



Midland States Bancorp, Inc.

NASDAQ: MSBI

Fourth Quarter 2021 Earnings Call

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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 Pre-Tax, Pre-Provision Income,” “Adjusted Diluted Earnings Per Share,” “Adjusted Return on Average Assets,” “Adjusted Return on Average Shareholders’ Equity,” “Adjusted Return on Average Tangible Common Equity,” “Adjusted Pre-Tax, Provision Return on Average Assets,” “Efficiency Ratio,” “Tangible Common Equity to Tangible Assets,” “Tangible Book Value Per Share,” and “Return on Average Tangible Common Equity.” The Company believes that these non-GAAP financial measures provide both management and investors a more complete understanding of the Company’s funding profile and profitability. These non-GAAP financial measures are supplemental and are not a substitute for any analysis based on GAAP financial measures. Not all companies use the same calculation of these measures; therefore this presentation may not be comparable to other similarly titled measures as presented by other companies. Reconciliations of these non-GAAP measures are provided in the Appendix section of this presentation.

Overview of 4Q21

4Q21 Earnings

- Net income of \$23.1 million, or \$1.02 diluted EPS
- 4Q21 results included a \$4.9 million FHLB advance prepayment penalty and a \$1.8 million gain on termination of interest rate swap
- Adjusted pre-tax, pre-provision earnings⁽¹⁾ of \$36.3 million, up from \$28.4 million in prior quarter

Record Quarter of Loan Production

- Total loans increased 25.2% annualized
- CRE loans, including multifamily, increased \$255 million from the end of the prior quarter
- Total commercial loans and leases, excluding PPP and commercial FHA warehouse lines, increased \$112 million from the end of the prior quarter

Strong Inflows of Low-Cost Deposits

- Total deposits increased 9.1% from the end of the prior quarter
- Noninterest-bearing deposits increased 34.2% from the end of the prior quarter
- Increases primarily driven by commercial FHA servicing deposits and other commercial deposits

Positive Trends in Key Metrics

- Noninterest-bearing deposits increased to 36.8% of total deposits
- Cost of deposits declined 4 bps from prior quarter to 0.15%
- Wealth Management AUA increased 3.9% from the end of the prior quarter
- Efficiency ratio⁽¹⁾ improved to 52.61% from 58.78% in prior quarter

Improvement in Asset Quality

- Nonperforming loans declined 22.0% from the end of the prior quarter
- ACL/NPLs increased to 120% from 102% at the end of the prior quarter

Notes:

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

Loan Portfolio

- Total loans increased \$309.2 million from prior quarter to \$5.22 billion
- Growth in CRE loans, conventional commercial loans, and consumer loans offset lower end of period balances on commercial FHA warehouse credit lines and lower PPP loans
- Equipment finance balances increased \$46.2 million, or 5.1% from end of prior quarter
- Excluding PPP loans, commercial FHA warehouse credit lines, and loans added through GreenSky partnership, total loans increased at an annualized rate of more than 40% during 4Q21
- PPP loans were \$52.5 million at Dec. 31, 2021, a decrease of \$29.9 million from Sep. 30, 2021

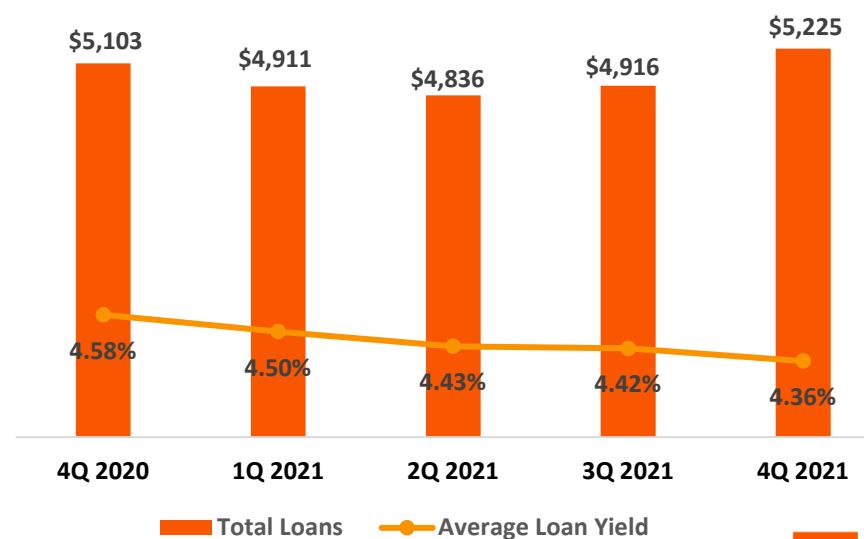
Loan Portfolio Mix

(in millions, as of quarter-end)

	4Q 2021	3Q 2021	4Q 2020
Commercial loans and leases	\$ 1,873	\$ 1,880	\$ 2,096
Commercial real estate	1,817	1,562	1,526
Construction and land development	194	201	173
Residential real estate	338	344	443
Consumer	1,003	929	866
Total Loans	\$5,225	\$4,916	\$5,103
Total Loans ex. Commercial FHA Lines and PPP	\$5,080	\$4,653	\$4,646

Total Loans and Average Loan Yield

(in millions, as of quarter-end)



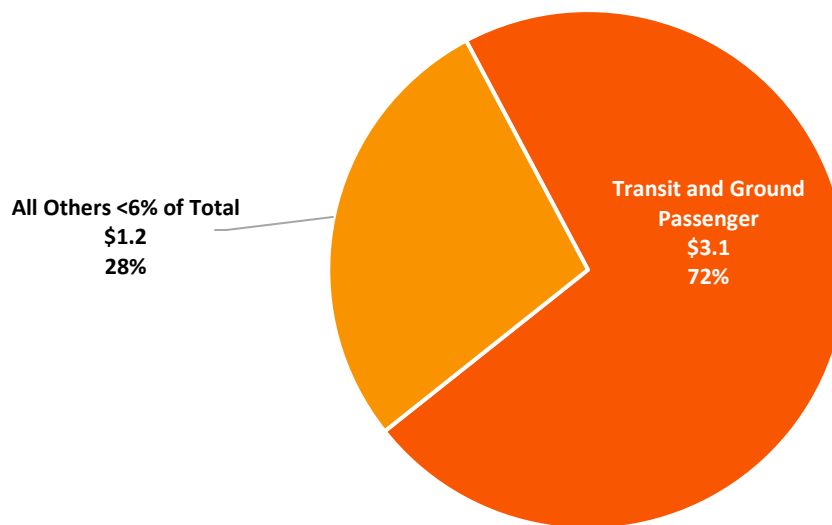
Midland Equipment Finance Portfolio Overview

Portfolio Characteristics (as of 12/31/21)	
<i>Nationwide portfolio providing financing solutions to equipment vendors and end-users</i>	
Total Outstanding Loans and Leases	\$945.2 million (18.1% of total loans)
Number of Loans and Leases	7,896
Average Loan/Lease Size	\$119,713
Largest Loan/Lease	\$1.2 million
Weighted Average Rate	4.74%

