

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): October 28, 2021**

**MIDLAND STATES BANCORP, INC.**  
(Exact name of registrant as specified in its charter)

**Illinois**  
(State or Other Jurisdiction of Incorporation)

**001-35272**  
(Commission File Number)

**37-1233196**  
(I.R.S. Employer Identification No.)

**1201 Network Centre Drive**  
**Effingham, Illinois 62401**  
(Address of Principal Executive Offices) (Zip Code)

**(217) 342-7321**  
(Registrant's telephone number, including area code)

**N/A**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.01 par value	MSBI	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02. Results of Operations and Financial Condition.**

On October 28, 2021, Midland States Bancorp, Inc. (the “Company”) issued a press release announcing its financial results for the third quarter of 2021. The press release is attached as Exhibit 99.1.

**Item 7.01. Regulation FD Disclosure.**

On October 28, 2021, the Company made available on its website a slide presentation regarding the Company's third quarter 2021 financial results, which will be used as part of a publicly accessible conference call on October 29, 2021. The slide presentation is attached as Exhibit 99.2.

The information in this Form 8-K and the attached exhibits shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in any such filing.

**Item 9.01. Financial Statements and Exhibits.**

**(d) Exhibits.**

<u>Exhibit No.</u>	<u>Description</u>
<a href="#">99.1</a>	<a href="#">Press Release of Midland States Bancorp, Inc., dated October 28, 2021</a>
<a href="#">99.1</a>	<a href="#">Slide Presentation of Midland States Bancorp, Inc. regarding third quarter 2021 financial results</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Midland States Bancorp, Inc.**

Date: October 28, 2021

By: /s/ Douglas J. Tucker  
Douglas J. Tucker  
Senior Vice President and Corporate Counsel

## Midland States Bancorp, Inc. Announces 2021 Third Quarter Results

### Summary

- **Net income of \$19.5 million, or \$0.86 diluted earnings per share**
- **Total loans increased 8.2% annualized, excluding commercial FHA lines and PPP loans**
- **Non-performing loans declined 11.0% from end of prior quarter**
- **Net interest margin increased 5 bps from prior quarter to 3.34%**
- **Efficiency ratio improved to 58.78% from 60.19% in prior quarter**
- **Book value and tangible book value per share increased 2.3% and 3.4%, respectively**

EFFINGHAM, Ill., Oct. 28, 2021 (GLOBE NEWSWIRE) -- Midland States Bancorp, Inc. (Nasdaq: MSBI) (the "Company") today reported net income of \$19.5 million, or \$0.86 diluted earnings per share, for the third quarter of 2021, which included a \$3.0 million impairment charge on commercial mortgage servicing rights ("MSRs"). This compares to net income of \$20.1 million, or \$0.88 diluted earnings per share, for the second quarter of 2021, which included a \$6.8 million tax benefit related to the settlement of a prior tax issue, \$3.6 million in professional fees related to the settlement, and a \$3.7 million charge related to the prepayment of a longer-term FHLB advance. This also compares to net income of \$86 thousand, or \$0.00 diluted earnings per share, for the third quarter of 2020, which included \$13.9 million of charges primarily related to the Company's branch and facilities optimization plan.

Jeffrey G. Ludwig, President and Chief Executive Officer of the Company, said, "We delivered another strong quarter driven by positive trends across most areas of our operations. The contribution of new additions to our commercial banking team and increasing demand helped drive another quarter of solid loan growth. We are also seeing improved asset quality, net interest margin expansion as a result of the elimination of higher cost funding sources, and growth in wealth management revenue following our acquisition of ATG Trust Company earlier this year. The higher level of revenue we are generating is driving further improvement in operating leverage and an increase in pre-provision, pre-tax income.

"We expect to see a continuation of these positive trends in the fourth quarter. We are benefitting from our efforts to increase our presence in higher growth markets in Northern Illinois and St. Louis, which is resulting in the consistent addition of full banking relationships with new commercial clients. Our loan and deposit pipelines remain healthy, which should lead to continued quality balance sheet growth that we expect to result in a higher level of net interest income, additional operating leverage, and further improvement in our level of profitability," said Mr. Ludwig.

### Adjusted Earnings

Financial results for the second quarter of 2021 were impacted by a \$6.8 million tax benefit related to the settlement of a prior tax issue, \$3.8 million of integration and acquisition expenses inclusive of the \$3.6 million in professional fees related to the settlement, and a \$3.7 million charge related to the prepayment of a longer-term FHLB advance. Excluding these amounts and certain other income and expense, adjusted earnings were \$19.8 million, or \$0.86 diluted earnings per share, for the second quarter of 2021.

Financial results for the third quarter of 2020 were impacted by \$13.9 million in charges primarily related to the branch and facilities optimization plan (integration and acquisition expenses), \$1.7 million in gains on sales of investment securities, and a \$0.2 million loss on residential MSRs held-for-sale. Excluding these amounts and certain other income and expenses, adjusted earnings were \$12.0 million, or \$0.52 diluted earnings per share, for the third quarter of 2020.

A reconciliation of adjusted earnings to net income according to accounting principles generally accepted in the United States ("GAAP") is provided in the financial tables at the end of this press release.

### Net Interest Margin

Net interest margin for the third quarter of 2021 was 3.34%, compared to 3.29% for the second quarter of 2021. The Company's net interest margin benefits from accretion income on purchased loan portfolios, which contributed 7 and 9 basis points to net interest margin in the third and second quarters of 2021, respectively. Excluding the impact of accretion income, net interest margin increased 7 basis points from the second quarter of 2021, due primarily to a reduction in the cost of funds.

Relative to the third quarter of 2020, net interest margin increased from 3.33%. Accretion income on purchased loan portfolios contributed 14 basis points to net interest margin in the third quarter of 2020. Excluding the impact of accretion income, net interest margin increased 8 basis points from the third quarter of 2020, primarily due to a reduction in the cost of funds.

### Net Interest Income

Net interest income for the third quarter of 2021 was \$51.4 million, an increase of 2.6% from \$50.1 million for the second quarter of 2021. Excluding accretion income, net interest income increased \$1.6 million from the prior quarter, which was primarily due to a lower cost of funds. Accretion income associated with purchased loan portfolios totaled \$1.0 million for the third quarter of 2021, compared with \$1.3 million for the second quarter of 2021. PPP loan income totaled \$2.4 million, including net loan origination fees of \$2.1 million, in the third quarter of 2021, compared to \$2.4 million, including net loan origination fees of \$1.9 million, in the second quarter of 2021.

