interest Margin



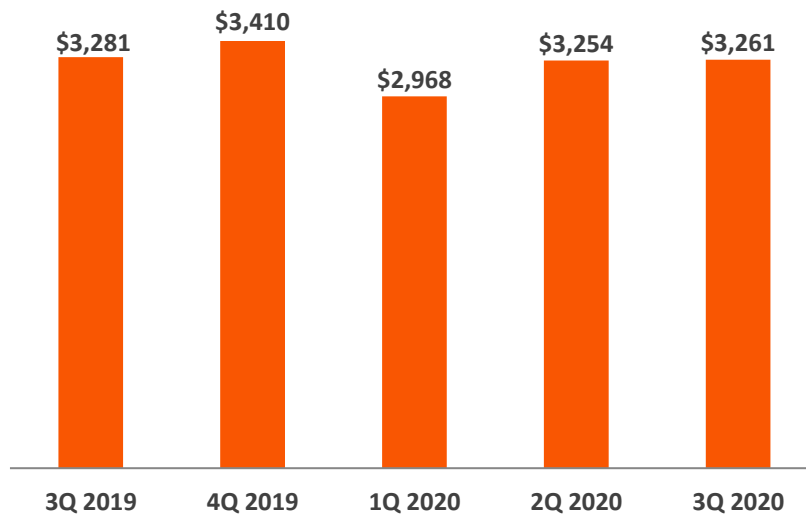


Wealth Management

- **During 3Q20, assets under administration increased \$7.1 million, primarily due to market performance**
- **Wealth Management revenue remains a consistent source of noninterest income**
- **Slight variation in quarter-to-quarter revenue primarily relates to seasonal fees related to tax preparation**

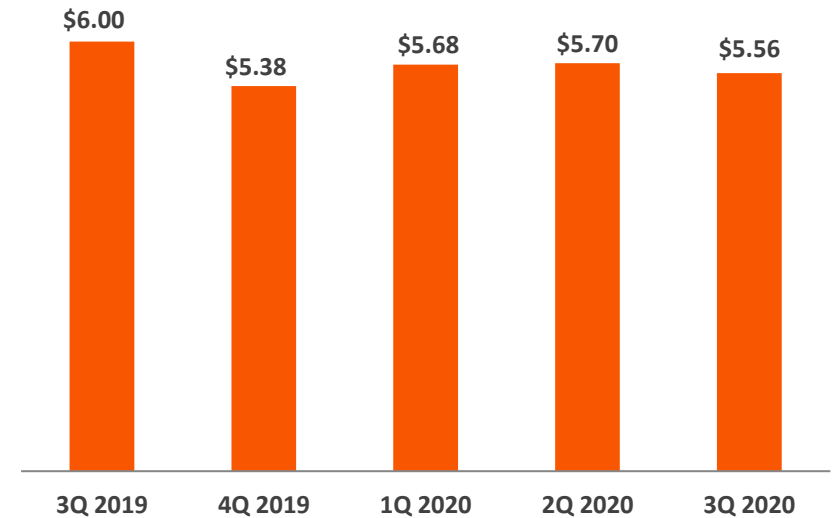
Assets Under Administration

(in millions)



Wealth Management Revenue

(in millions)



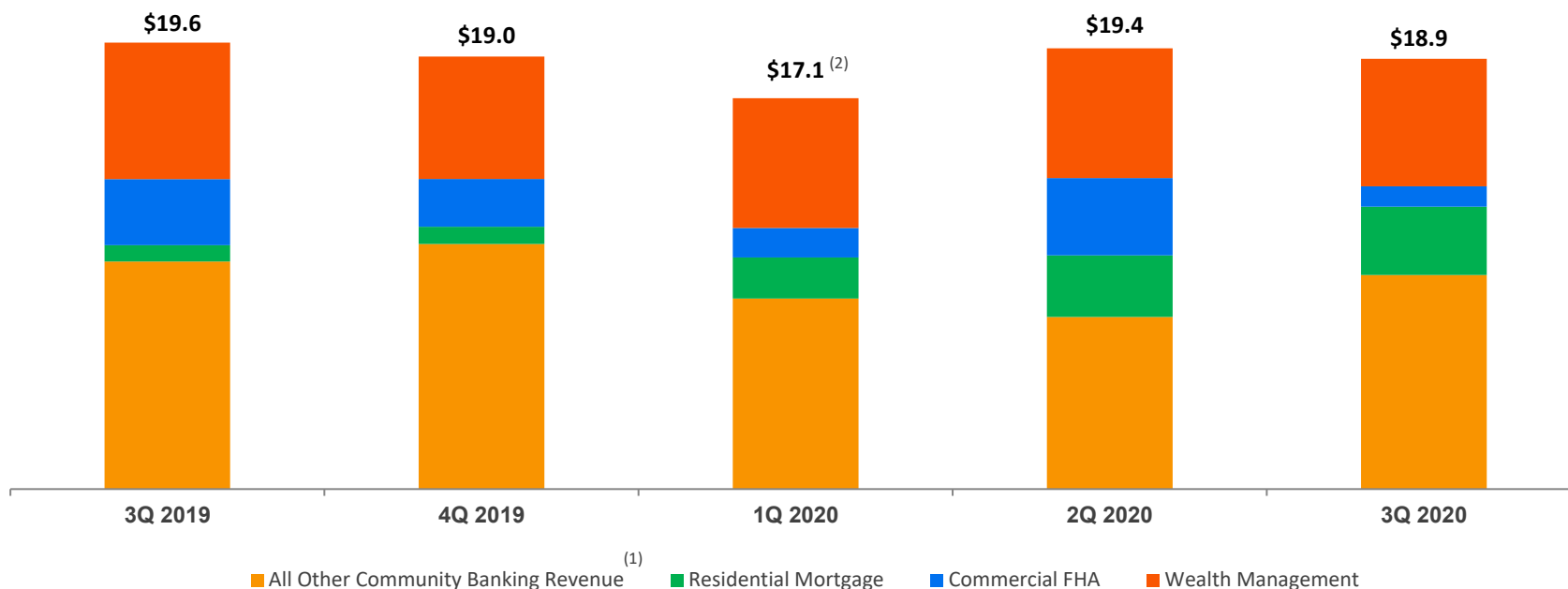


Noninterest Income

- **Noninterest income reduced 2.5% from prior quarter, due to lower Commercial FHA revenue resulting from the sale of the origination platform at the end of August and a \$1.4 million impairment of commercial mortgage servicing rights (“MSRs”)**
- **Excluding the impact of the impairment of commercial MSRs, noninterest income increased due to higher residential mortgage banking and community banking revenue**
- **Increase in economic activity resulting in higher community bank revenue including service charges and interchange fees**

Noninterest Income

(in millions)



Notes:

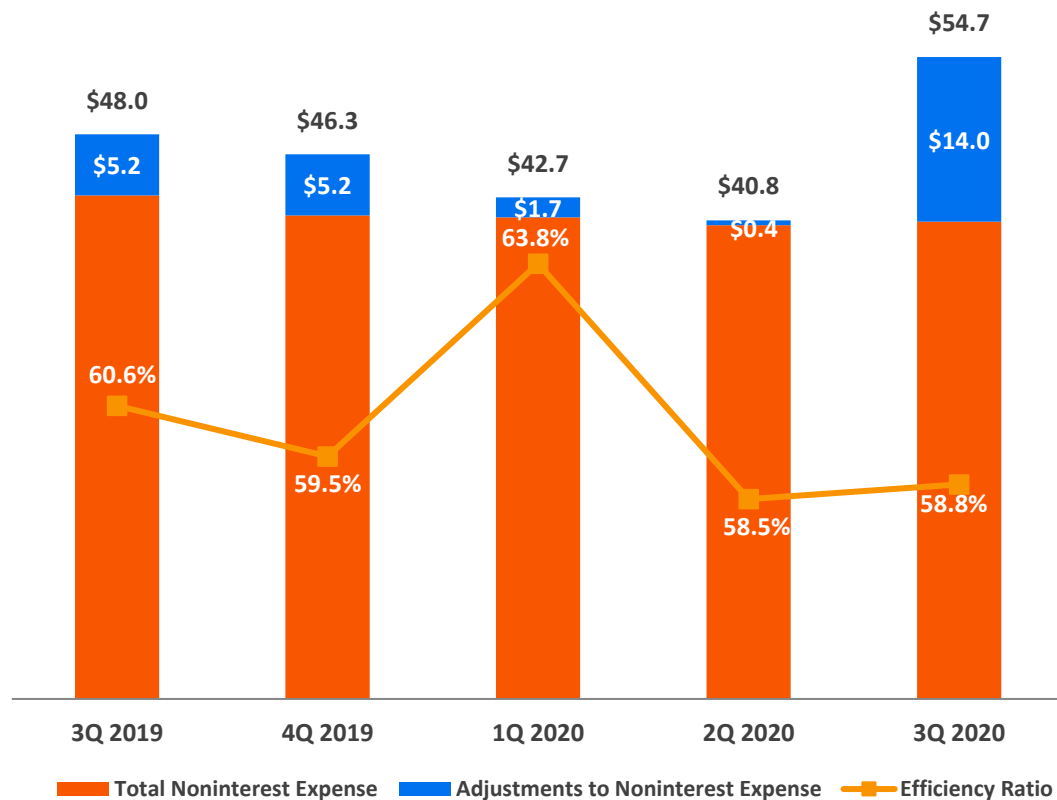
- (1) Represents service charges, interchange revenue, net gain (loss) on sale of investment securities, and other income
- (2) Excludes \$8.5 million impairment of commercial mortgage servicing rights



Noninterest Expense and Operating Efficiency

Noninterest Expense and Efficiency Ratio ⁽¹⁾

(Noninterest expense in millions)



- **Efficiency Ratio ⁽¹⁾ was 58.8% in 3Q20 vs. 58.5% in 2Q20**

- **Adjustments to non-interest expense:**

(\$ in millions)	3Q20	2Q20
Integration and acquisition related expenses	(\$13.9)	(\$0.05)
Loss on MSR's held for sale	\$(0.2)	\$(0.4)

- **Excluding these adjustments, noninterest expense was essentially unchanged from the prior quarter**
- **Following branch and facilities consolidation scheduled to occur in 4Q20, noninterest expense expected to range from \$39 million to \$40 million per quarter to start 2021**

Notes:

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



COVID-19 Response and Impact



Paycheck Protection Program Overview

Paycheck Protection Program (as of 9/30/20)	
Loans Outstanding	\$277.6 million
Number of Loans	2,295
Average Loan Size	\$120,938
Total Fees Earned	\$9.8 million
Remaining Fees to be Recognized	\$7.6 million

Paycheck Protection Program Loan Forgiveness (as of 11/3/20)	
Loans Submitted to SBA	\$94.3 million
Loans Forgiven by SBA	\$27.4 million
Estimated Percentage to be Forgiven During 4Q20	25%-30%

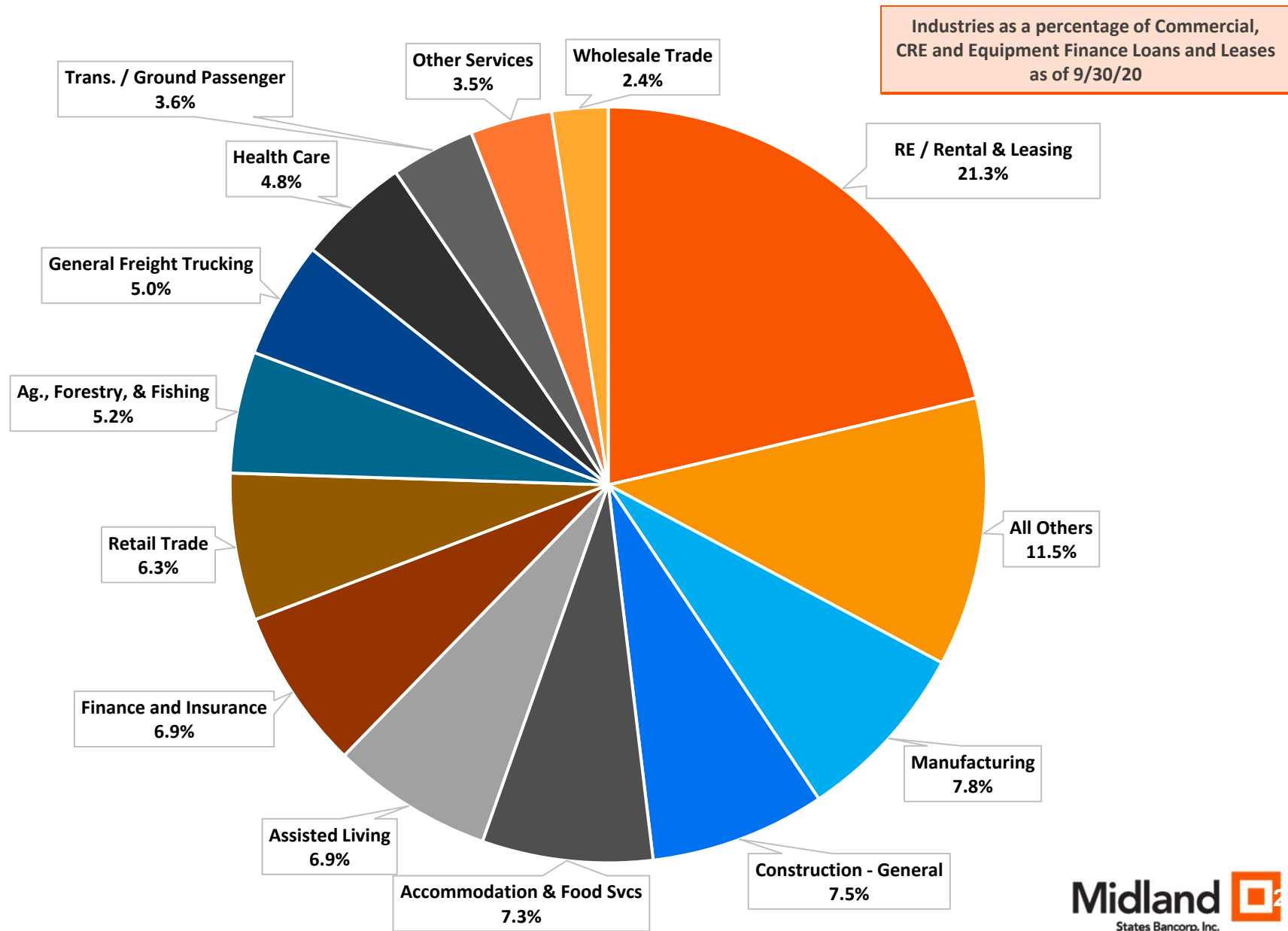
Impact on 3Q20 Financials

	At or for the Three Months Ended 9/30/20	Metrics Excluding PPP Impact
Total Loans	\$4.94 billion	\$4.66 billion
Average Loans	\$4.80 billion	\$4.53 billion
Net Interest Income FTE ⁽¹⁾	\$50.0 million	\$48.5 million
Net Interest Margin ⁽¹⁾	3.33%	3.36%
ACL/Total Loans	1.07%	1.12%

