Midland States Bancorp, Inc.
NASDAQ: MSBI

Fourth Quarter 2022 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 the Company'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 the Company undertakes no obligation to update any statement. A number of factors, many of which are beyond the ability of the Company 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 pandemic and its potential effects on the economic environment, changes in interest rates and other general economic, business and political conditions, and the impact of inflation. 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 the Company and its businesses, including additional factors that could materially affect the Company's financial results, are included in the Company'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 Earnings Available to Common Shareholders," "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, Pre-Provision Income," "Adjusted Pre-Tax, Pre-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 4Q22

Strong Financial Performance

- Net income available to common shareholders of $29.7 million, or $1.30 diluted EPS
- Results include $17.5 million gain on the termination of forward starting swaps, $3.3 million loss on commercial mortgage servicing rights held for sale and $3.5 million impairment on other real estate owned
- Pre-tax, pre-provision earnings[(1)] of $33.2 million
- GAAP ROAA of 1.66% and Adjusted ROAA[(1)] of 1.13%

Commercial Banking Continues to Drive Solid Loan Growth

- Total loans increased 7% annualized despite more selective approach to new loan production
- Growth primarily driven by increase in commercial loan portfolio
- Equipment financing portfolio surpasses $1.1 billion

Credit Quality Remains Strong

- Net charge-offs to average loans of 0.03%
- Slight increase in nonperforming loans
- No meaningful change in delinquencies and watch list loans
- Impairment on other real estate owned of $3.5 million

Increase in TBV and Capital Ratios

- Preferred stock offering completed in August 2022
- Preferred dividend of $3.2 million in the fourth quarter
- Tangible book value per share increased 4% from end of prior quarter
- Strong financial performance resulted in increase in most capital ratios

Notes:

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

Loan Portfolio

- **Total loans increased $108.0 million from prior quarter to $6.31 billion**
- **Growth primarily driven by increases in commercial and construction loans**
- **Equipment finance balances increased $73.6 million, or 7% from end of prior quarter**

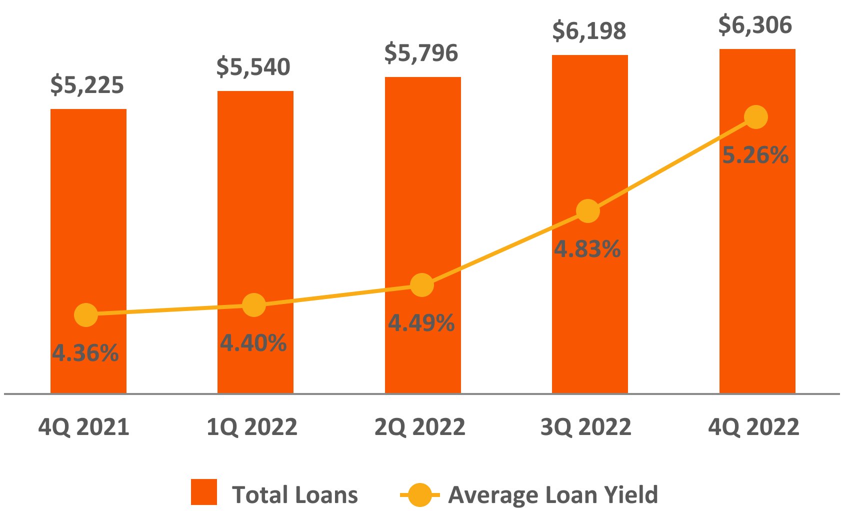
Loan Portfolio Mix

(in millions, as of quarter-end)

	4Q 2022	3Q 2022	4Q 2021
Commercial loans and leases	$ 2,006	$ 1,994	$ 1,873
Commercial real estate	2,433	2,466	1,817
Construction and land development	321	226	194
Residential real estate	366	356	338
Consumer	1,180	1,156	1,003
Total Loans	**$ 6,306**	**$ 6,198**	**$ 5,225**
Total Loans ex. Commercial FHA Lines and PPP	**$ 6,280**	**$ 6,144**	**$ 5,080**

Total Loans and Average Loan Yield

(in millions, as of quarter-end)



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Total Deposits

- **Small decline in total deposits**
- **Decline in noninterest-bearing deposits attributable to lower period-end balances of commercial FHA servicing deposits and commercial depositors moving excess liquidity into interest-bearing accounts**
- **Selectively raising rates on deposits in order to continue funding attractive lending opportunities with new commercial clients**

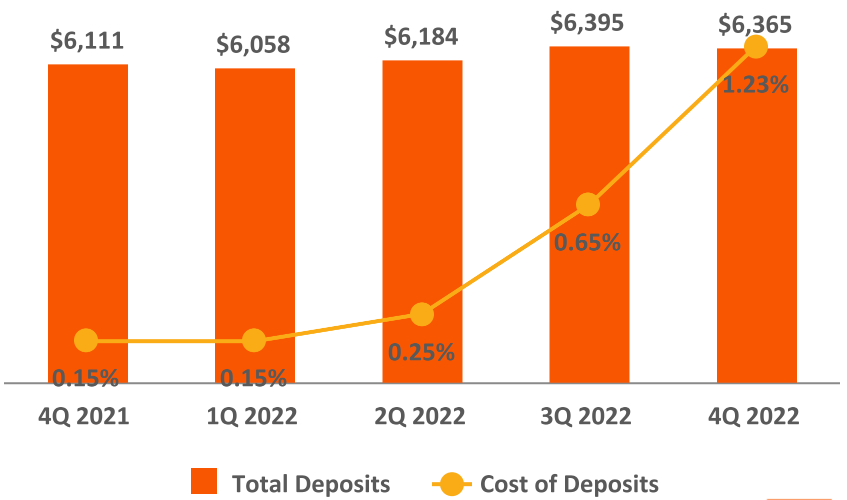
Deposit Mix

(in millions, as of quarter-end)