Total Deferred Loans and Leases			
	As of 6/30/21	As of 9/30/21	As of 12/31/21
Total Deferrals	\$35.6 million	\$9.1 million	\$4.3 million
Percentage of Portfolio	4.1%	1.0%	0.5%
Deferred Loans Making I/O or Other Payments	\$32.6 million	\$8.0 million	\$3.9 million

Equipment Finance Deferrals by Industry
(as of December 31, 2021)

(\$ in millions)

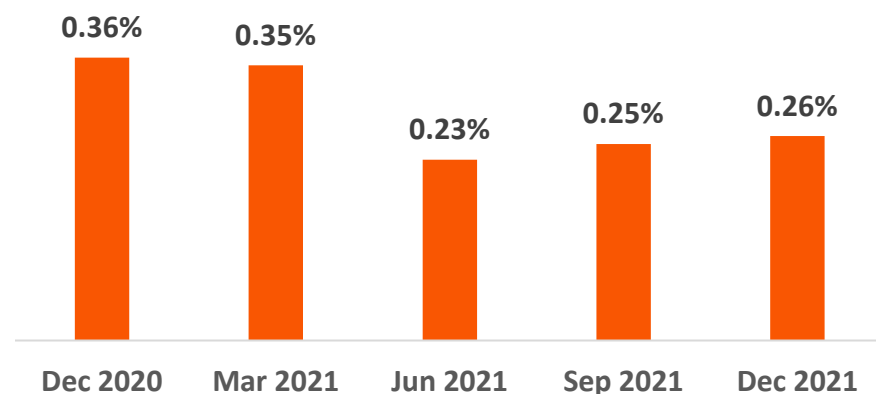


GreenSky Consumer Loan Portfolio Overview

Portfolio Characteristics (as of 12/31/21)

Total Outstanding	\$874.5 million (16.7% of total loans)
Number of Loans	412,663
Average Loan Size	\$2,119
Average FICO Score	771
Total Deferred Loans (as of September 30, 2021)	\$0.7 million (0.1% of portfolio)
Total Deferred Loans (as of December 31, 2021)	\$0.5 million (0.1% of portfolio)

Delinquency Rate (greater than 60 days)



Prime Credit

- Average FICO score of 771
- No losses to MSBI in 10 year history of portfolio

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 35 of past 36 months including every month in 2020 and 2021
- Escrow deposits
 - Escrow deposits absorb losses in excess of cash flow waterfall
 - Escrow account totaled \$34.8 million at 12/31/21 or 4.0% of the portfolio

Total Deposits

- Total deposits increased \$509.3 million, or 9.1% from prior quarter, to \$6.11 billion
- Increase in deposits largely attributable to increase in commercial FHA servicing deposits and other commercial deposits
- Noninterest-bearing deposits increased to 36.8% of total deposits at Dec. 31, 2021

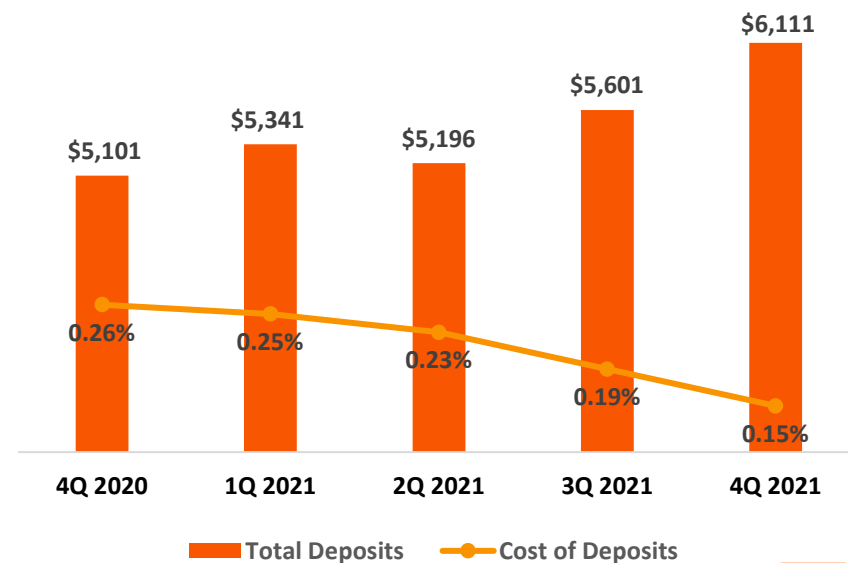
Deposit Mix

(in millions, as of quarter-end)

	4Q 2021	3Q 2021	4Q 2020
Noninterest-bearing demand	\$ 2,246	\$ 1,673	\$ 1,470
Interest-bearing:			
Checking	1,663	1,697	1,569
Money market	869	853	786
Savings	679	666	598
Time	631	689	656
Brokered time	23	24	23
Total Deposits	\$6,111	\$5,601	\$5,101

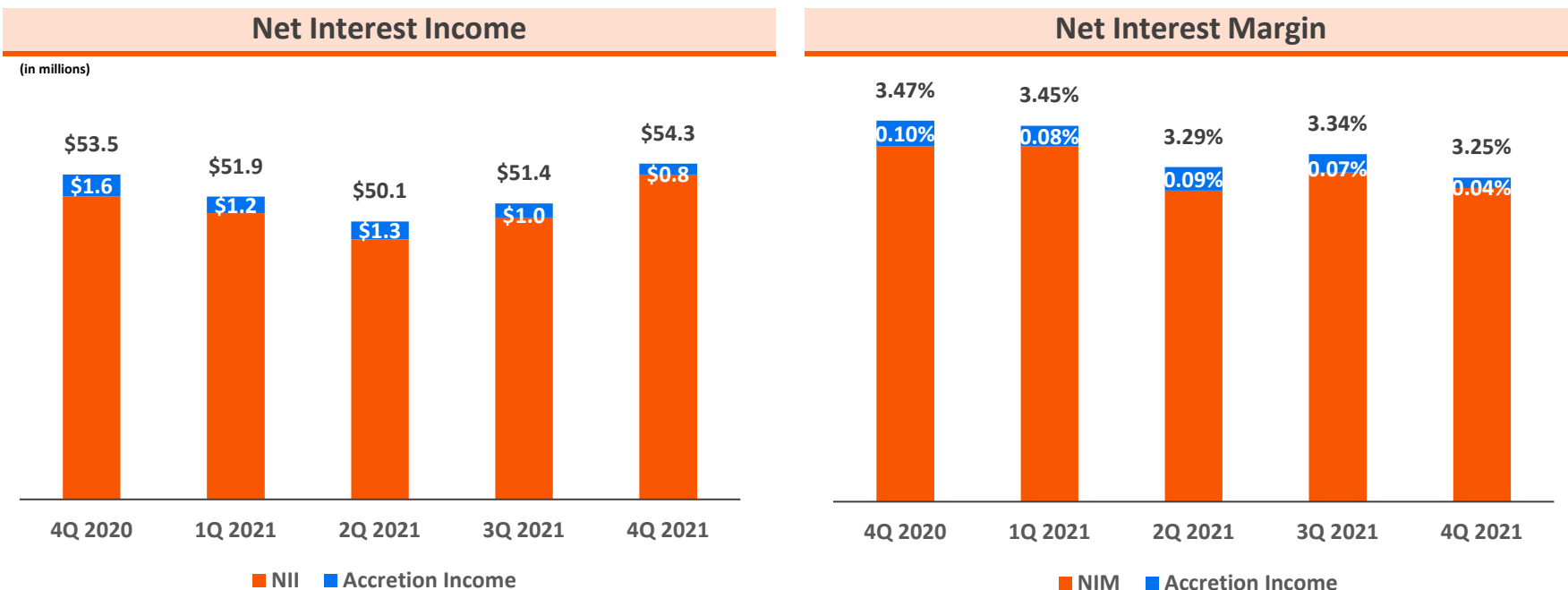
Total Deposits and Cost of Deposits

(in millions, as of quarter-end)