Relative to the third quarter of 2020, net interest income increased \$1.4 million, or 2.8%. Accretion income for the third quarter of 2020 was \$2.1 million. Excluding the impact of accretion income, net interest income increased primarily due to a higher average balance of interest-earning assets and a significant decline in the cost of funds.

## Noninterest Income

Noninterest income for the third quarter of 2021 was \$15.1 million, a decrease of 13.1% from \$17.4 million for the second quarter of 2021. Impairment on commercial MSR's impacted noninterest income by \$3.0 million and \$1.1 million in the third quarter of 2021 and second quarter of 2021, respectively. Excluding the impairments, noninterest income decreased 2.1% primarily due to gains on the sale of other real estate owned that were recognized in the prior quarter.

Relative to the third quarter of 2020, noninterest income decreased 20.0% from \$18.9 million. The decrease was primarily attributable to a larger impairment on commercial MSR's, lower residential mortgage banking revenue, and lower gains on sales of investment securities, partially offset by higher wealth management revenue.

Wealth management revenue for the third quarter of 2021 was \$7.2 million, an increase of 9.9% from the second quarter of 2021, primarily due to the full quarter contribution of ATG Trust Company following its acquisition at the beginning of June. Compared to the third quarter of 2020, wealth management revenue increased 29.1%, primarily due to the increase in assets under administration over the past year and the acquisition of ATG Trust Company.

## Noninterest Expense

Noninterest expense for the third quarter of 2021 was \$41.3 million, compared with \$48.9 million in the second quarter of 2021, which included \$3.6 million in professional fees related to the settlement of the prior tax issue and \$3.7 million in FHLB advance prepayment fees. Excluding the professional fees related to the settlement of the prior tax issue, FHLB advance prepayment fees, integration and acquisition expenses, and losses on residential MSR's held-for-sale, noninterest expense decreased by \$0.3 million.

Relative to the third quarter of 2020, noninterest expense decreased 23.4% from \$53.9 million, which included \$13.9 million in charges primarily related to the branch and facilities optimization plan (integration and acquisition expenses), and a \$0.2 million loss on residential MSR's held-for-sale. Excluding the integration and acquisition expenses and losses on residential MSR's held-for-sale, noninterest expense increased \$1.2 million, primarily due to higher salaries and employee benefits expense.

## Loan Portfolio

Total loans outstanding were \$4.92 billion at September 30, 2021, compared with \$4.84 billion at June 30, 2021 and \$4.94 billion at September 30, 2020. The increase in total loans from June 30, 2021 was primarily attributable to higher balances of commercial, commercial real estate, and consumer loans, partially offset by forgiveness of PPP loans and runoff in the residential real estate portfolio resulting from refinancings.

Equipment finance balances increased \$27.5 million from June 30, 2021 to \$899.1 million at September 30, 2021, which are booked within the commercial loans and leases portfolio.

Compared to loan balances at September 30, 2020, growth in equipment finance balances, commercial real estate, and consumer loans was offset by declines in residential real estate loans and PPP loans held in the commercial portfolio.

## Deposits

Total deposits were \$5.60 billion at September 30, 2021, compared with \$5.20 billion at June 30, 2021, and \$5.03 billion at September 30, 2020. The increase in total deposits from the end of the prior quarter was primarily attributable to an increase in commercial FHA servicing deposits and inflows of other commercial deposits.

## Asset Quality

Nonperforming loans totaled \$54.6 million, or 1.11% of total loans, at September 30, 2021, compared with \$61.4 million, or 1.27% of total loans, at June 30, 2021. The decrease in nonperforming loans was primarily attributable to the disposition of certain loans combined with minimal inflow during the third quarter of 2021. At September 30, 2020, nonperforming loans totaled \$67.4 million, or 1.36% of total loans.

Net charge-offs for the third quarter of 2021 were \$3.0 million, or 0.25% of average loans on an annualized basis, compared to net charge-offs of \$4.0 million, or 0.33% of average loans on an annualized basis, for the second quarter of 2021 and \$5.3 million, or 0.44% of average loans on an annualized basis, for the third quarter of 2020.

The Company recorded a negative provision for credit losses of \$0.2 million for the third quarter of 2021. No provision for credit losses on loans was recorded due to general improvement in asset quality and economic forecasts, while a negative provision of \$0.2 million was recorded for credit losses on available-for-sale securities.

The Company's allowance for credit losses on loans was 1.13% of total loans and 101.9% of nonperforming loans at September 30, 2021, compared with 1.21% of total loans and 95.6% of nonperforming loans at June 30, 2021. Approximately 96% of the allowance for credit losses on loans at September 30, 2021 was allocated to general reserves.

## Capital

At September 30, 2021, Midland States Bank and the Company exceeded all regulatory capital requirements under Basel III, and Midland States Bank met the qualifications to be a "well-capitalized" financial institution, as summarized in the following table:

	Bank Level Ratios as of Sep. 30, 2021	Consolidated Ratios as of Sep. 30, 2021	Minimum Regulatory Requirements <sup>(2)</sup>
Total capital to risk-weighted assets	12.03%	13.10%	10.50%
Tier 1 capital to risk-weighted assets	11.17%	9.73%	8.50%

Tier 1 leverage ratio	9.38%	8.16%	4.00%
Common equity Tier 1 capital	11.17%	8.55%	7.00%
Tangible common equity to tangible assets <sup>(1)</sup>	NA	6.80%	NA

(1) A non-GAAP financial measure. Refer to page 15 for a reconciliation to the comparable GAAP financial measure.

(2) Includes the capital conservation buffer of 2.5%.

### Stock Repurchase Program

During the third quarter of 2021, the Company repurchased 210,177 shares of its common stock at a weighted average price of \$24.93 under its stock repurchase program. On September 7, 2021, the Company announced that its Board of Directors approved modifications to the previously announced stock repurchase program, which increased the aggregate repurchase authority to \$75 million from \$50 million and extended the expiration date of the program to December 31, 2022. As of September 30, 2021, the Company had \$24.9 million remaining under the current stock repurchase authorization.

### Conference Call, Webcast and Slide Presentation

The Company will host a conference call and webcast at 7:30 a.m. Central Time on Friday, October 29, 2021, to discuss its financial results. The call can be accessed via telephone at (877) 516-3531; conference ID: 6697900. A recorded replay can be accessed through November 5, 2021, by dialing (855) 859-2056; conference ID: 6697900.

A slide presentation relating to the third quarter 2021 financial results will be accessible prior to the scheduled conference call. This earnings release should be read together with the slide presentation, which contains important information related to the impact of COVID-19. The slide presentation and webcast of the conference call can be accessed on the Webcasts and Presentations page of the Company's investor relations website at [investors.midlandsb.com](http://investors.midlandsb.com) under the "News and Events" tab.