	4Q 2022	3Q 2022	4Q 2021
Noninterest-bearing demand	$ 1,936	$ 2,025	$ 2,246
Interest-bearing:			
Checking	$ 1,920	$ 1,905	$ 1,663
Money market	$ 1,184	$ 1,125	$ 869
Savings	$ 662	$ 704	$ 679
Time	$ 650	$ 621	$ 631
Brokered time	$ 13	$ 14	$ 23
Total Deposits	**$ 6,365**	**$ 6,395**	**$ 6,111**

Total Deposits and Cost of Deposits

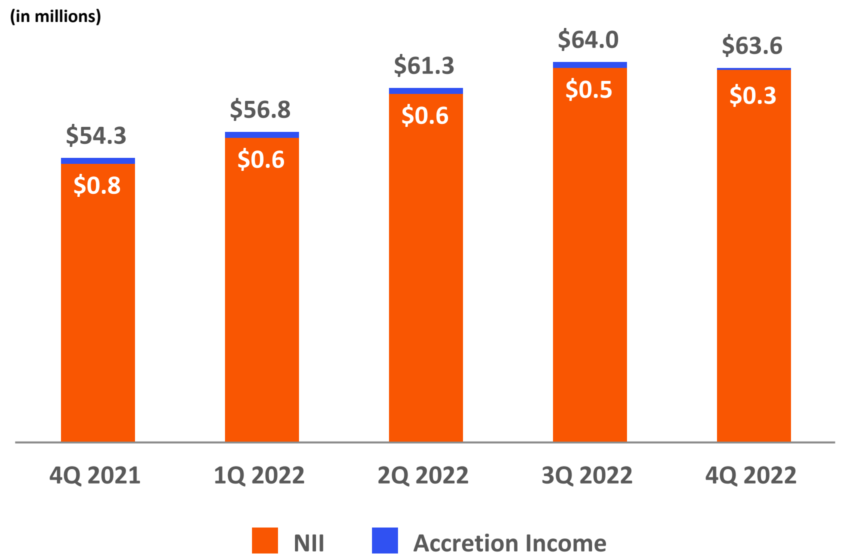
(in millions, as of quarter-end)



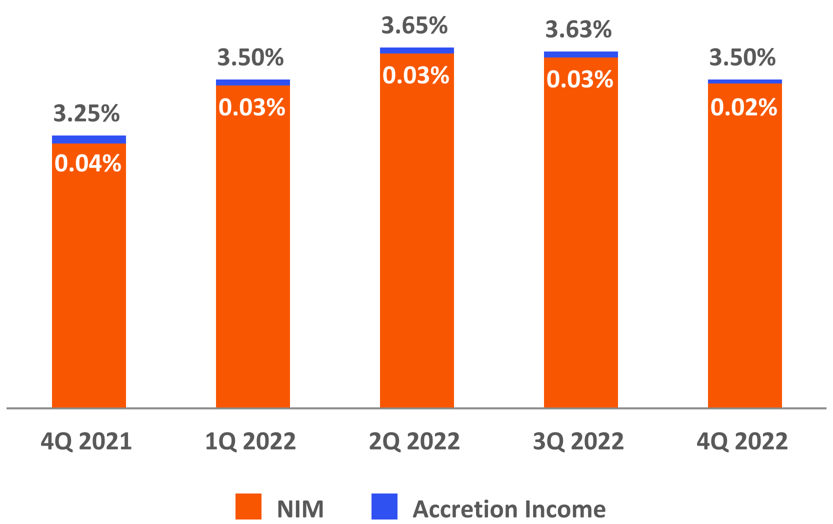
Net Interest Income/Margin

- Net interest income down slightly from prior quarter as higher average balance of interest-earning assets was offset by an increase in cost of interest-bearing liabilities
- Net interest margin decreased 13 bps from prior quarter as the increase in cost of deposits exceeded the increase in the average yield on earning assets
- Average rate on new and renewed loan originations increased 157 bps to 7.10% in December 2022 from 5.53% in September 2022
- Termination of forward starting swaps moved the balance sheet into a more neutral interest rate sensitivity position