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



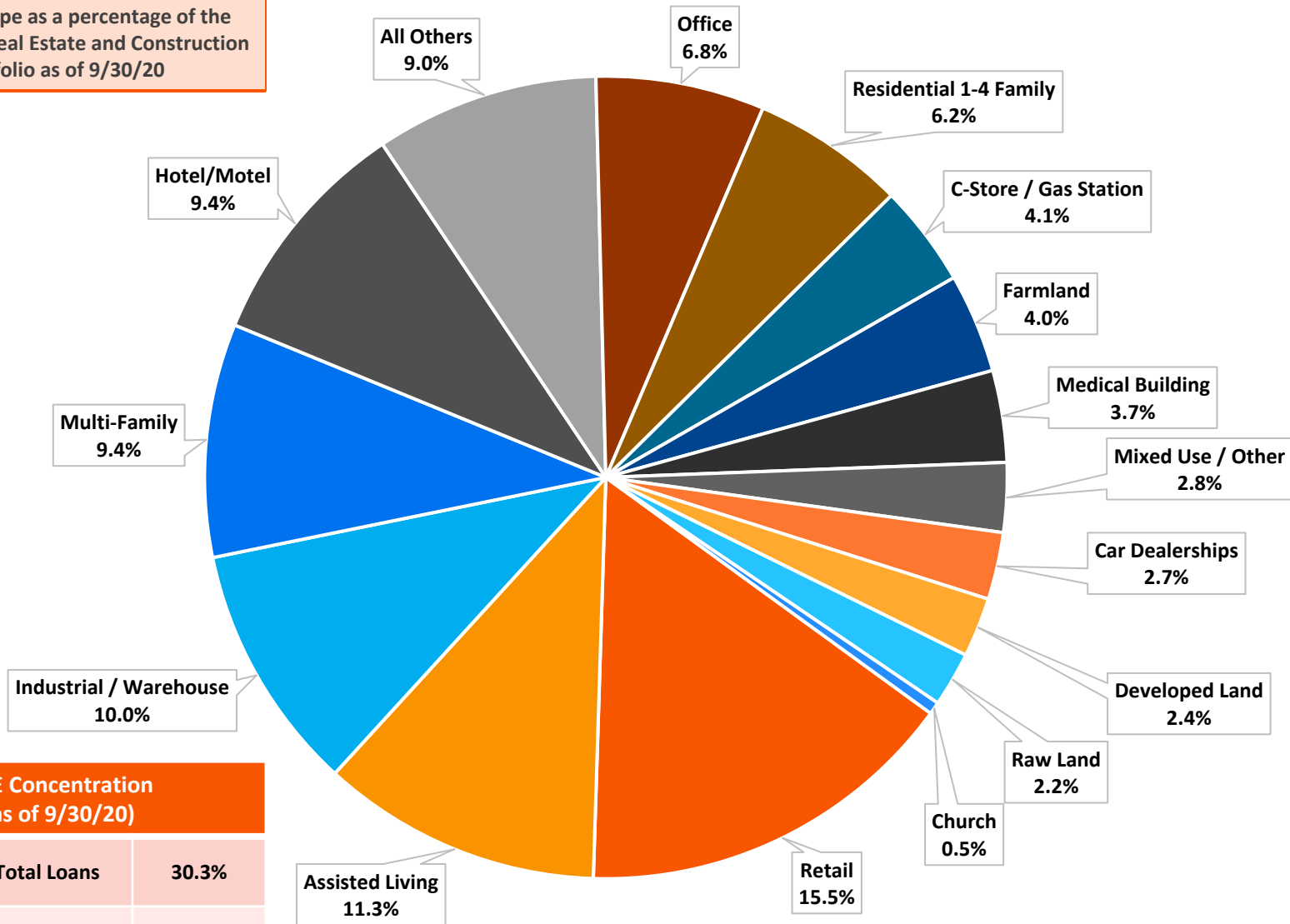
Commercial Loans and Leases by Industry





Commercial Real Estate Portfolio by Collateral Type

Collateral type as a percentage of the Commercial Real Estate and Construction Portfolio as of 9/30/20



CRE Concentration (as of 9/30/20)

CRE as a % of Total Loans	30.3%
CRE as a % of Total Risk-Based Capital ⁽¹⁾	174.6%

Notes:

(1) Represents non-owner occupied CRE loans only



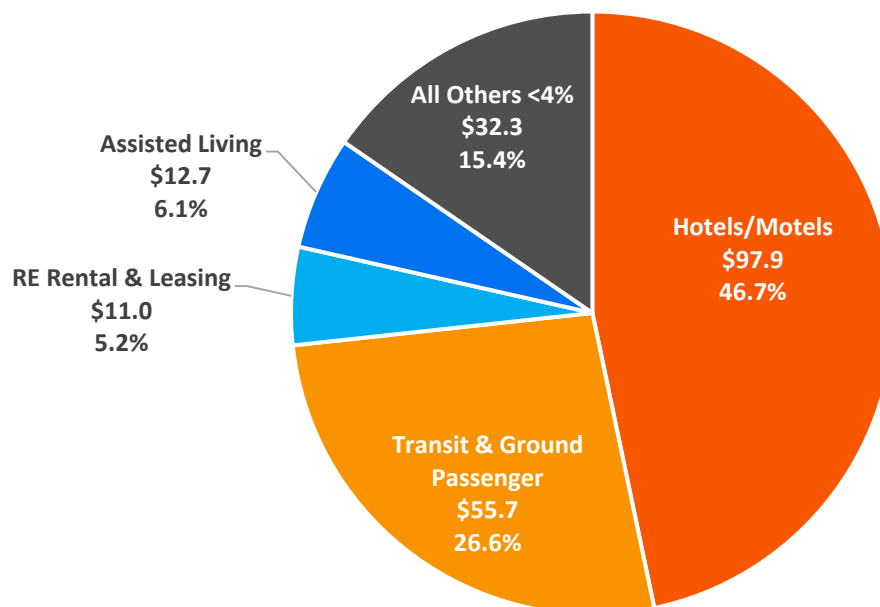
Loan Deferral Overview

Total Loan Deferrals			
	As of June 30, 2020	As of September 30, 2020	As of October 31, 2020
Total Loans Deferred	\$898.4 million	\$279.3 million	\$209.6 million
% of Total Loans	18.6%	5.7%	4.2%