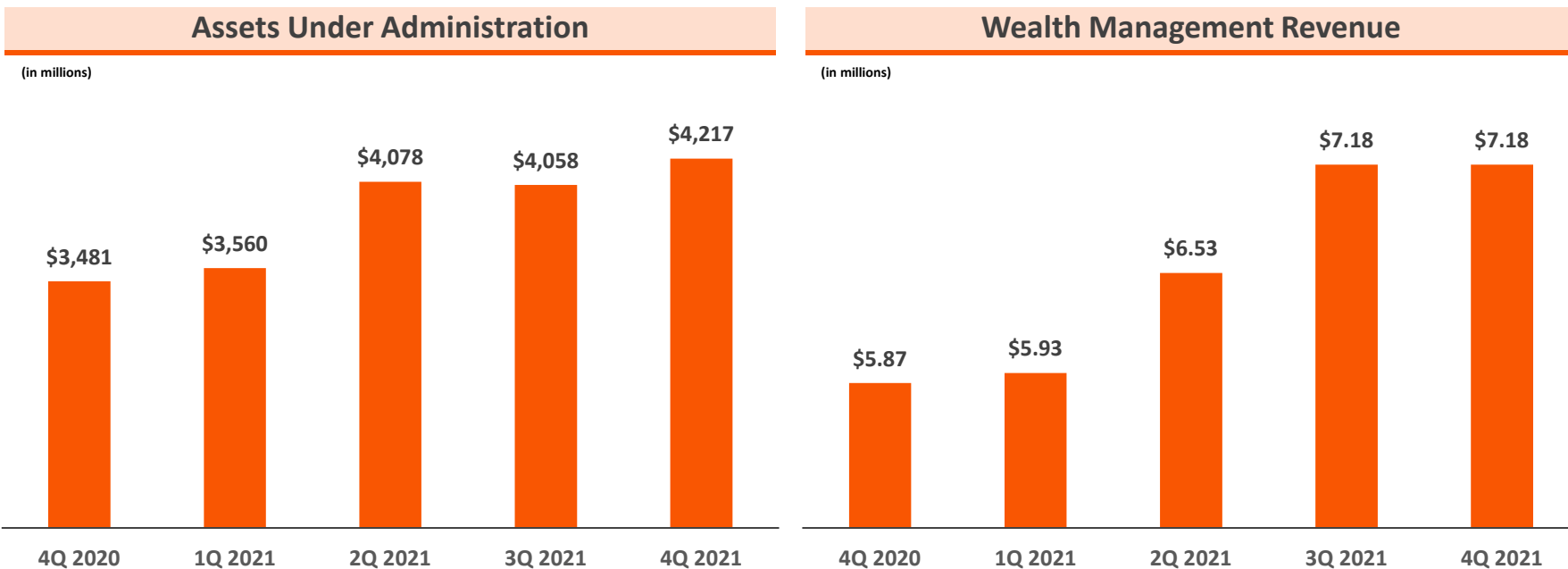
Net Interest Income/Margin

- Net interest income increased 5.7% from the prior quarter due primarily to higher average earning assets
- Net interest margin, excluding accretion income, decreased 6 bps from prior quarter due primarily to an increase in liquidity resulting from growth in commercial FHA servicing deposits
- Cash and cash equivalents represented 10% of interest-earning assets at Dec. 31, 2021
- Redeployment of excess liquidity into higher yielding earning assets will support net interest margin going forward



Wealth Management

- During 4Q21, assets under administration increased \$159.2 million, primarily due to market performance
- Wealth Management revenue was consistent with prior quarter, as a decrease in estate and guardianship fees offset the increase in AUA

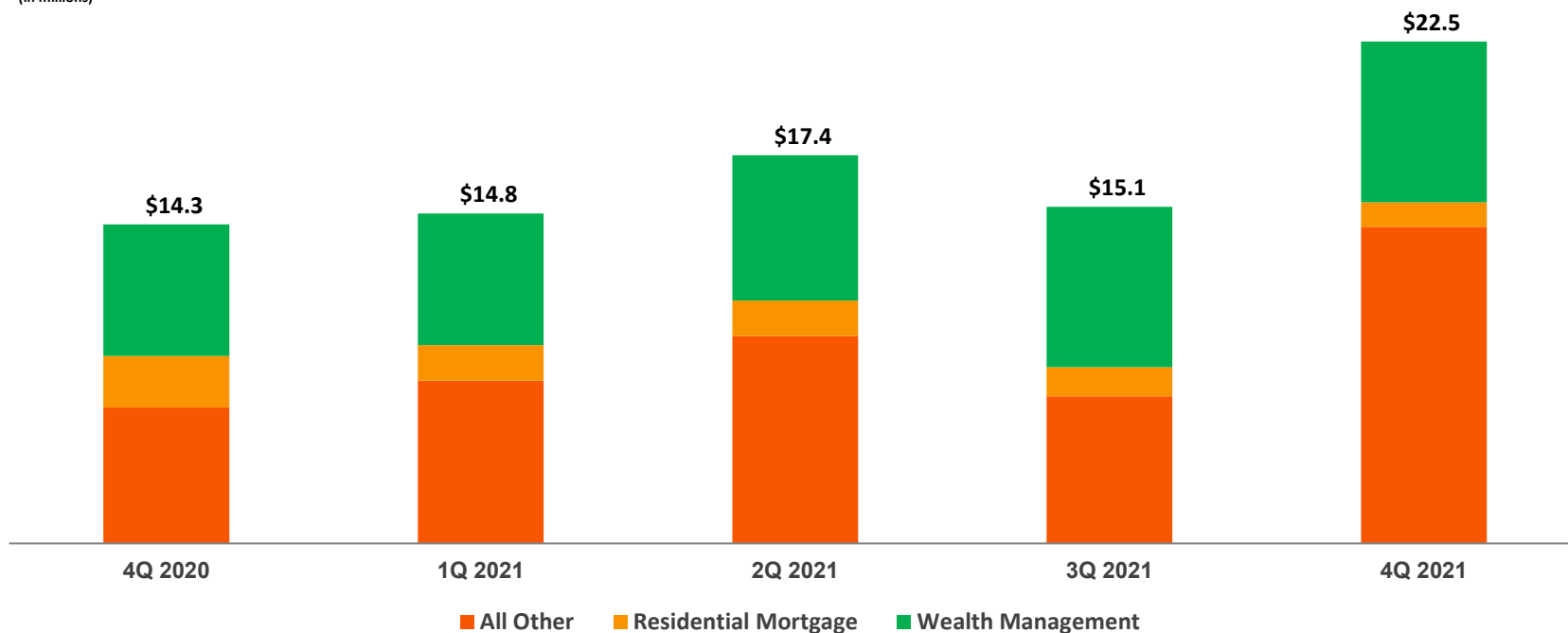


Noninterest Income

- Noninterest income increased 48.7% from prior quarter
- Impairment on commercial MSR's impacted noninterest income by \$2.1 million and \$3.0 million in 4Q21 and 3Q21, respectively
- Excluding the impact of the impairment of commercial MSR's, noninterest income increased 35.3% primarily due to gains on BOLI and the termination of an FHLB interest rate swap, as well as unrealized income on equity investments