Net Interest Income



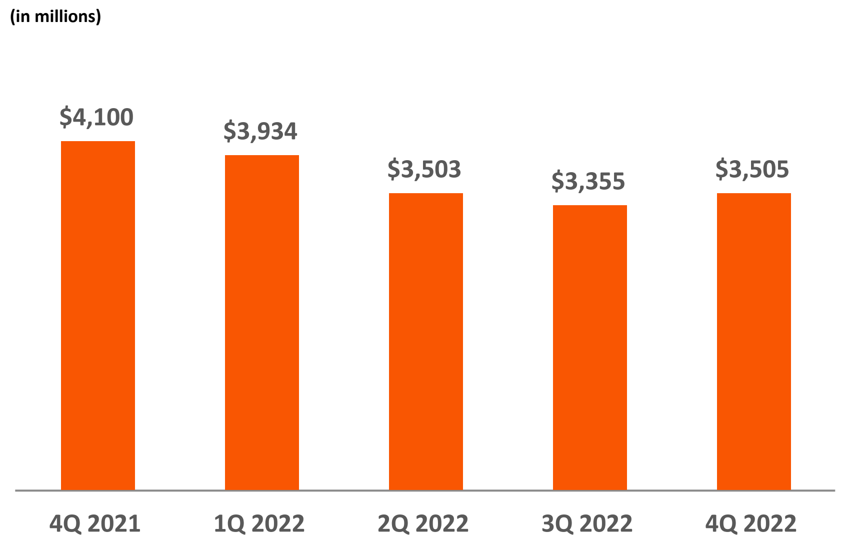
Net Interest Margin



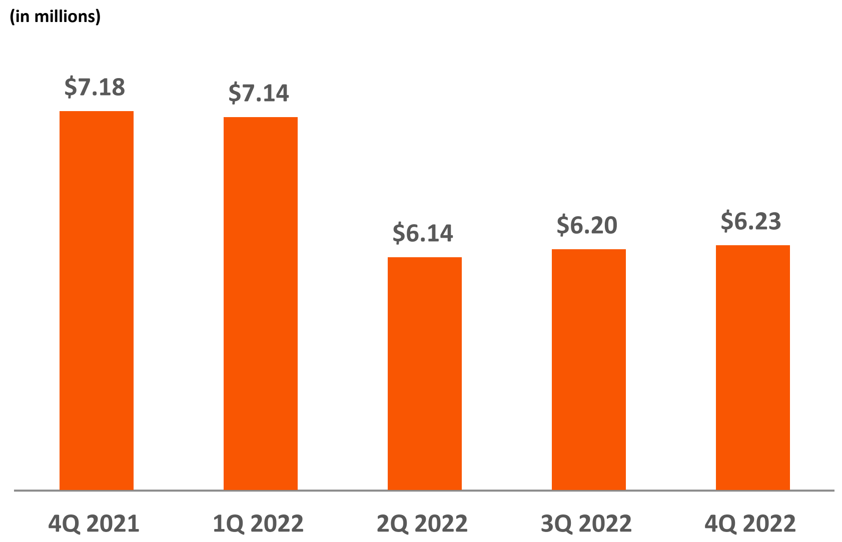
Wealth Management

- **During 4Q22, assets under administration increased $150.4 million, primarily due to increased business generation and improved market performance**
- **Increase in AUA resulted in slight increase in Wealth Management revenue compared to the prior quarter**

Assets Under Administration



Wealth Management Revenue



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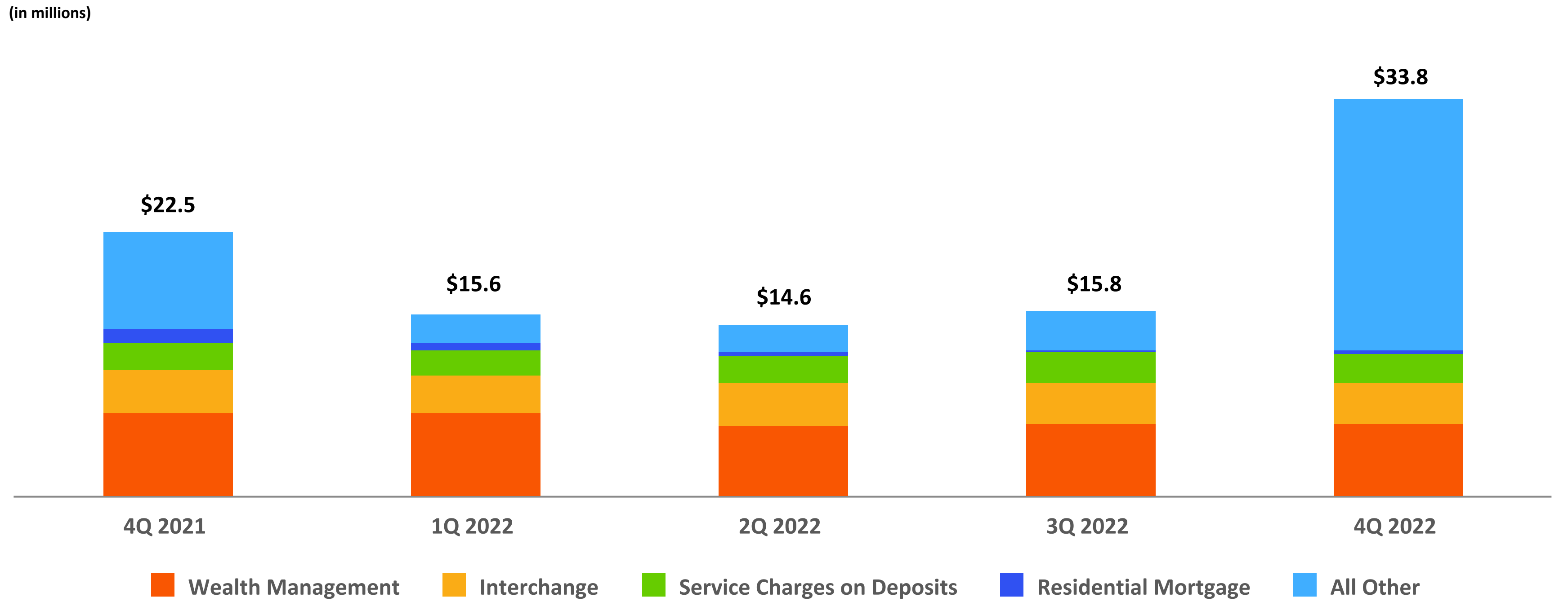
Noninterest Income