Deferral Type (as of October 31, 2020)	
Full Payment Deferral	\$158.6 million
Interest Only Deferral	\$50.9 million

Deferrals by Industry
(as of October 31, 2020)

(\$ in millions)



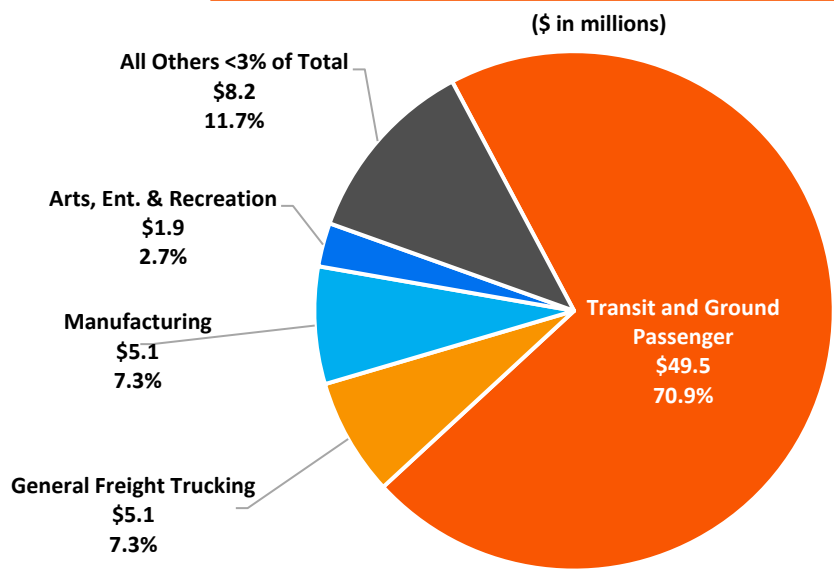


Midland Equipment Finance Portfolio Overview

Portfolio Characteristics (as of 9/30/20)	
<i>Nationwide portfolio providing financing solutions to equipment vendors and end-users</i>	
Total Outstanding Loans and Leases	\$815.5 million (16.5% of total loans)
Number of Loans and Leases	6,210
Average Loan/Lease Size	\$132,603
Largest Loan/Lease	\$1.8 million
Weighted Average Rate	4.97%

Total Deferred Loans and Leases			
	As of June 30, 2020	As of September 30, 2020	As of October 31, 2020
Total Deferrals	\$233.0 million	\$75.2 million	\$69.7 million
Percentage of portfolio	31.5%	9.2%	8.4%

Equipment Finance Deferrals by Industry
(as of October 31, 2020)

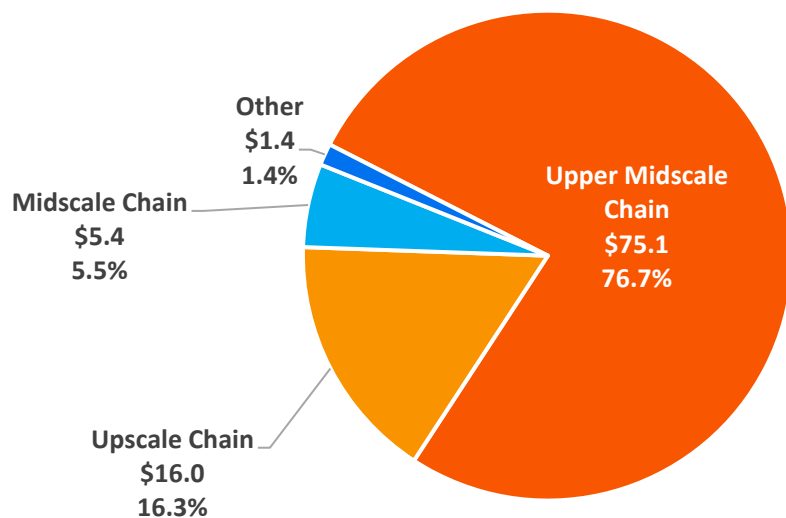




Hotel/Motel Portfolio Overview

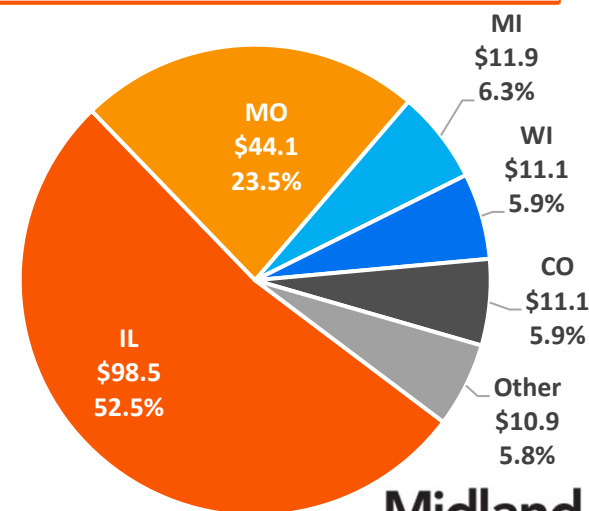
Portfolio Characteristics (CRE & C&I) (as of 9/30/20)	
Total Outstanding	\$187.6 million (3.8% of total loans)
Number of Loans	61
Average Loan Size	\$2.2 million
Largest Loan	\$11.1 million
Average LTV	58%
Total Deferred Loans as of 6/30/20	\$146.2 million (84.8% of portfolio)
Total Deferred Loans as of 10/31/20	\$97.9 million (52.2% of portfolio)
Average LTV of Deferred Loans as of 10/31/20	53.5%
Deferred Loans Making I/O or Other Payments	\$42.6 million (43.5% of deferrals)

Deferrals by Chain Scale



Portfolio by State

(\$ in millions)



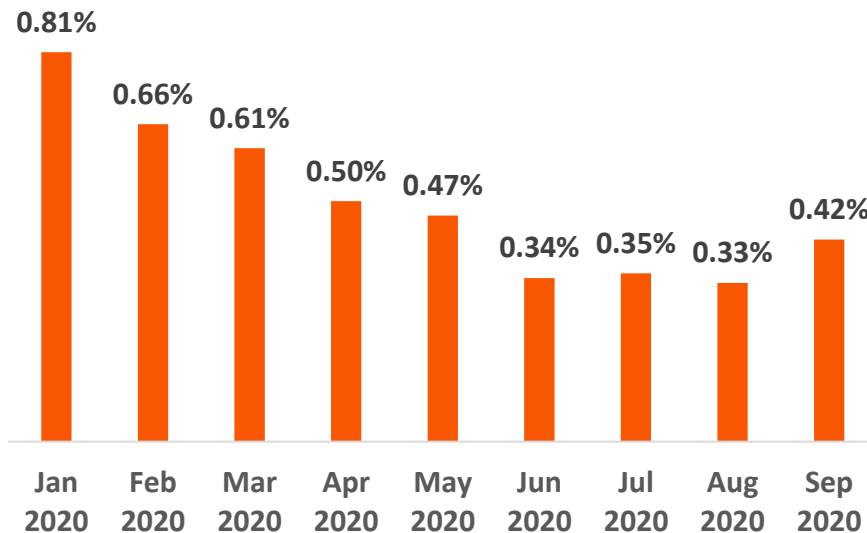


GreenSky Consumer Loan Portfolio Overview

Portfolio Characteristics (as of 9/30/20)