Noninterest Income

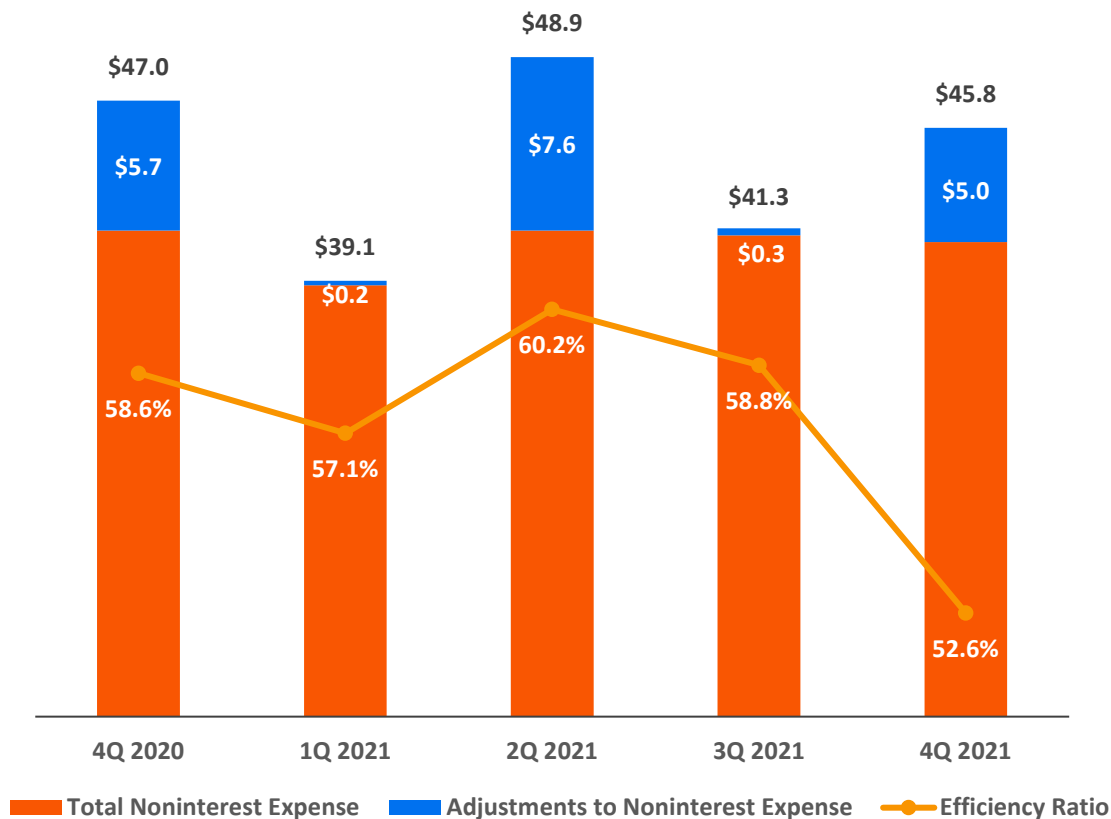
(in millions)



Noninterest Expense and Operating Efficiency

Noninterest Expense and Efficiency Ratio ⁽¹⁾

(Noninterest expense in millions)



- **Efficiency Ratio ⁽¹⁾ was 52.6% in 4Q21 vs. 58.8% in 3Q21**
- **Adjustments to non-interest expense:**

(\$ in millions)	4Q21	3Q21
Integration and acquisition related expenses	(\$0.2)	(\$0.2)
FHLB advance prepayment fee	(\$4.9)	--
Loss on MSR's held for sale	--	(\$0.1)

- **Excluding these adjustments, noninterest expense decreased \$0.3 million**
- **Operating expense run-rate expected to be \$40.5 - \$41.5 million in 2022**

Notes:

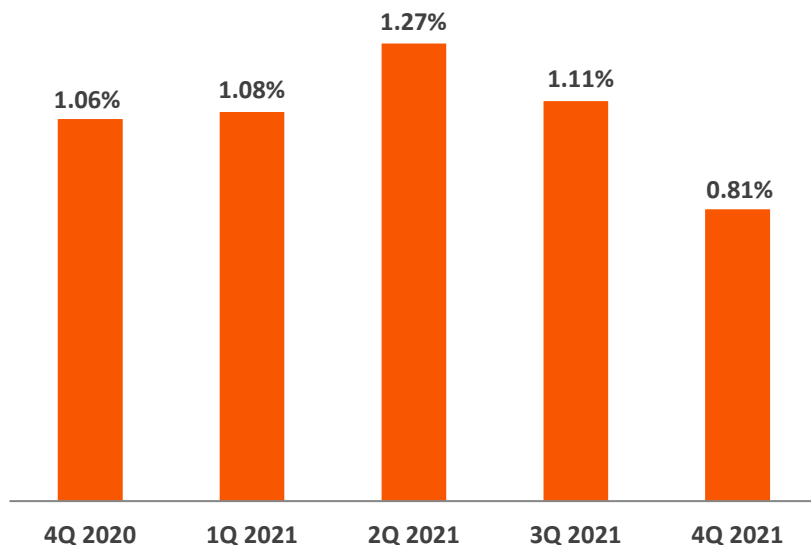
(1) Represents a non-GAAP financial measure. See "Non-GAAP Reconciliation" in the appendix.