### About Midland States Bancorp, Inc.

Midland States Bancorp, Inc. is a community-based financial holding company headquartered in Effingham, Illinois, and is the sole shareholder of Midland States Bank. As of September 30, 2021, the Company had total assets of approximately \$7.09 billion, and its Wealth Management Group had assets under administration of approximately \$4.06 billion. Midland provides a full range of commercial and consumer banking products and services and business equipment financing, merchant credit card services, trust and investment management, insurance and financial planning services. For additional information, visit <https://www.midlandsb.com/> or <https://www.linkedin.com/company/midland-states-bank>.

### Non-GAAP Financial Measures

Some of the financial measures included in this press release are not measures of financial performance recognized in accordance with GAAP. These non-GAAP financial measures include "Adjusted Earnings," "Adjusted Diluted Earnings Per Common Share," "Adjusted Pre-Tax, Pre-Provision Earnings," "Adjusted Return on Average Assets," "Adjusted Return on Average Shareholders' Equity," "Adjusted Return on Average Tangible Common Equity," "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 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.

### Forward-Looking Statements

Readers should note that in addition to the historical information contained herein, this press release includes "forward-looking statements" within the meanings of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including but not limited to statements about the Company's plans, objectives, future performance, goals and future earnings levels. These statements are subject to many risks and uncertainties, including changes in interest rates and other general economic, business and political conditions, including the effects of the COVID-19 pandemic and its potential effects on the economic environment, our customers and our operations, as well as any changes to federal, state and local government laws, regulations and orders in connection with the pandemic; changes in the financial markets; changes in business plans as circumstances warrant; risks relating to acquisitions; developments and uncertainty related to the future use and availability of some reference rates, such as the London Inter-Bank Offered Rate, as well as other alternative reference rates, and the adoption of a substitute; changes to U.S. tax laws, regulations and guidance; and other risks detailed from time to time in filings made by the Company with the Securities and Exchange Commission. Readers should note that the forward-looking statements included in this press release are not a guarantee of future events, and that actual events may differ materially from those made in or suggested by the forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "will," "propose," "may," "plan," "seek," "expect," "intend," "estimate," "anticipate," "believe," "continue," or similar terminology. Any forward-looking statements presented herein are made only as of the date of this press release, and the Company does not undertake any obligation to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

### CONTACTS:

Jeffrey G. Ludwig, President and CEO, at [jludwig@midlandsb.com](mailto:jludwig@midlandsb.com) or (217) 342-7321

Eric T. Lemke, Chief Financial Officer, at [elemke@midlandsb.com](mailto:elemke@midlandsb.com) or (217) 342-7321

Douglas J. Tucker, SVP and Corporate Counsel, at [dtucker@midlandsb.com](mailto:dtucker@midlandsb.com) or (217) 342-7321

**For the Quarter Ended**

<i>(dollars in thousands, except per share data)</i>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
<b>Earnings Summary</b>					
Net interest income	\$ 51,396	\$ 50,110	\$ 51,868	\$ 53,516	\$ 49,980
Provision for credit losses	(184)	(455)	3,565	10,058	11,728
Noninterest income	15,143	17,417	14,816	14,336	18,919
Noninterest expense	41,292	48,941	39,079	47,048	53,901
Income before income taxes	25,431	19,041	24,040	10,746	3,270
Income taxes	5,883	(1,083)	5,502	2,413	3,184
Net income	<u>\$ 19,548</u>	<u>\$ 20,124</u>	<u>\$ 18,538</u>	<u>\$ 8,333</u>	<u>\$ 86</u>
Diluted earnings per common share	\$ 0.86	\$ 0.88	\$ 0.81	\$ 0.36	\$ -
Weighted average shares outstanding - diluted	22,577,880	22,677,515	22,578,553	22,656,343	22,937,837
Return on average assets	1.15 %	1.20 %	1.11 %	0.49 %	0.01 %
Return on average shareholders' equity	11.90 %	12.59 %	12.04 %	5.32 %	0.05 %
Return on average tangible common equity <sup>(1)</sup>	16.76 %	17.85 %	17.28 %	7.68 %	0.08 %
Net interest margin	3.34 %	3.29 %	3.45 %	3.47 %	3.33 %
Efficiency ratio <sup>(1)</sup>	58.78 %	60.19 %	56.88 %	58.55 %	57.74 %

**Adjusted Earnings Performance Summary  
(1)**

Adjusted earnings	\$ 19,616	\$ 19,755	\$ 18,662	\$ 12,471	\$ 12,023
Adjusted diluted earnings per common share	\$ 0.86	\$ 0.86	\$ 0.82	\$ 0.54	\$ 0.52
Adjusted return on average assets	1.15 %	1.17 %	1.12 %	0.73 %	0.72 %
Adjusted return on average shareholders' equity	11.94 %	12.36 %	12.12 %	7.97 %	7.56 %
Adjusted return on average tangible common equity	16.82 %	17.52 %	17.39 %	11.50 %	11.04 %
Adjusted pre-tax, pre-provision earnings	\$ 28,379	\$ 26,967	\$ 29,051	\$ 28,855	\$ 28,751
Adjusted pre-tax, pre-provision return on average assets	1.67 %	1.60 %	1.75 %	1.69 %	1.72 %

(1) Non-GAAP financial measures. Refer to pages 13 - 15 for a reconciliation to the comparable GAAP financial measures.

**MIDLAND STATES BANCORP, INC.  
CONSOLIDATED FINANCIAL SUMMARY (unaudited) (continued)**

<i>(in thousands, except per share data)</i>	<b>For the Quarter Ended</b>				
	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
<b>Net interest income:</b>					
Interest income	\$ 58,490	\$ 58,397	\$ 60,503	\$ 62,712	\$ 60,314
Interest expense	7,094	8,287	8,635	9,196	10,334
Net interest income	<u>51,396</u>	<u>50,110</u>	<u>51,868</u>	<u>53,516</u>	<u>49,980</u>
<b>Provision for credit losses:</b>					
Provision for credit losses on loans	-	-	3,950	10,000	10,970
Provision for credit losses on unfunded commitments	-	(265)	(535)	-	577
Provision for other credit losses	(184)	(190)	150	58	181
Total provision for credit losses	<u>(184)</u>	<u>(455)</u>	<u>3,565</u>	<u>10,058</u>	<u>11,728</u>
Net interest income after provision for credit losses	<u>51,580</u>	<u>50,565</u>	<u>48,303</u>	<u>43,458</u>	<u>38,252</u>
<b>Noninterest income:</b>					
Wealth management revenue	7,175	6,529	5,931	5,868	5,559
Commercial FHA revenue	411	342	292	400	926
Residential mortgage banking revenue	1,287	1,562	1,574	2,285	3,049
Service charges on deposit accounts	2,268	1,916	1,826	2,149	2,092
Interchange revenue	3,651	3,797	3,375	3,137	3,283
Gain on sales of investment securities, net	160	377	-	-	1,721
Impairment on commercial mortgage servicing rights	(3,037)	(1,148)	(1,275)	(2,344)	(1,418)
Company-owned life insurance	869	863	860	893	897