Total Outstanding	\$768.6 million (15.6% of total loans)
Number of Loans	330,751
Average Loan Size	\$2,324
Average FICO Score	763
Total Deferred Loans (as of June 30, 2020)	\$35.8 million (5.3% of portfolio)
Total Deferred Loans (as of September 30, 2020)	\$8.1 million (1.1% of portfolio)

Delinquency Rate (greater than 60 days)



Prime Credit

- Average FICO score of 763
- No losses to MSBI in 9 year history of the portfolio
- Portfolio can be sold to provide liquidity; Loan sales were executed at par in Sep and Oct 2020

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 20 of past 21 months including every month in 2020
- Escrow deposits
 - Escrow deposits absorb losses in excess of cash flow waterfall
 - Escrow account totaled \$30.6 million at 9/30/20 or 4.0% of the portfolio

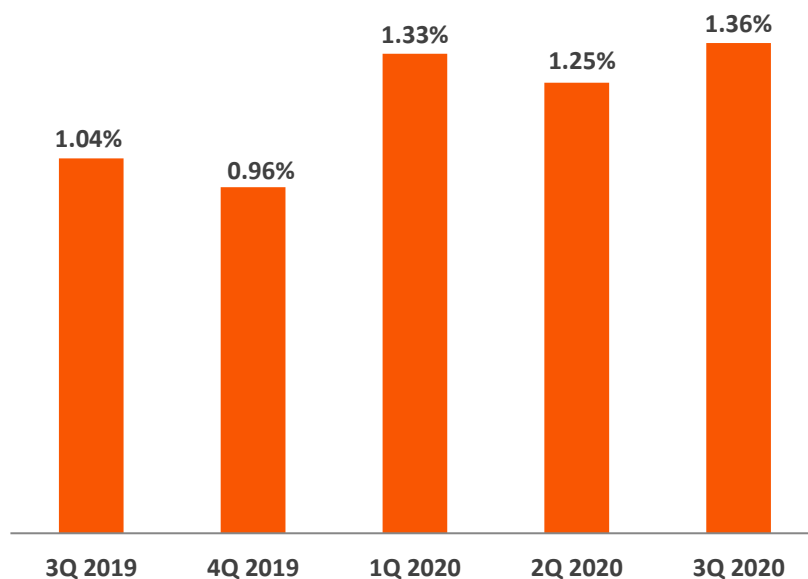


Asset Quality

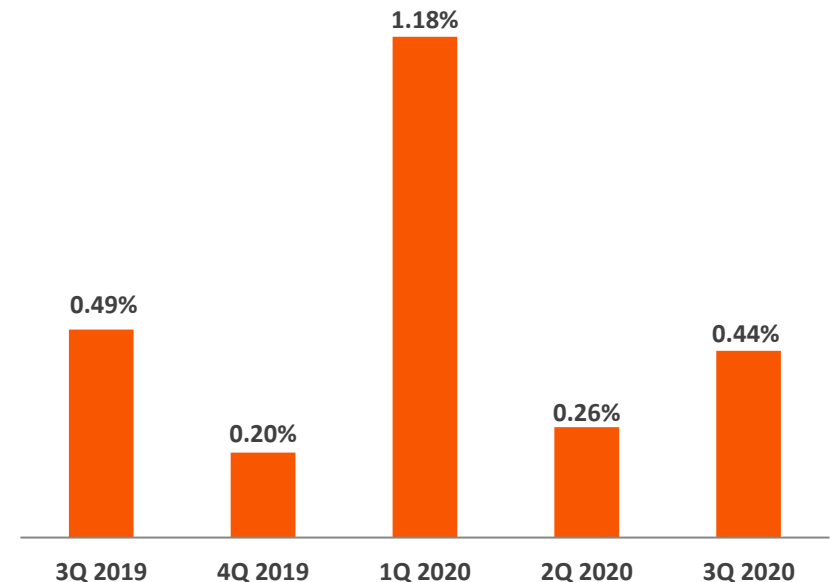
- **Nonperforming loans/total loans increased to 1.36% from 1.25% at the end of the prior quarter, primarily due to the addition of three CRE loans**
- **Net charge-offs of \$5.3 million, or 0.44% of average loans, reflects charge-offs taken against the three CRE loans moved into NPL in 3Q20**
- **Provision for loan losses of \$11.0 million in 3Q20 primarily reflects the higher level of net charge-offs experienced in the quarter**
- **At 9/30/20, approximately 96% of ACL was allocated to general reserves**

Nonperforming Loans / Total Loans

(Total Loans as of quarter-end)