Asset Quality

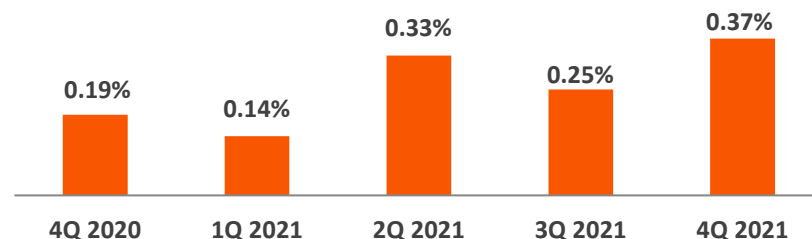
- **Nonperforming loans decreased \$12.0 million primarily due to the payoff of two non-accrual loans and the charge-off of a third non-accrual loan**
- **Net charge-offs of \$4.6 million, or 0.37% of average loans**
- **Charge-offs primarily related to one acquired loan and equipment finance credits**
- **Provision for credit losses of \$0.5 million primarily related to an increase in the reserve for unfunded commitments resulting from strong commercial loan production**

Nonperforming Loans / Total Loans

(Total Loans as of quarter-end)

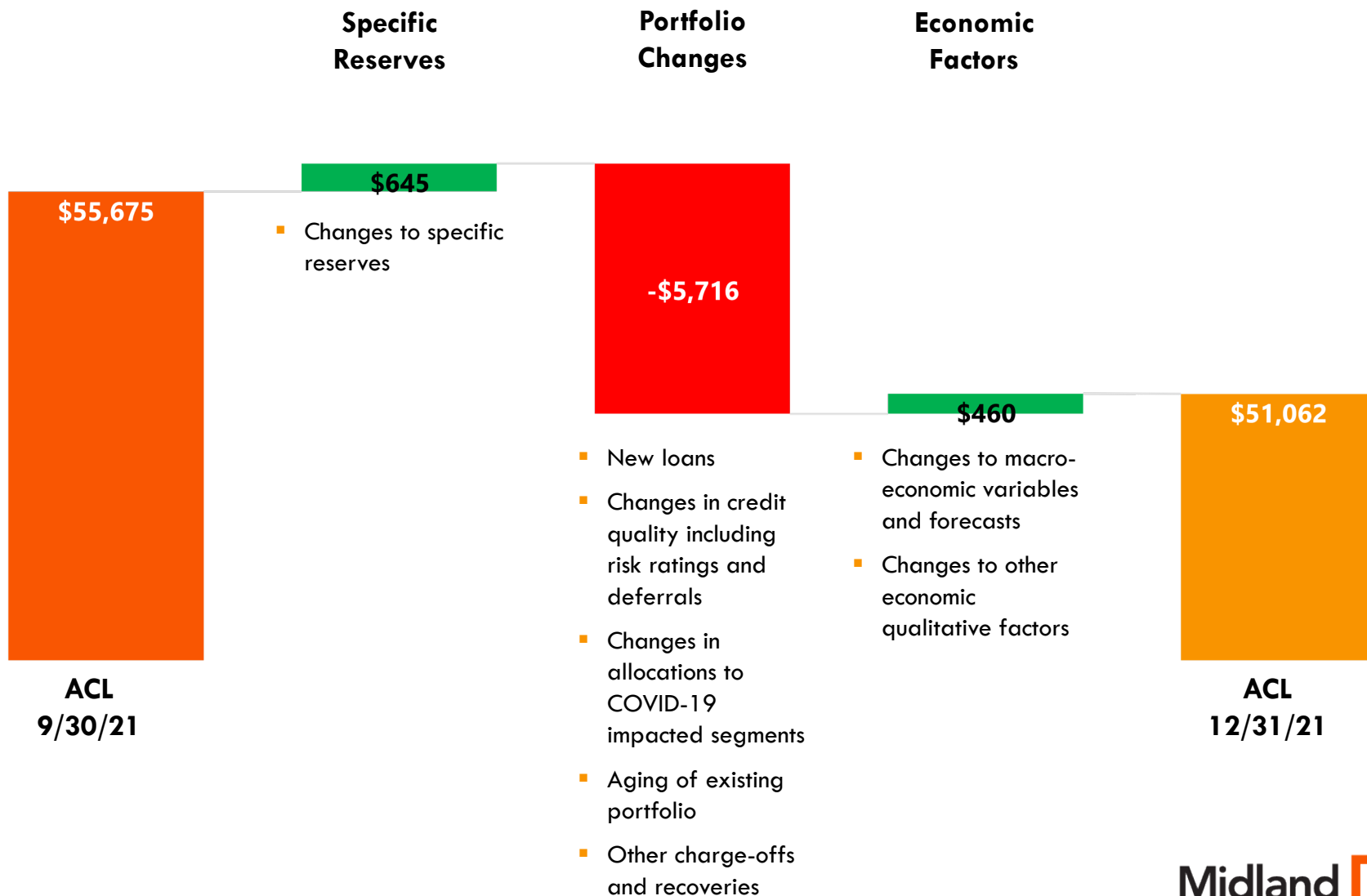


NCO / Average Loans



Changes in Allowance for Credit Losses

(\$ in thousands)



ACL by Portfolio

(\$ in thousands)

Portfolio	Total Loans at 12/31/21	ACL	% of Total Loans	Total Loans at 9/30/21	ACL	% of Total Loans
Commercial	\$ 770,670	\$ 5,783	0.75%	\$ 799,189	\$ 6,360	0.80%
Warehouse Lines	91,927	-	0.00%	180,248	-	0.00%
Commercial Other	679,518	8,592	1.26%	668,146	8,231	1.23%
Equipment Finance	521,973	8,262	1.58%	486,623	7,856	1.61%
Paycheck Protection Program	52,477	79	0.15%	82,410	124	0.15%
Lease Financing	423,280	7,469	1.76%	412,430	7,586	1.84%
CRE non-owner occupied	1,105,333	14,771	1.34%	921,344	17,943	1.95%
CRE owner occupied	469,658	5,941	1.26%	437,140	6,855	1.57%
Multi-family	171,875	1,740	1.01%	128,961	1,591	1.23%
Farmland	69,962	541	0.77%	74,568	564	0.76%
Construction and Land Development	193,749	972	0.50%	200,792	1,131	0.56%
Residential RE First Lien	274,412	2,314	0.84%	277,819	2,551	0.92%
Other Residential	63,738	381	0.60%	66,595	466	0.70%
Consumer	106,008	307	0.29%	77,132	268	0.35%
Consumer Other ⁽¹⁾	896,598	2,251	0.25%	851,438	2,129	0.25%
Total Loans	5,224,801	51,062	0.98%	4,915,554	55,675	1.13%
Loans (excluding GreenSky, PPP and warehouse lines)	4,148,188	48,608	1.17%	3,745,257	53,253	1.42%

Notes:

(1) Primarily consists of loans originated through GreenSky relationship

2022 Outlook and Priorities

- **Current expectation is to now continue participation in GreenSky partnership through at least 2023**
 - **New fintech partnership should provide \$200-\$250 million in loans over next 2-3 years**
- **High-single-digit loan growth expected in 2022**
 - **Continued momentum of more productive commercial banking group including specialty finance**
- **Continue increasing presence in higher growth markets in St. Louis and Northern Illinois, including the Chicagoland area**
- **Improve positioning to benefit from rising interest rates**
 - **Asset sensitivity is steadily increasing as commercial banking group generates higher levels of variable rate loans and noninterest-bearing deposits**
- **Maintain stable expense levels while continuing to invest in technology**
 - **Shift focus of technology investments from foundational to revenue generating**
- **Evaluate small, strategic M&A opportunities that can further improve deposit base, increase presence in higher growth areas, or build wealth management business**
- **Keep earnings consistent with 2021 by replacing PPP income and reserve releases with improved core earnings in 2022 resulting from organic balance sheet growth, leading to further earnings growth in 2023**
- **Enhance franchise value by continuing shift of MSBI model to relationship-based loans funded by low-cost deposits combined with growing wealth management business that provides large, consistent source of noninterest income**