Other income	2,359	3,179	2,233	1,948	2,810
Total noninterest income	15,143	17,417	14,816	14,336	18,919
Noninterest expense:					
Salaries and employee benefits	22,175	22,071	20,528	22,636	21,118
Occupancy and equipment	3,701	3,796	3,940	3,531	4,866
Data processing	6,495	6,288	5,993	5,987	5,721
Professional	1,738	5,549	2,185	1,912	1,861
Amortization of intangible assets	1,445	1,470	1,515	1,556	1,557
Loss on mortgage servicing rights held for sale	79	143	-	617	188
Impairment related to facilities optimization	-	-	-	(10)	12,651
FHLB advances prepayment fees	-	3,669	8	4,872	-
Other expense	5,659	5,955	4,910	5,947	5,939
Total noninterest expense	41,292	48,941	39,079	47,048	53,901
Income before income taxes	25,431	19,041	24,040	10,746	3,270
Income taxes	5,883	(1,083)	5,502	2,413	3,184
Net income	\$ 19,548	\$ 20,124	\$ 18,538	\$ 8,333	\$ 86
Basic earnings per common share	\$ 0.86	\$ 0.88	\$ 0.81	\$ 0.36	\$ 0.00
Diluted earnings per common share	\$ 0.86	\$ 0.88	\$ 0.81	\$ 0.36	\$ 0.00

**MIDLAND STATES BANCORP, INC.**  
**CONSOLIDATED FINANCIAL SUMMARY (unaudited) (continued)**

<i>(in thousands)</i>	As of				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
<b>Assets</b>					
Cash and cash equivalents	\$ 662,643	\$ 425,100	\$ 631,219	\$ 341,640	\$ 461,196
Investment securities	900,319	756,831	690,390	686,135	618,974
Loans	4,915,554	4,835,866	4,910,806	5,103,331	4,941,466
Allowance for credit losses on loans	(55,675)	(58,664)	(62,687)	(60,443)	(52,771)
Total loans, net	4,859,879	4,777,202	4,848,119	5,042,888	4,888,695
Loans held for sale	26,621	12,187	55,174	138,090	62,500
Premises and equipment, net	71,241	71,803	73,255	74,124	74,967
Other real estate owned	11,931	12,768	20,304	20,247	15,961
Loan servicing rights, at lower of cost or fair value	30,916	34,577	36,876	39,276	42,465
Goodwill	161,904	161,904	161,904	161,904	161,904
Other intangible assets, net	26,065	27,900	26,867	28,382	29,938
Cash surrender value of life insurance policies	149,146	148,277	146,864	146,004	145,112
Other assets	193,294	201,461	193,814	189,850	198,333
Total assets	\$ 7,093,959	\$ 6,630,010	\$ 6,884,786	\$ 6,868,540	\$ 6,700,045
<b>Liabilities and Shareholders' Equity</b>					
Noninterest-bearing deposits	\$ 1,672,901	\$ 1,366,453	\$ 1,522,433	\$ 1,469,579	\$ 1,355,188
Interest-bearing deposits	3,928,475	3,829,898	3,818,080	3,631,437	3,673,548
Total deposits	5,601,376	5,196,351	5,340,513	5,101,016	5,028,736
Short-term borrowings	66,666	75,985	71,728	68,957	58,625
FHLB advances and other borrowings	440,171	440,171	529,171	779,171	693,640
Subordinated debt	138,998	138,906	169,888	169,795	169,702
Trust preferred debentures	49,235	49,094	48,954	48,814	48,682
Other liabilities	139,669	81,317	89,065	79,396	78,780
Total liabilities	6,436,115	5,981,824	6,249,319	6,247,149	6,078,165
Total shareholders' equity	657,844	648,186	635,467	621,391	621,880
Total liabilities and shareholders' equity	\$ 7,093,959	\$ 6,630,010	\$ 6,884,786	\$ 6,868,540	\$ 6,700,045

**MIDLAND STATES BANCORP, INC.**  
**CONSOLIDATED FINANCIAL SUMMARY (unaudited) (continued)**

As of



<i>(in thousands)</i>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
<b>Loan Portfolio</b>					
Commercial loans and leases	\$ 1,879,765	\$ 1,831,241	\$ 1,977,440	\$ 2,095,639	\$ 1,938,691
Commercial real estate	1,562,013	1,540,489	1,494,031	1,525,973	1,496,758
Construction and land development	200,792	212,508	191,870	172,737	177,894
Residential real estate	344,414	366,612	398,501	442,880	470,829
Consumer	928,570	885,016	848,964	866,102	857,294
Total loans	<u>\$ 4,915,554</u>	<u>\$ 4,835,866</u>	<u>\$ 4,910,806</u>	<u>\$ 5,103,331</u>	<u>\$ 4,941,466</u>
<b>Deposit Portfolio</b>					
Noninterest-bearing demand	\$ 1,672,901	\$ 1,366,453	\$ 1,522,433	\$ 1,469,579	\$ 1,355,188
Interest-bearing:					
Checking	1,697,326	1,619,436	1,601,449	1,568,888	1,581,216
Money market	852,836	787,688	819,455	785,871	826,454
Savings	665,710	669,277	653,256	597,966	580,748
Time	688,693	721,502	718,788	655,620	661,872
Brokered time	23,910	31,995	25,132	23,092	23,258
Total deposits	<u>\$ 5,601,376</u>	<u>\$ 5,196,351</u>	<u>\$ 5,340,513</u>	<u>\$ 5,101,016</u>	<u>\$ 5,028,736</u>