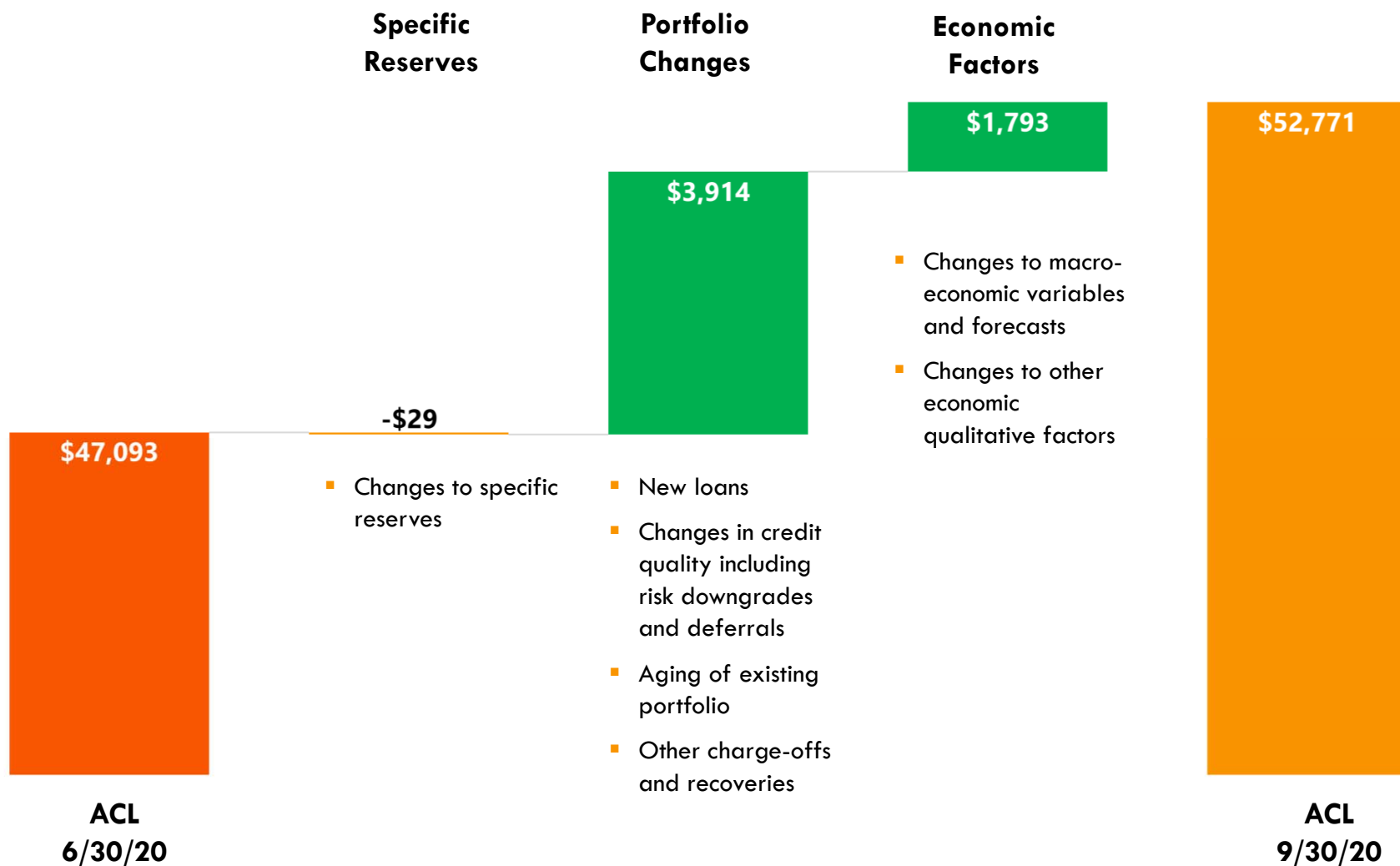
NCO / Average Loans





Changes in Allowance for Credit Losses

(\$ in thousands)





ACL by Portfolio

(\$ in thousands)

Portfolio	Total Loans at 9/30/20	ACL	% of Total Loans	Total Loans at 6/30/20	ACL	% of Total Loans
Commercial	\$ 729,745	\$ 7,846	1.08%	\$ 715,206	\$ 4,916	0.69%
Warehouse Lines	136,761	-	0.00%	127,568	-	0.00%
Commercial Other	813,412	10,014	1.23%	767,175	7,297	0.95%
Equipment Finance	420,003	9,285	2.21%	376,499	6,553	1.74%
Paycheck Protection Program	277,553	416	0.15%	276,007	414	0.15%
Lease Financing	395,534	4,814	1.22%	374,054	6,155	1.65%
CRE non-owner occupied	824,311	12,533	1.52%	804,147	10,247	1.27%
CRE owner occupied	442,692	4,927	1.11%	465,217	6,378	1.37%
Multi-family	149,290	3,475	2.33%	142,194	2,982	2.10%
Farmland	80,465	454	0.56%	83,625	689	0.82%
Construction and Land Development	177,894	1,802	1.01%	207,593	1,512	0.73%
Residential RE First Lien	380,402	3,702	0.97%	411,635	3,960	0.96%
Other Residential	90,427	877	0.97%	97,818	870	0.89%
Consumer	82,912	388	0.47%	81,447	354	0.43%
Consumer Other ⁽¹⁾	774,382	1,939	0.25%	689,312	1,733	0.25%
Total Loans	4,941,466	52,771	1.07%	4,839,423	47,093	0.97%
Loans (excluding GreenSky, PPP and warehouse lines)	3,698,097	50,299	1.36%	3,698,092	44,835	1.21%

Notes:

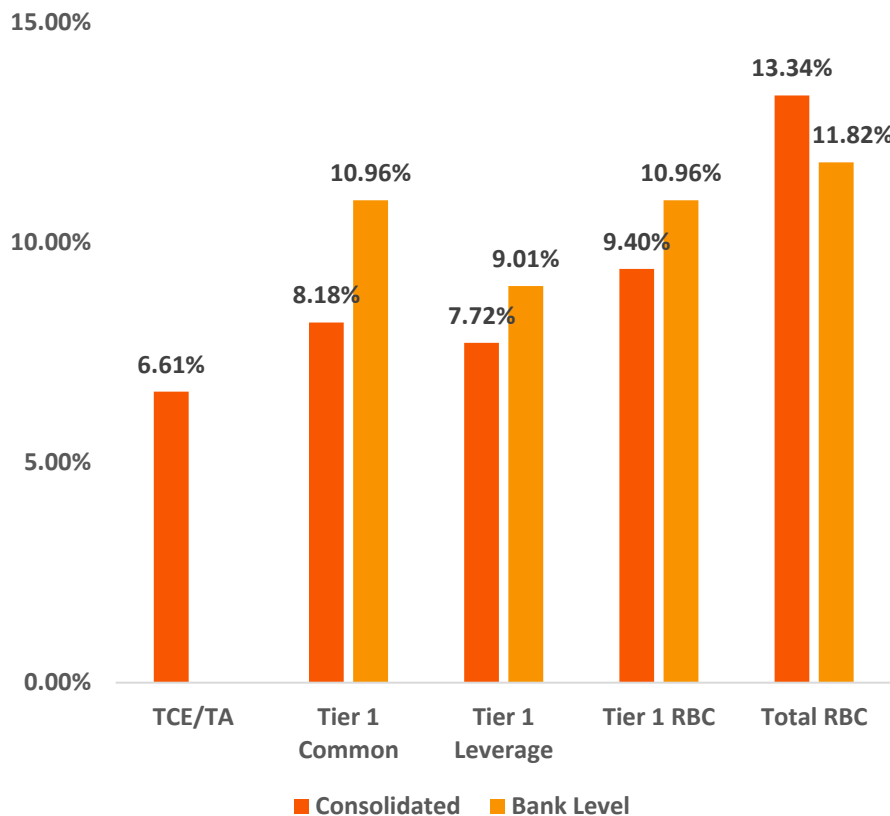
(1) Primarily consists of loans originated through GreenSky relationship



Capital and Liquidity Overview

Capital Ratios

(as of 9/30/20)



Liquidity Sources

(as of 9/30/20)

(\$ in millions)

Cash and Cash Equivalents	\$ 416.2
Unpledged Securities	188.7
FHLB Committed Liquidity	451.2
FRB Discount Window Availability	<u>52.7</u>
Primary Liquidity	<u>1,153.8</u>
FRB – PPP Liquidity Facility ⁽¹⁾	<u>250.0</u>
Secondary Liquidity	<u>250.0</u>
Total Estimated Liquidity	<u>\$ 1,403.8</u>