APPENDIX

Paycheck Protection Program Overview

Paycheck Protection Program (as of 12/31/21)	
Loans Outstanding	\$52.5 million
Round 1	\$5.3 million
Round 2	\$47.2 million
Total Fees Earned	\$15.3 million
Fees Recognized in 4Q21	\$1.5 million
Remaining Fees to be Recognized	\$2.0 million

Paycheck Protection Program Loan Forgiveness		
	As of 9/30/21	As of 12/31/21
Loans Submitted to SBA	\$313.9 million	\$342.4 million
Loans Forgiven by SBA	\$300.8 million	\$333.0 million
Percentage of Total Round 1 PPP Loans Forgiven	95.8%	98.1%
Percentage of Total Round 1 and 2 PPP Loans Forgiven	79.1%	87.5%

Impact on 4Q21 Financials

	At or for the Three Months Ended 12/31/21	Metrics Excluding PPP Impact
Total Loans	\$5.23 billion	\$5.18 billion
Average Loans	\$5.00 billion	\$4.90 billion
Net Interest Income FTE ⁽¹⁾	\$54.7 million	\$53.1 million
Net Interest Margin ⁽¹⁾	3.25%	3.19%
ACL/Total Loans	0.98%	0.99%

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

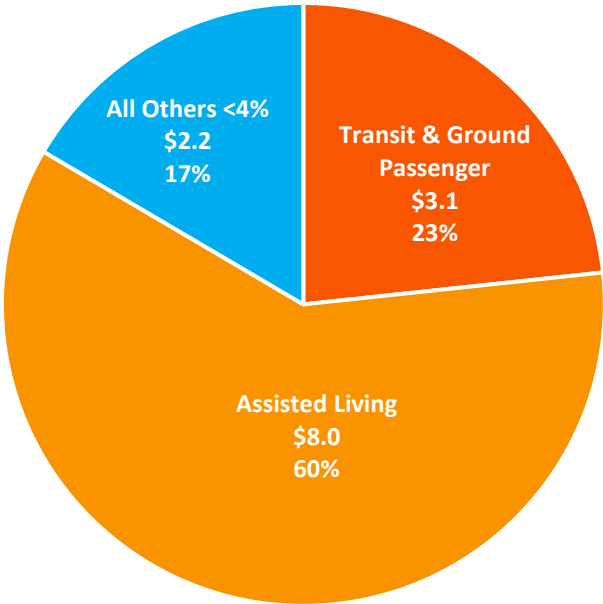
Loan Deferral Overview

Total Loan Deferrals			
	As of Jun. 30, 2021	As of Sep. 30, 2021	As of Dec. 31, 2021
Total Loans Deferred	\$107.3 million	\$34.3 million	\$13.3 million
% of Total Loans	2.2%	0.7%	0.3%

Deferral Type (as of December 31, 2021)	
Full Payment Deferral	\$1.4 million
Deferred Loans Making I/O or Other Payments	\$11.9 million

Deferrals by Industry
(as of December 31, 2021)

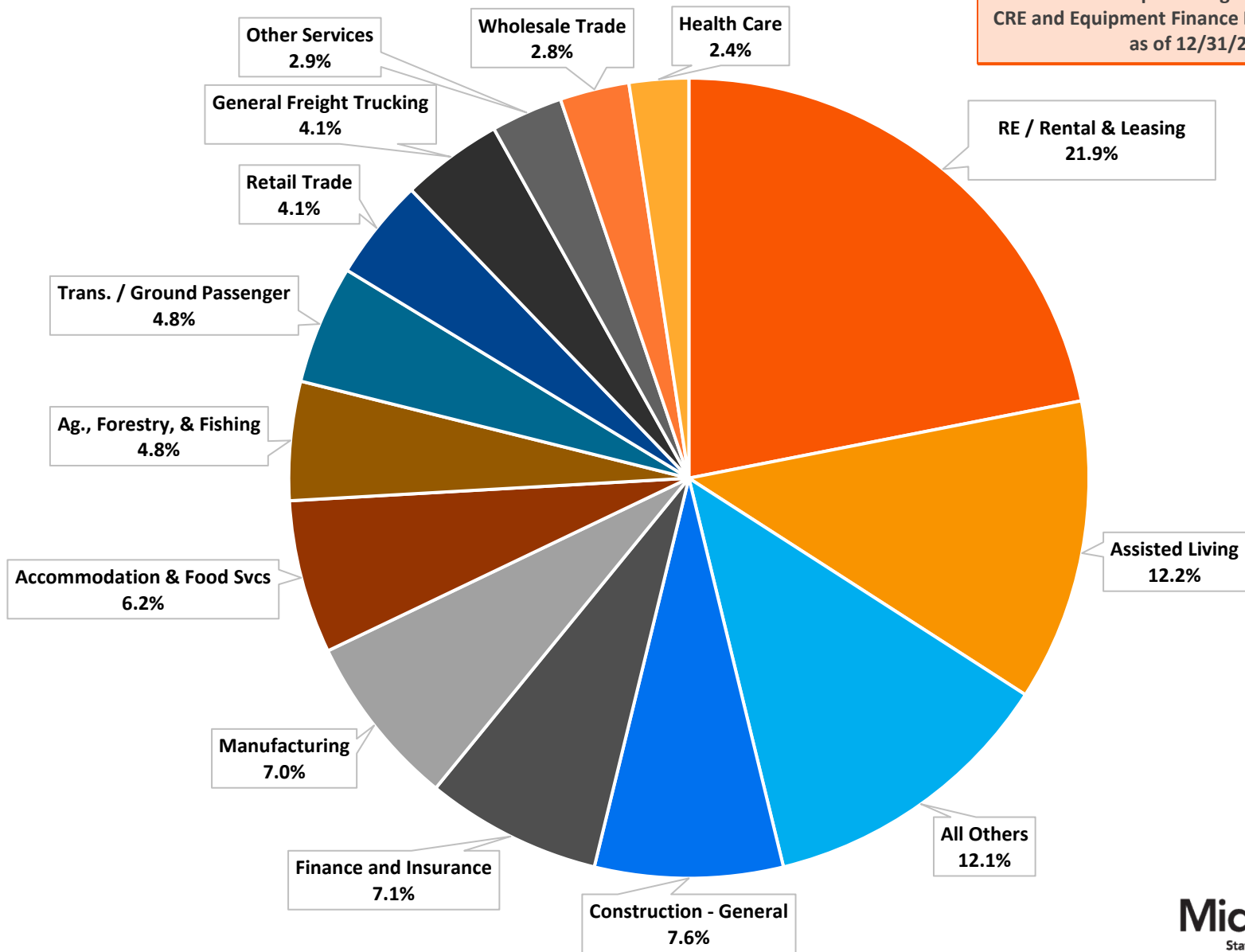
(\$ in millions)