**MIDLAND STATES BANCORP, INC.**  
**CONSOLIDATED FINANCIAL SUMMARY (unaudited) (continued)**

<i>(dollars in thousands)</i>	<b>For the Quarter Ended</b>				
	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
<b>Average Balance Sheets</b>					
Cash and cash equivalents	\$ 525,848	\$ 509,886	\$ 350,061	\$ 415,686	\$ 491,728
Investment securities	773,372	734,462	680,202	672,937	628,705
Loans	4,800,063	4,826,234	4,992,802	4,998,912	4,803,940
Loans held for sale	15,204	36,299	65,365	45,196	44,880
Nonmarketable equity securities	43,873	49,388	55,935	51,906	50,765
Total interest-earning assets	<u>6,158,360</u>	<u>6,156,269</u>	<u>6,144,365</u>	<u>6,184,637</u>	<u>6,020,018</u>
Non-earning assets	597,153	589,336	602,017	602,716	625,522
Total assets	<u>\$ 6,755,513</u>	<u>\$ 6,745,605</u>	<u>\$ 6,746,382</u>	<u>\$ 6,787,353</u>	<u>\$ 6,645,540</u>
Interest-bearing deposits	\$ 3,895,970	\$ 3,815,179	\$ 3,757,108	\$ 3,680,645	\$ 3,656,833
Short-term borrowings	68,103	65,727	75,544	62,432	64,010
FHLB advances and other borrowings	440,171	519,490	617,504	682,981	693,721
Subordinated debt	138,954	165,155	169,844	169,751	169,657
Trust preferred debentures	49,167	49,026	48,887	48,751	48,618
Total interest-bearing liabilities	<u>4,592,365</u>	<u>4,614,577</u>	<u>4,668,887</u>	<u>4,644,560</u>	<u>4,632,839</u>
Noninterest-bearing deposits	1,434,193	1,411,428	1,370,604	1,446,359	1,303,963
Other noninterest-bearing liabilities	77,204	78,521	82,230	73,840	75,859
Shareholders' equity	651,751	641,079	624,661	622,594	632,879
Total liabilities and shareholders' equity	<u>\$ 6,755,513</u>	<u>\$ 6,745,605</u>	<u>\$ 6,746,382</u>	<u>\$ 6,787,353</u>	<u>\$ 6,645,540</u>

**Yields**

*Earning Assets*

Cash and cash equivalents	0.16 %	0.11 %	0.11 %	0.12 %	0.10 %
Investment securities	2.34 %	2.43 %	2.51 %	2.65 %	2.86 %
Loans	4.42 %	4.43 %	4.50 %	4.58 %	4.57 %
Loans held for sale	2.79 %	2.88 %	2.74 %	3.14 %	2.92 %
Nonmarketable equity securities	5.05 %	4.94 %	4.93 %	5.22 %	5.26 %
Total interest-earning assets	3.79 %	3.83 %	4.02 %	4.06 %	4.01 %

*Interest-Bearing Liabilities*

Interest-bearing deposits	0.26 %	0.31 %	0.34 %	0.36 %	0.46 %
Short-term borrowings	0.12 %	0.12 %	0.13 %	0.14 %	0.17 %
FHLB advances and other borrowings	1.80 %	1.91 %	1.69 %	1.71 %	1.85 %
Subordinated debt	5.79 %	5.61 %	5.57 %	5.60 %	5.58 %

Trust preferred debentures	3.92%	4.00%	4.08%	4.03%	4.16%
Total interest-bearing liabilities	0.61%	0.72%	0.75%	0.79%	0.89%
<i>Cost of Deposits</i>	0.19%	0.23%	0.25%	0.26%	0.34%
<i>Net Interest Margin</i>	3.34%	3.29%	3.45%	3.47%	3.33%

**MIDLAND STATES BANCORP, INC.**  
**CONSOLIDATED FINANCIAL SUMMARY (unaudited) (continued)**

	<b>As of and for the Quarter Ended</b>				
	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
<i>(dollars in thousands, except per share data)</i>					
<b>Asset Quality</b>					
Loans 30-89 days past due	\$ 16,772	\$ 20,224	\$ 24,819	\$ 31,460	\$ 28,188
Nonperforming loans	54,620	61,363	52,826	54,070	67,443
Nonperforming assets	69,261	76,926	75,004	75,432	84,795
Net charge-offs	2,989	4,023	1,706	2,328	5,292
Loans 30-89 days past due to total loans	0.34%	0.42%	0.51%	0.62%	0.57%
Nonperforming loans to total loans	1.11%	1.27%	1.08%	1.06%	1.36%
Nonperforming assets to total assets	0.98%	1.16%	1.09%	1.10%	1.27%
Allowance for credit losses to total loans	1.13%	1.21%	1.28%	1.18%	1.07%
Allowance for credit losses to nonperforming loans	101.93%	95.60%	118.67%	111.79%	78.25%
Net charge-offs to average loans	0.25%	0.33%	0.14%	0.19%	0.44%
<b>Wealth Management</b>					
Trust assets under administration	\$ 4,058,168	\$ 4,077,581	\$ 3,560,427	\$ 3,480,759	\$ 3,260,893
<b>Market Data</b>					
Book value per share at period end	\$ 29.64	\$ 28.96	\$ 28.43	\$ 27.83	\$ 27.51
Tangible book value per share at period end <sup>(1)</sup>	\$ 21.17	\$ 20.48	\$ 19.98	\$ 19.31	\$ 19.03
Market price at period end	\$ 24.73	\$ 26.27	\$ 27.74	\$ 17.87	\$ 12.85
Shares outstanding at period end	22,193,141	22,380,492	22,351,740	22,325,471	22,602,844
<b>Capital</b>					
Total capital to risk-weighted assets	13.10%	13.11%	13.73%	13.24%	13.34%
Tier 1 capital to risk-weighted assets	9.73%	9.64%	9.62%	9.20%	9.40%
Tier 1 common capital to risk-weighted assets	8.55%	8.44%	8.39%	7.99%	8.18%
Tier 1 leverage ratio	8.16%	8.00%	7.79%	7.50%	7.72%
Tangible common equity to tangible assets <sup>(1)</sup>	6.80%	7.12%	6.67%	6.46%	6.61%

(1) Non-GAAP financial measures. Refer to pages 13 - 15 for a reconciliation to the comparable GAAP financial measures.