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 \$62.6 Million



Outlook

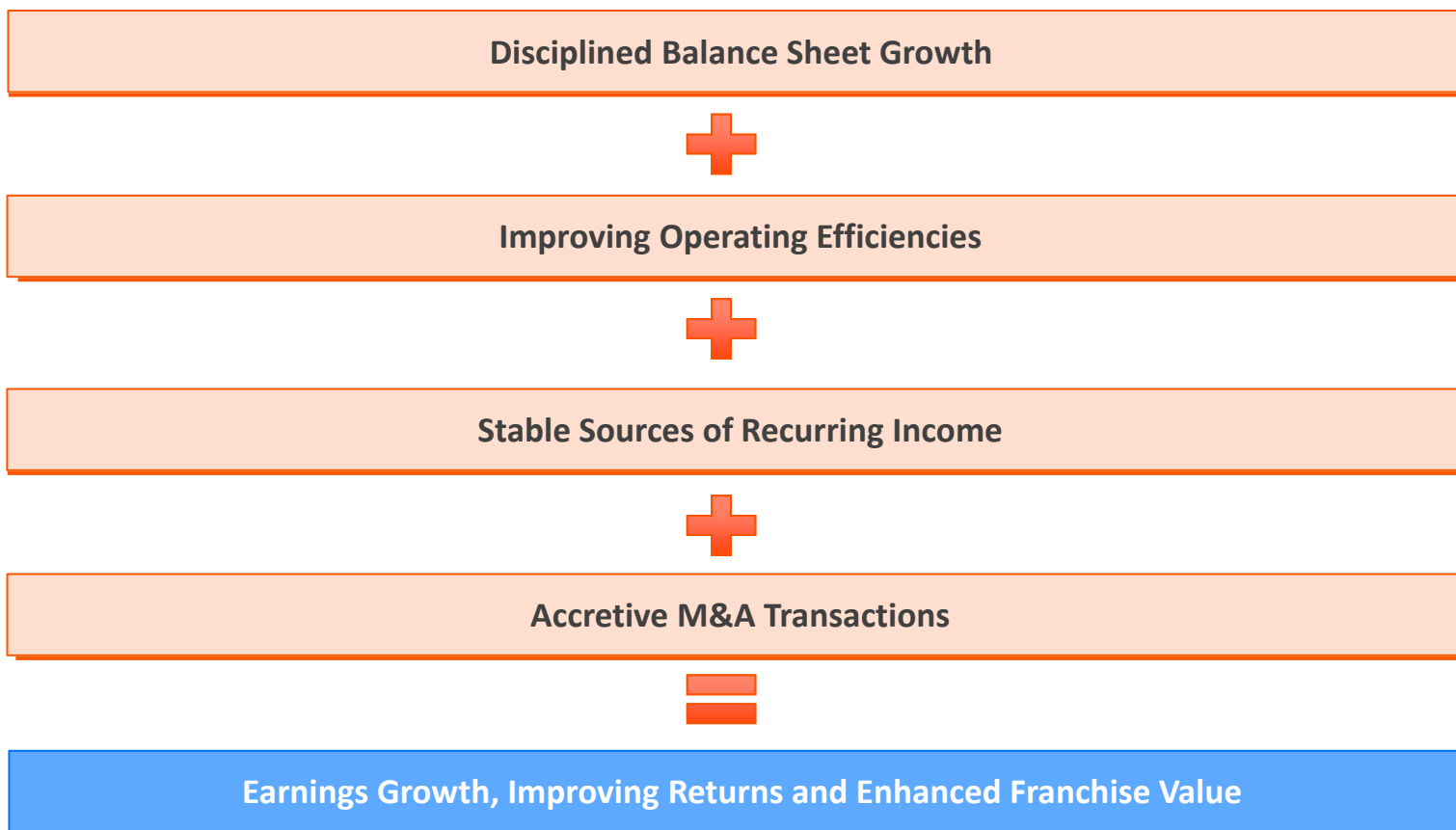


Outlook and Near-Term Priorities

- **Maintain strong capital and liquidity positions to continue supporting clients and communities through the duration of the COVID-19 pandemic**
- **Continue capitalizing on areas of near-term demand to drive additional loan growth**
- **Implement branch network and corporate facilities reduction plan**
- **Continue evaluating opportunities to optimize our cost structure**
- **Position Midland for more consistent financial performance and earnings growth as the economy strengthens**



Long-Term Formula for Enhancing Shareholder Value





APPENDIX



Appendix: Reconciliation of TBV Per Share

(dollars in thousands, except per share data)	As of December 31,										As of September 30, 2020
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Shareholders' Equity to Tangible Common Equity—as converted:											
Total shareholders' equity—GAAP	\$ 109,208	\$ 126,953	\$ 130,918	\$ 149,440	\$ 219,456	\$ 232,880	\$ 321,770	\$ 449,545	\$ 608,525	\$ 661,911	\$ 621,880
Adjustments:											
Preferred stock	(47,370)	(57,370)	(57,370)	(57,370)	-	-	-	(2,970)	(2,781)	-	-
Goodwill	(7,582)	(7,582)	(7,732)	(7,732)	(47,946)	(46,519)	(48,836)	(98,624)	(164,673)	(171,758)	(161,904)
Other intangibles	(13,234)	(10,740)	(8,485)	(8,189)	(9,464)	(7,004)	(7,187)	(16,932)	(37,376)	(34,886)	(29,938)
Tangible Common Equity	\$ 41,022	\$ 51,261	\$ 57,331	\$ 76,149	\$ 162,046	\$ 179,357	\$ 265,747	\$ 331,019	\$ 403,695	\$ 455,267	\$ 430,038
Adjustments:											
Preferred stock	47,370	57,370	57,370	57,370	-	-	-	-	-	-	-
Warrants	11,300	-	-	-	-	-	-	-	-	-	-
Tangible Common Equity—as converted ⁽¹⁾	\$ 99,692	\$ 108,631	\$ 114,701	\$ 133,519	\$ 162,046	\$ 179,357	\$ 265,747	\$ 331,019	\$ 403,695	\$ 455,267	\$ 430,038
Total Assets to Tangible Assets:											
Total assets—GAAP	\$ 1,642,376	\$ 1,520,762	\$ 1,572,064	\$ 1,739,548	\$ 2,676,614	\$ 2,884,824	\$ 3,233,723	\$ 4,412,701	\$ 5,637,673	\$ 6,087,017	\$ 6,700,045
Adjustments:											
Goodwill	(7,582)	(7,582)	(7,732)	(7,732)	(47,946)	(46,519)	(48,836)	(98,624)	(164,673)	(171,758)	(161,904)
Other intangibles	(13,234)	(10,740)	(8,485)	(8,189)	(9,464)	(7,004)	(7,187)	(16,932)	(37,376)	(34,886)	(29,938)
Tangible Assets	\$ 1,621,560	\$ 1,502,440	\$ 1,555,847	\$ 1,723,627	\$ 2,619,204	\$ 2,831,301	\$ 3,177,700	\$ 4,297,145	\$ 5,435,624	\$ 5,880,373	\$ 6,508,203
Common Shares Outstanding—as converted:											
Common shares outstanding	4,164,030	4,198,947	4,257,319	4,620,026	11,725,158	11,797,404	15,483,499	19,122,049	23,751,798	24,420,345	22,602,844
Adjustments:											
Upon conversion of preferred stock	3,795,549	3,739,028	3,739,028	3,772,664	-	-	-	-	-	-	-
Common Shares Outstanding—as converted ⁽¹⁾	7,959,579	7,937,975	7,996,347	8,392,690	11,725,158	11,797,404	15,483,499	19,122,049	23,751,798	24,420,345	22,602,844
Tangible Common Equity to Tangible Assets	2.53 %	3.41 %	3.68 %	4.42 %	6.19 %	6.33 %	8.36 %	7.70 %	7.43 %	7.74 %	6.61
Tangible Book Value Per Share—as converted ⁽¹⁾	\$ 12.52	\$ 13.68	\$ 14.34	\$ 15.91	\$ 13.82	\$ 15.20	\$ 17.16	\$ 17.31	\$ 17.00	\$ 18.64	\$ 19.03

Notes:

(1) As converted represents amount per common share with all preferred shares that were outstanding prior to December 31, 2014 converted into common shares.