No remaining Hotel/Motel deferrals at 12/31/21

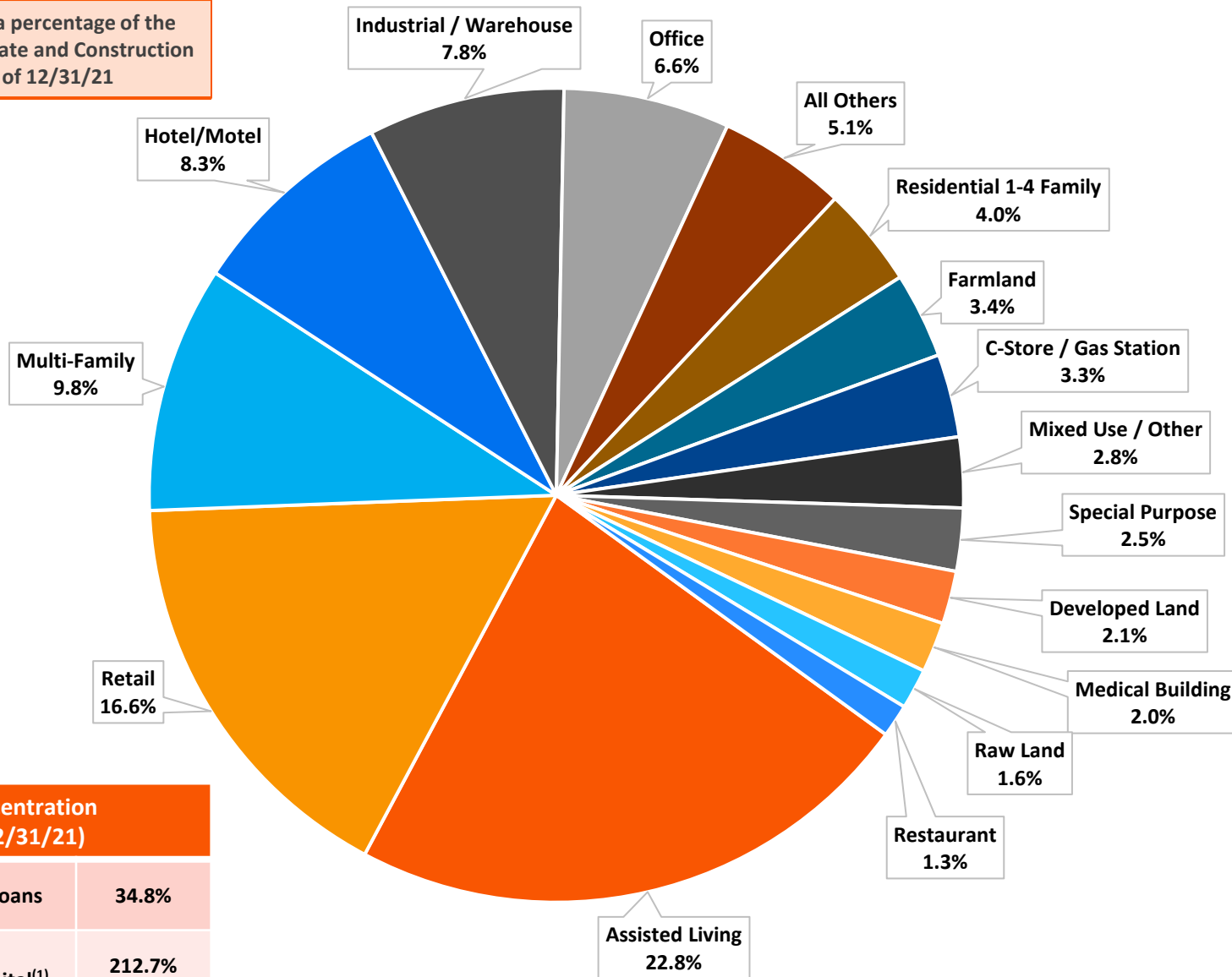
Commercial Loans and Leases by Industry

Industries as a percentage of Commercial, CRE and Equipment Finance Loans and Leases as of 12/31/21



Commercial Real Estate Portfolio by Collateral Type

Collateral type as a percentage of the Commercial Real Estate and Construction Portfolio as of 12/31/21



CRE Concentration (as of 12/31/21)

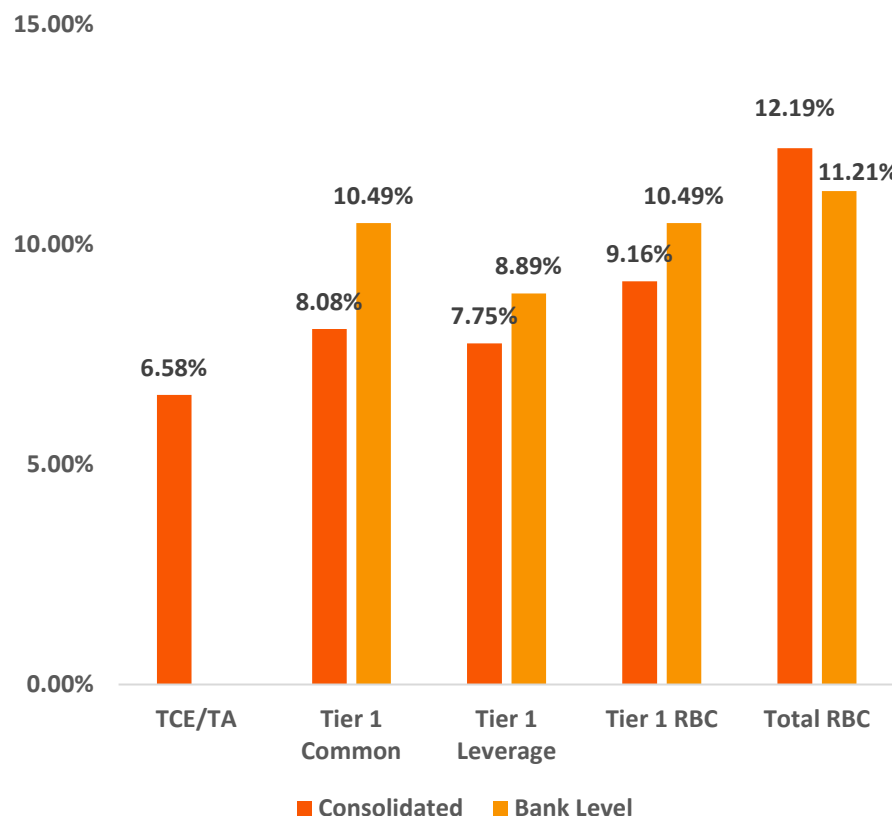
CRE as a % of Total Loans	34.8%
CRE as a % of Total Risk-Based Capital ⁽¹⁾	212.7%

Notes:

(1) Represents non-owner occupied CRE loans only

Capital and Liquidity Overview

Capital Ratios (as of 12/31/21)



Liquidity Sources (as of 12/31/21)

(\$ in millions)

Cash and Cash Equivalents	\$ 673.3
Unpledged Securities	409.1
FHLB Committed Liquidity	863.7
FRB Discount Window Availability	<u>55.9</u>
Total Estimated Liquidity	\$ <u>2,002.0</u>