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

**Adjusted Earnings Reconciliation**

	<b>For the Quarter Ended</b>				
	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
<i>(dollars in thousands, except per share data)</i>					
Income before income taxes - GAAP	\$ 25,431	\$ 19,041	\$ 24,040	\$ 10,746	\$ 3,270
Adjustments to noninterest income:					
Gain on sales of investment securities, net	160	377	-	-	1,721
Other income	-	(27)	75	3	(17)
Total adjustments to noninterest income	160	350	75	3	1,704
Adjustments to noninterest expense:					
Loss on mortgage servicing rights held for sale	79	143	-	617	188

Impairment related to facilities optimization	-	-	-	(10)	12,651
FHLB advances prepayment fees	-	3,669	8	4,872	-
Integration and acquisition expenses	176	3,771	238	231	1,200
Total adjustments to noninterest expense	255	7,583	246	5,710	14,039
Adjusted earnings pre tax	25,526	26,274	24,211	16,453	15,605
Adjusted earnings tax	5,910	6,519	5,549	3,982	3,582
<b>Adjusted earnings - non-GAAP</b>	<b>\$ 19,616</b>	<b>\$ 19,755</b>	<b>\$ 18,662</b>	<b>\$ 12,471</b>	<b>\$ 12,023</b>
Adjusted diluted earnings per common share	\$ 0.86	\$ 0.86	\$ 0.82	\$ 0.54	\$ 0.52
Adjusted return on average assets	1.15 %	1.17 %	1.12%	0.73 %	0.72 %
Adjusted return on average shareholders' equity	11.94 %	12.36 %	12.12%	7.97 %	7.56 %
Adjusted return on average tangible common equity	16.82 %	17.52 %	17.39%	11.50 %	11.04 %

### Adjusted Pre-Tax, Pre-Provision Earnings Reconciliation

	For the Quarter Ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
<i>(dollars in thousands)</i>					
Adjusted earnings pre tax - non- GAAP	\$ 25,526	\$ 26,274	\$ 24,211	\$ 16,453	\$ 15,605
Provision for credit losses	(184)	(455)	3,565	10,058	11,728
Impairment on commercial mortgage servicing rights	3,037	1,148	1,275	2,344	1,418
<b>Adjusted pre-tax, pre-provision earnings - non-GAAP</b>	<b>\$ 28,379</b>	<b>\$ 26,967</b>	<b>\$ 29,051</b>	<b>\$ 28,855</b>	<b>\$ 28,751</b>
Adjusted pre-tax, pre-provision return on average assets	1.67 %	1.60 %	1.75%	1.69 %	1.72 %

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

#### Efficiency Ratio Reconciliation

	For the Quarter Ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
<i>(dollars in thousands)</i>					
Noninterest expense - GAAP	\$ 41,292	\$ 48,941	\$ 39,079	\$ 47,048	\$ 53,901
Loss on mortgage servicing rights held for sale	(79)	(143)	-	(617)	(188)
Impairment related to facilities optimization	-	-	-	10	(12,651)
FHLB advances prepayment fees	-	(3,669)	(8)	(4,872)	-
Integration and acquisition expenses	(176)	(3,771)	(238)	(231)	(1,200)
Adjusted noninterest expense	<b>\$ 41,037</b>	<b>\$ 41,358</b>	<b>\$ 38,833</b>	<b>\$ 41,338</b>	<b>\$ 39,862</b>
Net interest income - GAAP	\$ 51,396	\$ 50,110	\$ 51,868	\$ 53,516	\$ 49,980
Effect of tax-exempt income	402	383	386	413	430
Adjusted net interest income	51,798	50,493	52,254	53,929	50,410
Noninterest income - GAAP	15,143	17,417	14,816	14,336	18,919
Impairment on commercial mortgage servicing rights	3,037	1,148	1,275	2,344	1,418
Gain on sales of investment securities, net	(160)	(377)	-	-	(1,721)
Other	-	27	(75)	(3)	17
Adjusted noninterest income	18,020	18,215	16,016	16,677	18,633
Adjusted total revenue	<b>\$ 69,818</b>	<b>\$ 68,709</b>	<b>\$ 68,270</b>	<b>\$ 70,607</b>	<b>\$ 69,043</b>
<b>Efficiency ratio</b>	<b>58.78 %</b>	<b>60.19 %</b>	<b>56.88 %</b>	<b>58.55 %</b>	<b>57.74 %</b>

**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**

<i>(dollars in thousands, except per share data)</i>	As of				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
<b>Shareholders' Equity to Tangible Common Equity</b>					
Total shareholders' equity—GAAP	\$ 657,844	\$ 648,186	\$ 635,467	\$ 621,391	\$ 621,880
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(26,065)	(27,900)	(26,867)	(28,382)	(29,938)
Tangible common equity	<u>\$ 469,875</u>	<u>\$ 458,382</u>	<u>\$ 446,696</u>	<u>\$ 431,105</u>	<u>\$ 430,038</u>
<b>Total Assets to Tangible Assets:</b>					
Total assets—GAAP	\$ 7,093,959	\$ 6,630,010	\$ 6,884,786	\$ 6,868,540	\$ 6,700,045
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(26,065)	(27,900)	(26,867)	(28,382)	(29,938)
Tangible assets	<u>\$ 6,905,990</u>	<u>\$ 6,440,206</u>	<u>\$ 6,696,015</u>	<u>\$ 6,678,254</u>	<u>\$ 6,508,203</u>
Common Shares Outstanding	22,193,141	22,380,492	22,351,740	22,325,471	22,602,844
<b>Tangible Common Equity to Tangible Assets</b>	6.80 %	7.12 %	6.67 %	6.46 %	6.61 %
<b>Tangible Book Value Per Share</b>	\$ 21.17	\$ 20.48	\$ 19.98	\$ 19.31	\$ 19.03

**Return on Average Tangible Common Equity (ROATCE)**

<i>(dollars in thousands)</i>	For the Quarter Ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Net income available to common shareholders	\$ 19,548	\$ 20,124	\$ 18,538	\$ 8,333	\$ 86
Average total shareholders' equity—GAAP	\$ 651,751	\$ 641,079	\$ 624,661	\$ 622,594	\$ 632,879
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(168,771)
Other intangible assets, net	(27,132)	(26,931)	(27,578)	(29,123)	(30,690)
Average tangible common equity	<u>\$ 462,715</u>	<u>\$ 452,244</u>	<u>\$ 435,179</u>	<u>\$ 431,567</u>	<u>\$ 433,418</u>
<b>ROATCE</b>	16.76 %	17.85 %	17.28 %	7.68 %	0.08 %



# Midland States Bancorp, Inc. NASDAQ: MSBI

Third Quarter 2021 Earnings Call





**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 Midland'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 Midland undertakes no obligation to update any statement. A number of factors, many of which are beyond the ability of Midland 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 ("COVID-19") pandemic, including its potential effects on the economic environment, our customers and our operations, as well as any changes to federal, state or local government laws, regulations or orders in connection with the pandemic. 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 Midland and its businesses, including additional factors that could materially affect Midland's financial results, are included in Midland'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 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 3Q21