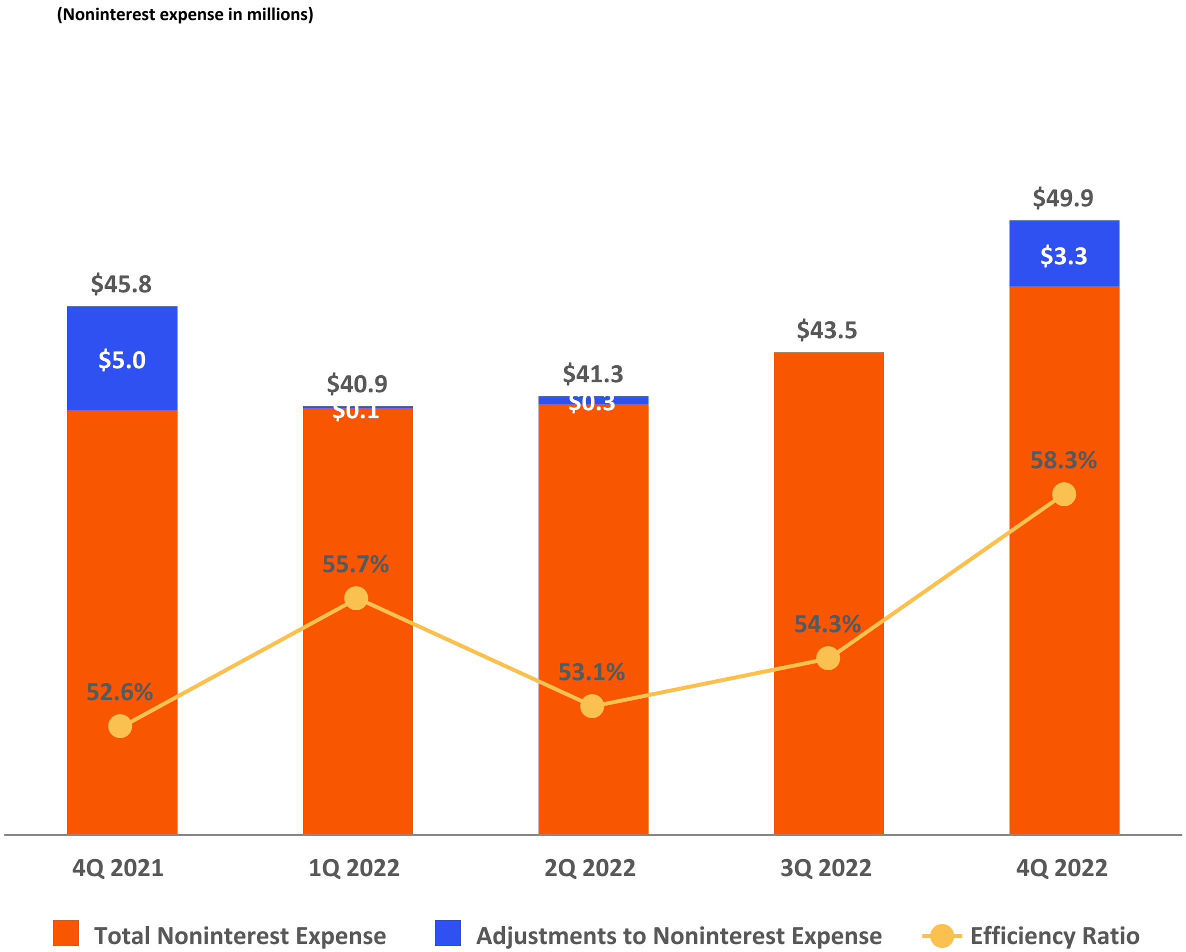
- Noninterest income positively impacted by $17.5 million gain on termination of forward starting interest rate swaps
- Excluding gain, most fee generating areas were relatively consistent with prior quarter
- Planned sale of commercial MSR portfolio with transaction expected to close during second half of 2023

Noninterest Income



Noninterest Expense and Operating Efficiency

Noninterest Expense and Efficiency Ratio [1]



- Efficiency Ratio [1] was 58.3% in 4Q22 vs. 54.3% in 3Q22
- Adjustments to non-interest expense:

($ in millions)	4Q 2022	3Q 2022
Loss on mortgage servicing rights held for sale	$3.3	--

- 4Q22 includes a $3.5 million impairment on other real estate owned
- Excluding these items, all other areas of noninterest expense were relatively consistent with the prior quarter
- Near-term operating expense run-rate expected to be $43 - $44 million

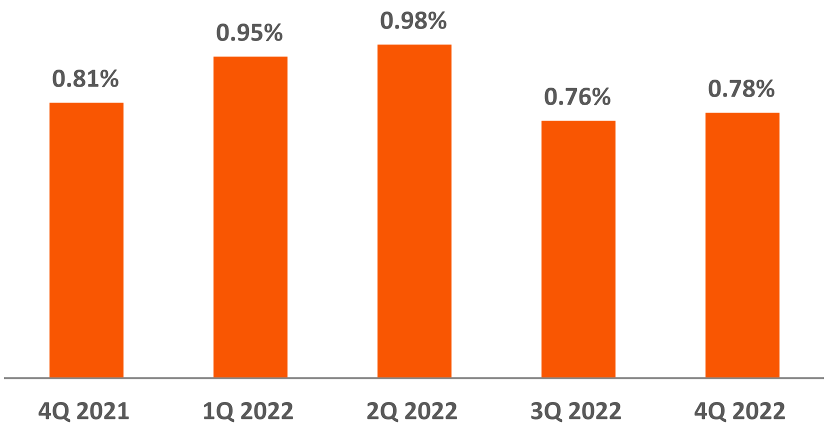
Notes:
(1) Represents a non-GAAP financial measure. See "Non-GAAP Reconciliation" in the appendix.

Asset Quality

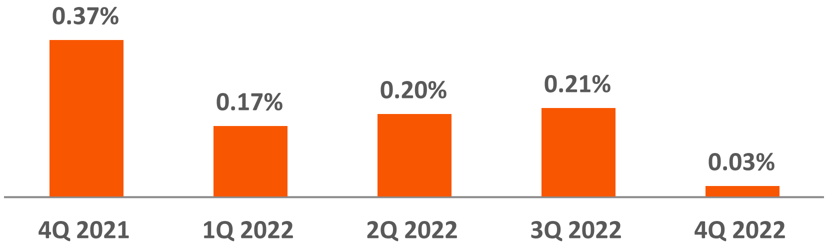
- Nonperforming loans increased $2.5 million primarily due to one commercial real estate loan
- Delinquencies in consumer portfolio remain low
- Net charge-offs to average loans was 0.03%
- Provision for credit losses on loans of $3.0 million primarily related to the growth in total loans and impact of negative economic forecasts

Nonperforming Loans / Total Loans

(Total Loans as of quarter-end)