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

Adjusted Earnings Reconciliation

	For the Quarter Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
<i>(dollars in thousands, except per share data)</i>					
Income before income taxes - GAAP	\$ 3,270	\$ 15,993	\$ 2,005	\$ 16,071	\$ 16,670
Adjustments to noninterest income:					
Gain on sales of investment securities, net	1,721	-	-	635	25
Other	(17)	11	(13)	(6)	-
Total adjustments to noninterest income	<u>1,704</u>	<u>11</u>	<u>(13)</u>	<u>629</u>	<u>25</u>
Adjustments to noninterest expense:					
Loss (gain) on mortgage servicing rights held for sale	188	391	496	95	(70)
Loss on repurchase of subordinated debt	-	-	193	1,778	-
Impairment related to branch optimization	12,651	60	146	-	3,229
Integration and acquisition expenses	1,199	(6)	885	3,332	2,063
Total adjustments to noninterest expense	<u>14,038</u>	<u>445</u>	<u>1,720</u>	<u>5,205</u>	<u>5,222</u>
Adjusted earnings pre tax	15,604	16,427	3,738	20,647	21,867
Adjusted earnings tax	3,581	3,543	932	4,537	5,445
Adjusted earnings - non-GAAP	<u>12,023</u>	<u>12,884</u>	<u>2,806</u>	<u>16,110</u>	<u>16,422</u>
Preferred stock dividends, net	-	-	-	-	(22)
Adjusted earnings available to common shareholders - non-GAAP	<u>\$ 12,023</u>	<u>\$ 12,884</u>	<u>\$ 2,806</u>	<u>\$ 16,110</u>	<u>\$ 16,444</u>
Adjusted diluted earnings per common share	\$ 0.52	\$ 0.55	\$ 0.11	\$ 0.64	\$ 0.66
Adjusted return on average assets	0.72 %	0.78 %	0.19 %	1.04 %	1.09 %
Adjusted return on average shareholders' equity	7.56 %	8.20 %	1.73 %	9.71 %	10.01 %
Adjusted return on average tangible common equity	11.04 %	12.14 %	2.53 %	14.15 %	14.52 %



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

Efficiency Ratio Reconciliation

	For the Quarter Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
<i>(dollars in thousands)</i>					
Noninterest expense - GAAP	\$ 54,659	\$ 40,782	\$ 42,675	\$ 46,325	\$ 48,025
(Loss) gain on mortgage servicing rights held for sale	(188)	(391)	(496)	(95)	70
Loss on repurchase of subordinated debt	-	-	(193)	(1,778)	-
Impairment related to branch optimization	(12,651)	(60)	(146)	-	(3,229)
Integration and acquisition expenses	(1,199)	6	(885)	(3,332)	(2,063)
Adjusted noninterest expense	<u>\$ 40,621</u>	<u>\$ 40,337</u>	<u>\$ 40,955</u>	<u>\$ 41,120</u>	<u>\$ 42,803</u>
Net interest income - GAAP	\$ 49,980	\$ 48,989	\$ 46,651	\$ 48,687	\$ 49,450
Effect of tax-exempt income	430	438	485	474	502
Adjusted net interest income	<u>50,410</u>	<u>49,427</u>	<u>47,136</u>	<u>49,161</u>	<u>49,952</u>
Noninterest income - GAAP	\$ 18,919	\$ 19,396	\$ 8,598	\$ 19,014	\$ 19,606
Loan servicing rights impairment	1,418	107	8,468	1,613	1,060
Gain on sales of investment securities, net	(1,721)	-	-	(635)	(25)
Other	17	(11)	13	6	-
Adjusted noninterest income	<u>18,633</u>	<u>19,492</u>	<u>17,079</u>	<u>19,998</u>	<u>20,641</u>
Adjusted total revenue	<u>\$ 69,043</u>	<u>\$ 68,919</u>	<u>\$ 64,215</u>	<u>\$ 69,159</u>	<u>\$ 70,593</u>
Efficiency ratio	58.83 %	58.53 %	63.78 %	59.46 %	60.63 %



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				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
<i>(dollars in thousands, except per share data)</i>					
Shareholders' Equity to Tangible Common Equity					
Total shareholders' equity—GAAP	\$ 621,880	\$ 633,589	\$ 631,160	\$ 661,911	\$ 655,522
Adjustments:					
Preferred stock	-	-	-	-	-
Goodwill	(161,904)	(172,796)	(172,796)	(171,758)	(171,074)
Other intangibles, net	(29,938)	(31,495)	(33,124)	(34,886)	(36,690)
Tangible common equity	<u>\$ 430,038</u>	<u>\$ 429,298</u>	<u>\$ 425,240</u>	<u>\$ 455,267</u>	<u>\$ 447,758</u>
Total Assets to Tangible Assets:					
Total assets—GAAP	\$ 6,700,045	\$ 6,644,498	\$ 6,208,230	\$ 6,087,017	\$ 6,113,904
Adjustments:					
Goodwill	(161,904)	(172,796)	(172,796)	(171,758)	(171,074)
Other intangibles, net	(29,938)	(31,495)	(33,124)	(34,886)	(36,690)
Tangible assets	<u>\$ 6,508,203</u>	<u>\$ 6,440,207</u>	<u>\$ 6,002,310</u>	<u>\$ 5,880,373</u>	<u>\$ 5,906,140</u>
Common Shares Outstanding	22,602,844	22,937,296	23,381,496	24,420,345	24,338,748
Tangible Common Equity to Tangible Assets	6.61 %	6.67 %	7.08 %	7.74 %	7.58 %
Tangible Book Value Per Share	\$ 19.03	\$ 18.72	\$ 18.19	\$ 18.64	\$ 18.40

Return on Average Tangible Common Equity (ROATCE)

	For the Quarter Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
<i>(dollars in thousands)</i>					
Net income available to common shareholders	\$ 86	\$ 12,569	\$ 1,549	\$ 12,792	\$ 12,677
Average total shareholders' equity—GAAP	\$ 632,879	\$ 631,964	\$ 652,701	\$ 658,497	\$ 651,162
Adjustments:					
Preferred stock	-	-	-	-	(814)
Goodwill	(168,771)	(172,796)	(171,890)	(171,082)	(166,389)
Other intangibles, net	(30,690)	(32,275)	(33,951)	(35,745)	(34,519)
Average tangible common equity	<u>\$ 433,418</u>	<u>\$ 426,893</u>	<u>\$ 446,860</u>	<u>\$ 451,670</u>	<u>\$ 449,440</u>
ROATCE	0.08 %	11.84 %	1.39 %	11.24 %	11.19 %