## 3Q21 Earnings

- Net income of \$19.5 million, or \$0.86 diluted EPS
- 3Q21 results included a \$3.0 million commercial MSR impairment
- Adjusted pre-tax, pre-provision earnings<sup>(1)</sup> of \$28.4 million, up from \$27.0 million in prior quarter

## Strong Balance Sheet Growth

- Total loans increased 8.2% annualized, excluding commercial FHA warehouse and PPP loans
- Well balanced loan growth with increases in commercial, CRE and consumer loans offsetting declines in PPP loans and residential real estate loans
- Total deposits increased 7.8% from end of prior quarter, primarily driven by higher servicing deposits and other commercial deposits

## Reduced Cost of Funds Drives NIM Expansion

- Elimination of higher cost funding sources in 2Q21 resulted in 11 bp decline in cost of average interest-bearing liabilities
- Lower cost of funds resulted in 5 bp increase in net interest margin

## Improving Operating Leverage

- Net interest income and recurring fee income increasing while operating expenses remain relatively stable
- Efficiency ratio<sup>(1)</sup> improved to 58.78% from 60.19% in prior quarter

## Positive Trends in Asset Quality

- Nonperforming loans declined 11.0% from the end of the prior quarter
- Net charge-offs declined 25.7% from the prior quarter

Notes:

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



# Paycheck Protection Program Overview

Paycheck Protection Program (as of 9/30/21)	
Loans Outstanding	\$82.4 million
Round 1	\$12.4 million
Round 2	\$70.0 million
Total Fees Earned	\$15.3 million
Fees Recognized in 3Q21	\$2.2 million
Remaining Fees to be Recognized	\$3.5 million

Paycheck Protection Program Loan Forgiveness		
	As of 6/30/21	As of 9/30/21
Loans Submitted to SBA	\$263.8 million	\$313.9 million
Loans Forgiven by SBA	\$238.3 million	\$300.8 million
Percentage of Total Round 1 PPP Loans Forgiven	83.7%	95.8%
Percentage of Total Round 1 and 2 PPP Loans Forgiven	62.9%	79.1%

## Impact on 3Q21 Financials

	At or for the Three Months Ended 9/30/21	Metrics Excluding PPP Impact
Total Loans	\$4.92 billion	\$4.84 billion
Average Loans	\$4.80 billion	\$4.69 billion
Net Interest Income FTE <sup>(1)</sup>	\$51.8 million	\$49.3 million
Net Interest Margin <sup>(1)</sup>	3.34%	3.24%
ACL/Total Loans	1.13%	1.15%

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



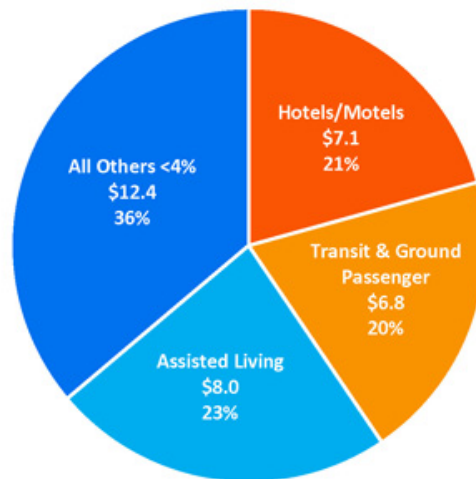


# Loan Deferral Overview

Total Loan Deferrals				Deferral Type (as of September 30, 2021)	
	As of Mar. 31, 2021	As of Jun. 30, 2021	As of Sep. 30, 2021		
Total Loans Deferred	\$219.1 million	\$107.3 million	\$34.3 million	Full Payment Deferral	\$3.2 million
% of Total Loans	4.5%	2.2%	0.7%	Deferred Loans Making I/O or Other Payments	\$31.1 million

**Deferrals by Industry**  
(as of September 30, 2021)

(\$ in millions)





# Loan Portfolio

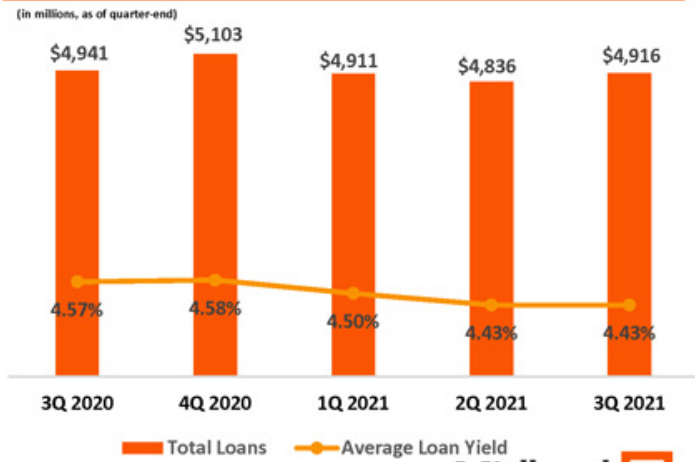
- Total loans increased \$79.7 million from prior quarter to \$4.92 billion
- Increased commercial and CRE loan production, higher end of period balances on commercial FHA warehouse credit lines, and growth in consumer portfolio offset lower PPP loans and continued runoff in residential real estate portfolio driven by refinancing activity
- Equipment finance balances increased \$27.6 million, or 3.2% from end of prior quarter
- Excluding PPP loans, commercial FHA warehouse credit lines, and GreenSky loans, total loans increased at an annualized rate of 6.0% during 3Q21
- PPP loans were \$82.4 million at Sep. 30, 2021, a decrease of \$64.3 million from June 30, 2021

## Loan Portfolio Mix

(In millions, as of quarter-end)

	3Q 2021	2Q 2021	3Q 2020
Commercial loans and leases	\$ 1,880	\$ 1,831	\$ 1,939
Commercial real estate	1,562	1,540	1,497
Construction and land development	201	213	178
Residential real estate	344	367	471
Consumer	929	885	857
<b>Total Loans</b>	<b>\$4,916</b>	<b>\$4,836</b>	<b>\$4,941</b>
<b>Total Loans ex. Commercial FHA Lines and PPP</b>	<b>\$4,653</b>	<b>\$4,560</b>	<b>\$4,527</b>