NCO / Average Loans



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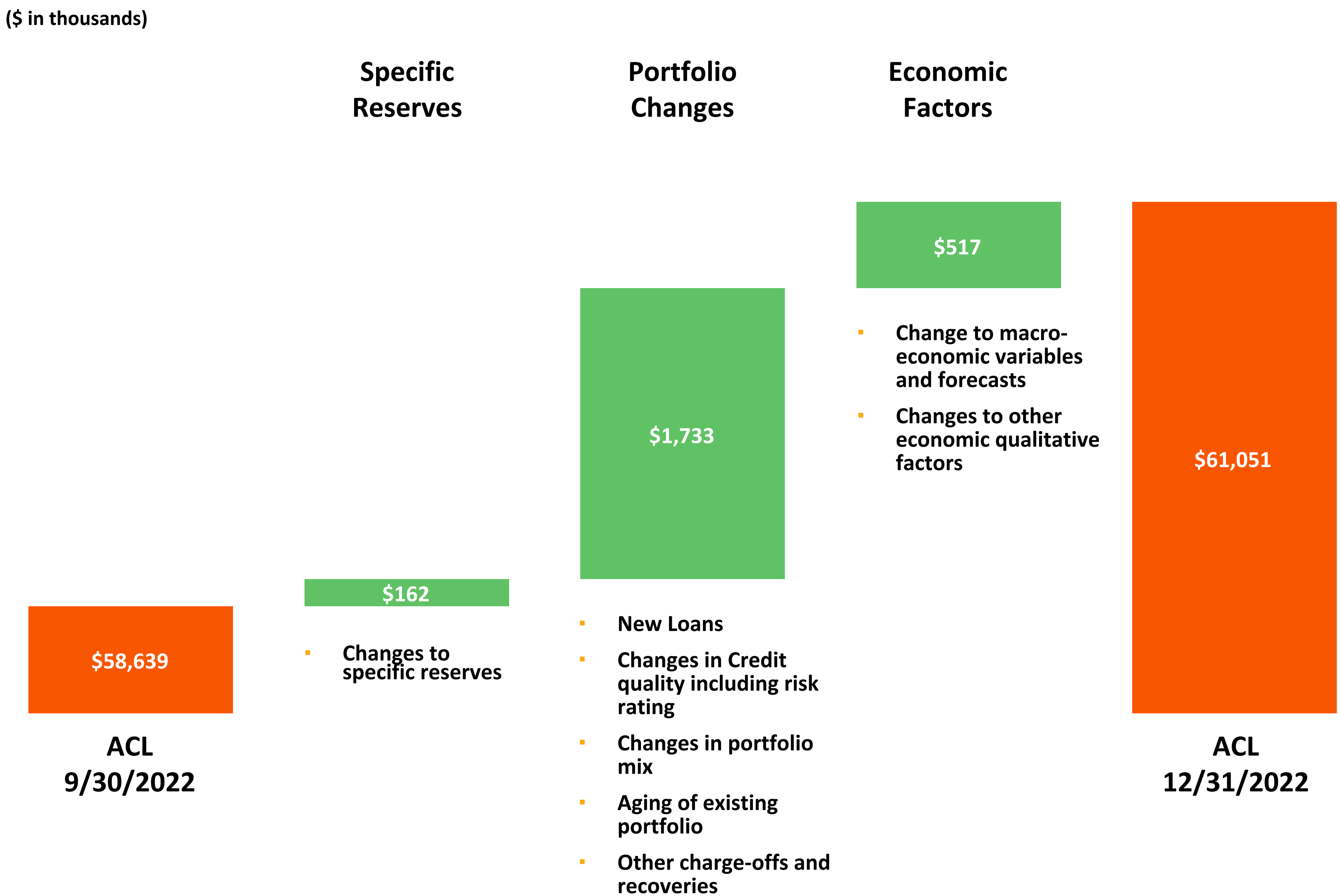
Changes in Allowance for Credit Losses



ACL by Portfolio

($ in thousands)	December 31, 2022			September 30, 2022		
Portfolio	Loans	ACL	% of Total Loans	Loans	ACL	% of Total Loans
Commercial	$ 786,877	$ 4,706	0.60 %	$ 852,930	$ 5,745	0.67 %
Warehouse Lines	25,029	—	— %	51,309	—	— %
Commercial Other	727,697	9,933	1.36 %	683,353	8,620	1.26 %
Equipment Finance Loans	616,751	9,666	1.57 %	577,323	8,307	1.44 %
Paycheck Protection Program	1,916	3	0.16 %	2,810	4	0.14 %
Equipment Finance Leases	491,744	6,788	1.38 %	457,611	6,678	1.46 %
CRE non-owner occupied	1,591,399	18,649	1.17 %	1,567,308	19,141	1.22 %
CRE owner occupied	496,786	7,447	1.50 %	505,174	5,818	1.15 %
Multi-family	277,889	2,702	0.97 %	328,473	3,105	0.95 %
Farmland	67,085	491	0.73 %	65,348	366	0.56 %
Construction and Land Development	320,882	2,435	0.76 %	225,549	1,591	0.71 %
Residential RE First Lien	304,243	3,717	1.22 %	294,432	3,686	1.25 %
Other Residential	61,851	584	0.94 %	61,793	485	0.78 %
Consumer	105,880	636	0.60 %	110,226	594	0.54 %
Consumer Other[(1)]	1,074,134	2,963	0.28 %	1,046,254	2,810	0.27 %
Total Loans	**6,306,467**	**61,051**	**0.97 %**	**6,198,451**	**58,639**	**0.95 %**
Loans (excluding GreenSky, PPP and warehouse lines)	5,143,343	57,897	1.13 %	5,036,227	55,636	1.10 %

Notes:

(1) Primarily consists of loans originated through GreenSky relationship

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2023 Outlook and Priorities

- **Continue generating strong financial performance and higher level of profitability while maintaining conservative approach to new loan production**
- **Loan growth will continue to be driven by a more productive commercial banking team, greater exposure to higher growth markets, and equipment finance business**
- **Maintain disciplined expense management while getting further leverage from investments in talent and technology made over the past few years**
- **Accelerated exit planned from GreenSky partnership to positively impact liquidity and capital with minimal impact on earnings**
- **Highly selective approach to adding partnerships in Banking-as-a-Service initiative with primary focus on deposit gathering in 2023**
- **Investing in Wealth Management business to generate higher rate of organic growth**
- **Loan portfolio expected to continue performing well with minimal exposure to those areas most likely to be impacted by a recession**
- **Continue evaluating small, strategic M&A opportunities**
- **Higher level of profitability and lower level of balance sheet growth should result in further increase in capital ratios**

APPENDIX

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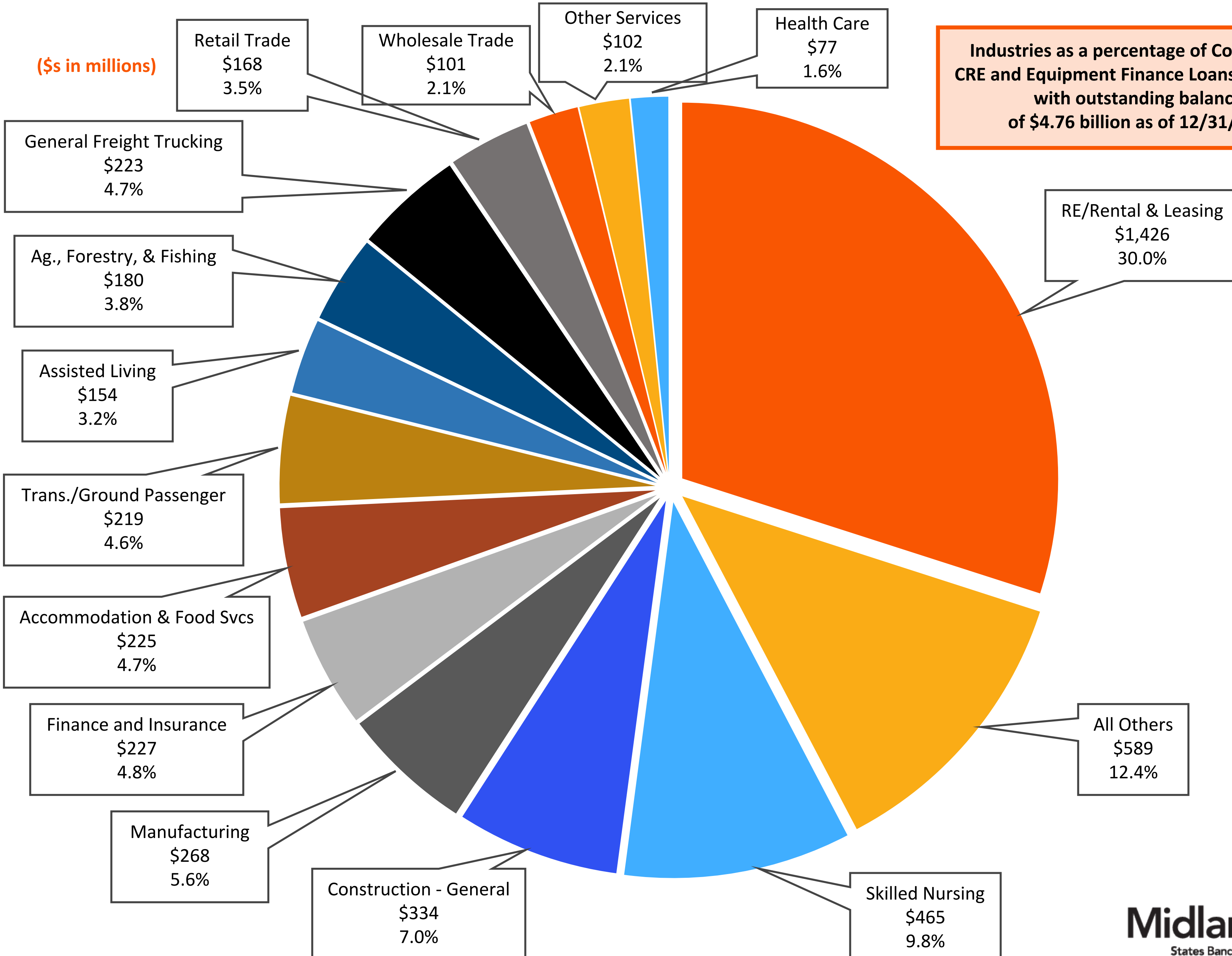
Commercial Loans and Leases by Industry

($s in millions)