Conditional Funding Based on Market Conditions

Additional Credit Facility	\$ 250.0
Brokered CDs (additional capacity)	\$ 500.0

Other Liquidity

Holding Company Cash Position of \$37.9 Million
Holding Company Line of Credit of \$15.0 Million

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

Adjusted Earnings Reconciliation

	For the Quarter Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
<i>(dollars in thousands, except per share data)</i>					
Income before income taxes - GAAP	\$ 30,600	\$ 25,431	\$ 19,041	\$ 24,040	\$ 10,746
Adjustments to noninterest income:					
Gain on sales of investment securities, net	-	160	377	-	-
Gain on termination of hedged interest rate swap	1,845	-	-	314	-
Other income	-	-	(27)	75	3
Total adjustments to noninterest income	<u>1,845</u>	<u>160</u>	<u>350</u>	<u>389</u>	<u>3</u>
Adjustments to noninterest expense:					
Loss on mortgage servicing rights held for sale	-	79	143	-	617
Impairment related to facilities optimization	-	-	-	-	(10)
FHLB advances prepayment fees	4,859	-	3,669	8	4,872
Integration and acquisition expenses	171	176	3,771	238	231
Total adjustments to noninterest expense	<u>5,030</u>	<u>255</u>	<u>7,583</u>	<u>246</u>	<u>5,710</u>
Adjusted earnings pre tax	33,785	25,526	26,274	23,897	16,453
Adjusted earnings tax	8,369	5,910	6,519	5,463	3,982
Adjusted earnings - non-GAAP	<u>\$ 25,416</u>	<u>\$ 19,616</u>	<u>\$ 19,755</u>	<u>\$ 18,434</u>	<u>\$ 12,471</u>
Adjusted diluted earnings per common share	\$ 1.12	\$ 0.86	\$ 0.86	\$ 0.81	\$ 0.54
Adjusted return on average assets	1.39 %	1.15 %	1.17 %	1.11 %	0.73 %
Adjusted return on average shareholders' equity	15.44 %	11.94 %	12.36 %	11.97 %	7.97 %
Adjusted return on average tangible common equity	21.65 %	16.82 %	17.52 %	17.18 %	11.50 %

Adjusted Pre-Tax, Pre-Provision Earnings Reconciliation

	For the Quarter Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
<i>(dollars in thousands)</i>					
Adjusted earnings pre tax - non- GAAP	\$ 33,785	\$ 25,526	\$ 26,274	\$ 23,897	\$ 16,453
Provision for credit losses	467	(184)	(455)	3,565	10,058
Impairment on commercial mortgage servicing rights	2,072	3,037	1,148	1,275	2,344
Adjusted pre-tax, pre-provision earnings - non-GAAP	<u>\$ 36,324</u>	<u>\$ 28,379</u>	<u>\$ 26,967</u>	<u>\$ 28,737</u>	<u>\$ 28,855</u>
Adjusted pre-tax, pre-provision return on average assets	1.98 %	1.67 %	1.60 %	1.73 %	1.69 %

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

Efficiency Ratio Reconciliation

	For the Quarter Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
<i>(dollars in thousands)</i>					
Noninterest expense - GAAP	\$ 45,757	\$ 41,292	\$ 48,941	\$ 39,079	\$ 47,048
Loss on mortgage servicing rights held for sale	-	(79)	(143)	-	(617)
Impairment related to facilities optimization	-	-	-	-	10
FHLB advances prepayment fees	(4,859)	-	(3,669)	(8)	(4,872)
Integration and acquisition expenses	(171)	(176)	(3,771)	(238)	(231)
Adjusted noninterest expense	<u>\$ 40,727</u>	<u>\$ 41,037</u>	<u>\$ 41,358</u>	<u>\$ 38,833</u>	<u>\$ 41,338</u>
Net interest income - GAAP	\$ 54,301	\$ 51,396	\$ 50,110	\$ 51,868	\$ 53,516
Effect of tax-exempt income	372	402	383	386	413
Adjusted net interest income	<u>54,673</u>	<u>51,798</u>	<u>50,493</u>	<u>52,254</u>	<u>53,929</u>
Noninterest income - GAAP	22,523	15,143	17,417	14,816	14,336
Impairment on commercial mortgage servicing rights	2,072	3,037	1,148	1,275	2,344
Gain on sales of investment securities, net	-	(160)	(377)	-	-
Gain on termination of hedged interest rate swap	(1,845)	-	-	(314)	-
Other	-	-	27	(75)	(3)
Adjusted noninterest income	<u>22,750</u>	<u>18,020</u>	<u>18,215</u>	<u>15,702</u>	<u>16,677</u>
Adjusted total revenue	<u>\$ 77,423</u>	<u>\$ 69,818</u>	<u>\$ 68,708</u>	<u>\$ 67,956</u>	<u>\$ 70,606</u>
Efficiency ratio	52.61 %	58.78 %	60.19 %	57.14 %	58.55 %

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				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
<i>(dollars in thousands, except per share data)</i>					
Shareholders' Equity to Tangible Common Equity					
Total shareholders' equity—GAAP	\$ 663,837	\$ 657,844	\$ 648,186	\$ 635,467	\$ 621,391
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(24,374)	(26,065)	(27,900)	(26,867)	(28,382)
Tangible common equity	<u>\$ 477,558</u>	<u>\$ 469,875</u>	<u>\$ 458,382</u>	<u>\$ 446,696</u>	<u>\$ 431,105</u>
Total Assets to Tangible Assets:					
Total assets—GAAP	\$ 7,443,805	\$ 7,093,959	\$ 6,630,010	\$ 6,884,786	\$ 6,868,540
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(24,374)	(26,065)	(27,900)	(26,867)	(28,382)
Tangible assets	<u>\$ 7,257,527</u>	<u>\$ 6,905,990</u>	<u>\$ 6,440,206</u>	<u>\$ 6,696,015</u>	<u>\$ 6,678,254</u>
Common Shares Outstanding	22,050,537	22,193,141	22,380,492	22,351,740	22,325,471
Tangible Common Equity to Tangible Assets	6.58 %	6.80 %	7.12 %	6.67 %	6.46 %
Tangible Book Value Per Share	\$ 21.66	\$ 21.17	\$ 20.48	\$ 19.98	\$ 19.31

Return on Average Tangible Common Equity (ROATCE)

	For the Quarter Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
<i>(dollars in thousands)</i>					
Net income available to common shareholders	<u>\$ 23,107</u>	<u>\$ 19,548</u>	<u>\$ 20,124</u>	<u>\$ 18,538</u>	<u>\$ 8,333</u>
Average total shareholders' equity—GAAP	\$ 652,892	\$ 651,751	\$ 641,079	\$ 624,661	\$ 622,594
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(25,311)	(27,132)	(26,931)	(27,578)	(29,123)
Average tangible common equity	<u>\$ 465,677</u>	<u>\$ 462,715</u>	<u>\$ 452,244</u>	<u>\$ 435,179</u>	<u>\$ 431,567</u>
ROATCE	19.69 %	16.76 %	17.85 %	17.28 %	7.68 %