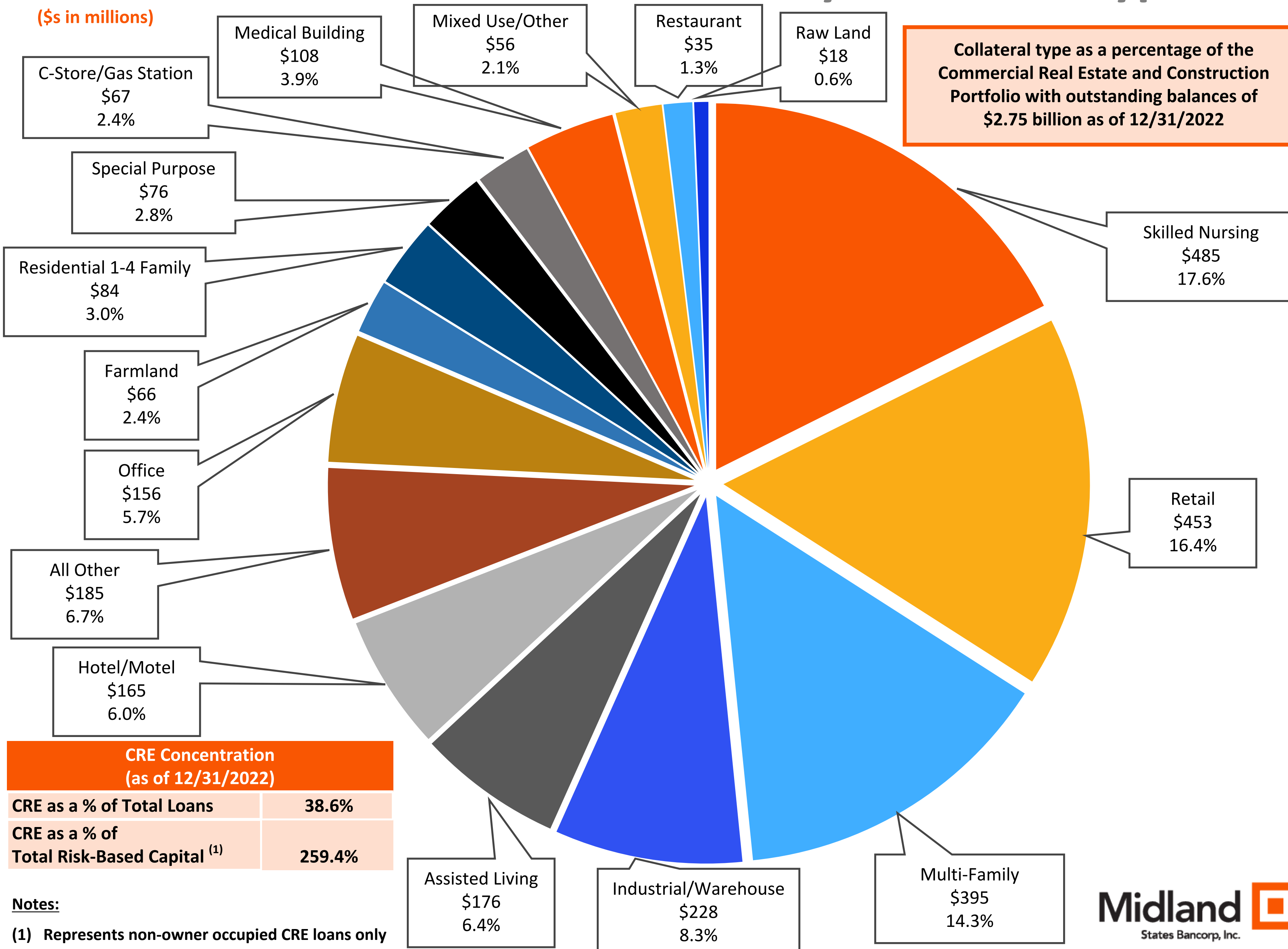


Industries as a percentage of Commercial, CRE and Equipment Finance Loans and Leases with outstanding balances of $4.76 billion as of 12/31/2022

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 $2.75 billion as of 12/31/2022



CRE Concentration (as of 12/31/2022)	
CRE as a % of Total Loans	**38.6%**
CRE as a % of Total Risk-Based Capital [(1)]	**259.4%**

Notes:

(1) Represents non-owner occupied CRE loans only

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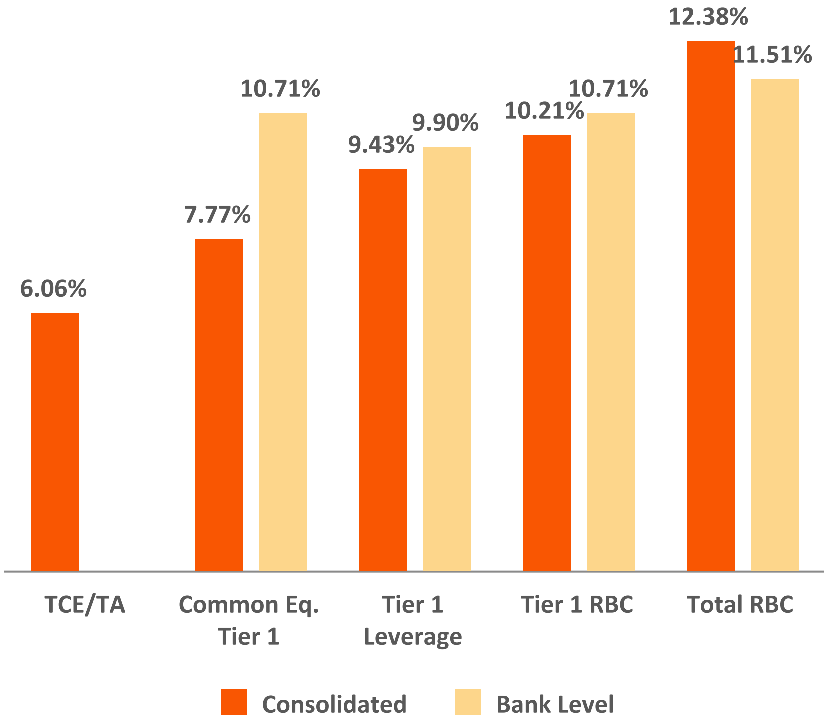
Capital Ratios and Strategy

Capital Strategy

- Strengthened capital ratios with issuance of $115 million of non-cumulative preferred stock in August 2022
  - Included in Tier 1 Regulatory Capital
  - 7.75% with reset at 5 years
- Reduced cost of funds by redeeming $40 million of sub-debt with rate of 6.25% in October
- Gain from forward starting swaps increased capital for fourth quarter
- Internal capital generated from strong profitability and slower balance sheet growth expected to raise TCE ratio to 7.00%-7.75% by the end of 2024
- Capital actions and strong profitability expected to enable MSBI to raise capital ratios while maintaining current dividend payout

Capital Ratios
(as of 12/31/2022)



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Liquidity Overview

Liquidity Sources
(as of 12/31/2022)

($ in millions)		
Cash and Cash Equivalents	$	150.3
Unpledged Securities		209.2
FHLB Committed Liquidity		997.4
FRB Discount Window Availability		12.2
Total Estimated Liquidity	**$**	**1,369.1**

Conditional Funding Based on Market Conditions		
Additional Credit Facility	$	250.0
Brokered CDs (additional capacity)	$	500.0

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)	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Income before income taxes - GAAP	$ 43,902	$ 29,380	$ 29,167	$ 27,389	$ 30,600
Adjustments to noninterest income:					
Loss on sales of investment securities, net	—	129	101	—	—
(Gain) on termination of hedged interest rate swaps	(17,531)	—	—	—	(1,845)
Total adjustments to noninterest income	(17,531)	129	101	—	(1,845)
Adjustments to noninterest expense:					
(Loss) on mortgage servicing rights held for sale	(3,250)	—	—	—	—
FHLB advances prepayment fees	—	—	—	—	(4,859)
Integration and acquisition expenses	—	68	(324)	(91)	(171)
Total adjustments to noninterest expense	(3,250)	68	(324)	(91)	(5,030)
Adjusted earnings pre tax	29,621	29,441	29,592	27,480	33,785
Adjusted earnings tax	7,174	5,873	7,401	6,665	8,369
Adjusted earnings - non-GAAP	22,447	23,568	22,191	20,815	25,416
Preferred stock dividends	3,169	—	—	—	—
Adjusted earnings available to common shareholders	$ 19,278	$ 23,568	$ 22,191	$ 20,815	$ 25,416
Adjusted diluted earnings per common share	$ 0.85	$ 1.04	$ 0.98	$ 0.92	$ 1.12
Adjusted return on average assets	1.13 %	1.22 %	1.21 %	1.16 %	1.39 %
Adjusted return on average shareholders' equity	11.89 %	13.34 %	13.84 %	12.84 %	15.44 %
Adjusted return on average tangible common equity	16.80 %	20.24 %	19.41 %	17.89 %	21.65 %

Adjusted Pre-Tax, Pre-Provision Earnings Reconciliation

	For the Quarter Ended				
(dollars in thousands)	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Adjusted earnings pre tax - non-GAAP	$ 29,621	$ 29,441	$ 29,592	$ 27,480	$ 33,785
Provision for credit losses	3,544	6,974	5,441	4,167	467
Impairment on commercial mortgage servicing rights	—	—	869	394	2,072
Adjusted pre-tax, pre-provision earnings - non-GAAP	$ 33,165	$ 36,415	$ 35,902	$ 32,041	$ 36,324
Adjusted pre-tax, pre-provision return on average assets	1.68 %	1.89 %	1.95 %	1.79 %	1.98 %

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

Efficiency Ratio Reconciliation

	For the Quarter Ended				
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
(dollars in thousands)					
Noninterest expense - GAAP	$ 49,943	$ 43,496	$ 41,339	$ 40,884	$ 45,757
Loss on mortgage servicing rights held for sale	(3,250)	—	—	—	—
FHLB advances prepayment fees	—	—	—	—	(4,859)
Integration and acquisition expenses	—	68	(324)	(91)	(171)
Adjusted noninterest expense	$ 46,693	$ 43,564	$ 41,015	$ 40,793	$ 40,727
Net interest income - GAAP	$ 63,550	$ 64,024	$ 61,334	$ 56,827	$ 54,301
Effect of tax-exempt income	286	307	321	369	372
Adjusted net interest income	63,836	64,331	61,655	57,196	54,673
Noninterest income - GAAP	33,839	15,826	14,613	15,613	22,523
Impairment on commercial mortgage servicing rights	—	—	869	394	2,072
Loss on sales of investment securities, net	—	129	101	—	—
(Gain) on termination of hedged interest rate swaps	(17,531)	—	—	—	(1,845)
Adjusted noninterest income	16,308	15,955	15,583	16,007	22,750
Adjusted total revenue	$ 80,144	$ 80,286	$ 77,238	$ 73,203	$ 77,423
Efficiency ratio	58.26 %	54.26 %	53.10 %	55.73 %	52.61 %

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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)	**December 31, 2022**	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**
Shareholders' Equity to Tangible Common Equity					
Total shareholders' equity—GAAP	$ 758,574	$ 739,279	$ 636,188	$ 644,986	$ 663,837
Adjustments:					
Preferred Stock	(110,548)	(110,548)	—	—	—
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(20,866)	(22,198)	(23,559)	(22,976)	(24,374)
Tangible common equity	$ 465,256	$ 444,629	$ 450,725	$ 460,106	$ 477,558
Total Assets to Tangible Assets:					
Total assets—GAAP	$ 7,855,501	$ 7,821,877	$ 7,435,812	$ 7,338,715	$ 7,443,805
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(20,866)	(22,198)	(23,559)	(22,976)	(24,374)
Tangible assets	$ 7,672,731	$ 7,637,775	$ 7,250,349	$ 7,153,835	$ 7,257,527
Common Shares Outstanding	22,214,913	22,074,740	22,060,255	22,044,626	22,050,537
Tangible Common Equity to Tangible Assets	6.06 %	5.82 %	6.22 %	6.43 %	6.58 %
Tangible Book Value Per Share	$ 20.94	$ 20.14	$ 20.43	$ 20.87	$ 21.66

Return on Average Tangible Common Equity (ROATCE)

	For the Quarter Ended				
(dollars in thousands)	**December 31, 2022**	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**
Net income	$ 32,872	$ 23,521	$ 21,883	$ 20,749	$ 23,107
Average total shareholders' equity—GAAP	$ 749,183	$ 700,866	$ 643,004	$ 657,327	$ 652,892
Adjustments:					
Preferred Stock	(110,548)	(54,072)	—	—	—
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(22,859)	(22,589)	(22,570)	(23,638)	(25,311)
Average tangible common equity	$ 453,872	$ 462,301	$ 458,530	$ 471,785	$ 465,677
ROATCE	25.89 %	20.20 %	19.14 %	17.84 %	19.69 %

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