## Total Loans and Average Loan Yield



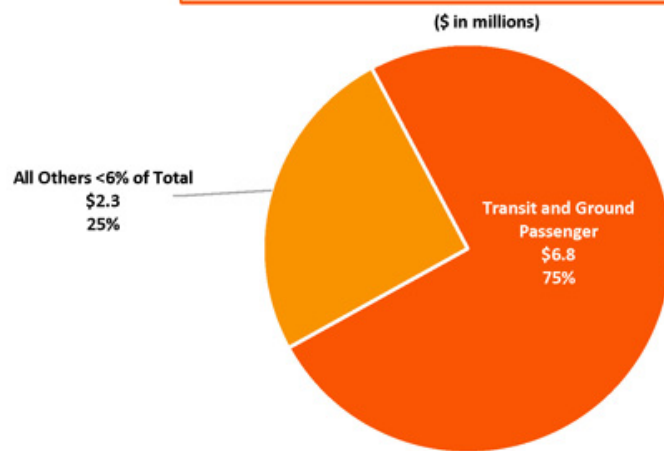


# Midland Equipment Finance Portfolio Overview

Portfolio Characteristics (as of 9/30/21)	
<i>Nationwide portfolio providing financing solutions to equipment vendors and end-users</i>	
Total Outstanding Loans and Leases	\$899.1 million (18.3% of total loans)
Number of Loans and Leases	7,471
Average Loan/Lease Size	\$120,339
Largest Loan/Lease	\$1.3 million
Weighted Average Rate	4.69%

Total Deferred Loans and Leases			
	As of 3/31/21	As of 6/30/21	As of 9/30/21
Total Deferrals	\$46.1 million	\$35.6 million	\$9.1 million
Percentage of Portfolio	5.4%	4.1%	1.0%
Deferred Loans Making I/O or Other Payments	\$35.8 million	\$32.6 million	\$8.0 million

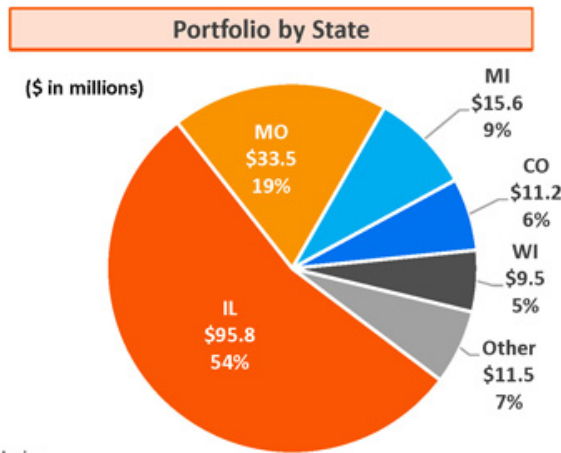
**Equipment Finance Deferrals by Industry**  
(as of September 30, 2021)





# Hotel/Motel Portfolio Overview

Portfolio Characteristics (CRE & C&I) (as of 9/30/21)	
Total Outstanding	\$177.1 million (3.6% of total loans)
Number of Loans	69
Average Loan Size	\$2.6 million
Largest Loan	\$11.2 million
Average LTV	56%
Total Deferred Loans as of 6/30/21	\$39.4 million (21.8% of portfolio)
Total Deferred Loans as of 9/30/21	\$7.1 million (4.0% of portfolio)*
Average LTV of Deferred Loans as of 9/30/21	53%
Deferred Loans Making I/O or Other Payments	\$7.1 million (100% of deferrals)



\* All remaining loan deferrals are Upper Midscale chains

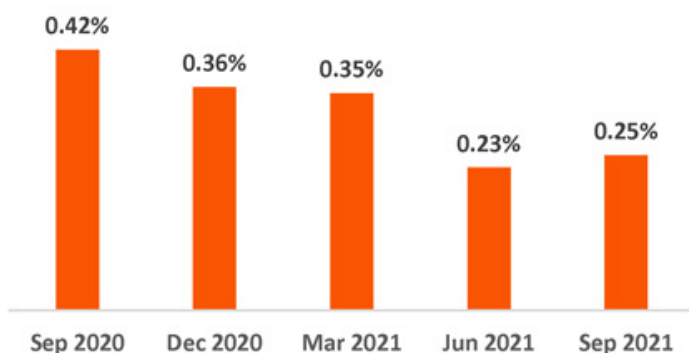


# GreenSky Consumer Loan Portfolio Overview

## Portfolio Characteristics (as of 9/30/21)

Total Outstanding	\$834.3 million (17.0% of total loans)
Number of Loans	389,705
Average Loan Size	\$2,141
Average FICO Score	772
Total Deferred Loans (as of June 30, 2021)	\$0.6 million (0.1% of portfolio)
Total Deferred Loans (as of September 30, 2021)	\$0.7 million (0.1% of portfolio)

## Delinquency Rate (greater than 60 days)



## Prime Credit

- Average FICO score of 772
- 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 32 of past 33 months including every month in 2020 and 2021
- Escrow deposits
  - Escrow deposits absorb losses in excess of cash flow waterfall
  - Escrow account totaled \$34.6 million at 9/30/21 or 4.1% of the portfolio



# Total Deposits

- Total deposits increased \$405.0 million, or 7.8% from prior quarter, to \$5.60 billion
- Increase in deposits largely attributable to increase in commercial FHA servicing deposits and other commercial deposits
- \$184 million of CDs maturing in 4Q21 with a weighted average rate of 1.66%

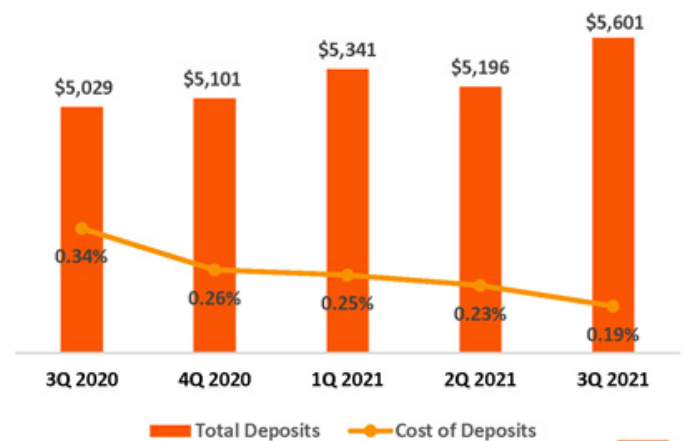
## Deposit Mix

(In millions, as of quarter-end)

	3Q 2021	2Q 2021	3Q 2020
Noninterest-bearing demand	\$ 1,673	\$ 1,366	\$ 1,355
Interest-bearing:			
Checking	1,697	1,619	1,581
Money market	853	788	826
Savings	666	669	581
Time	689	722	662
Brokered time	24	32	23
<b>Total Deposits</b>	<b>\$5,601</b>	<b>\$5,196</b>	<b>\$5,029</b>

## Total Deposits and Cost of Deposits

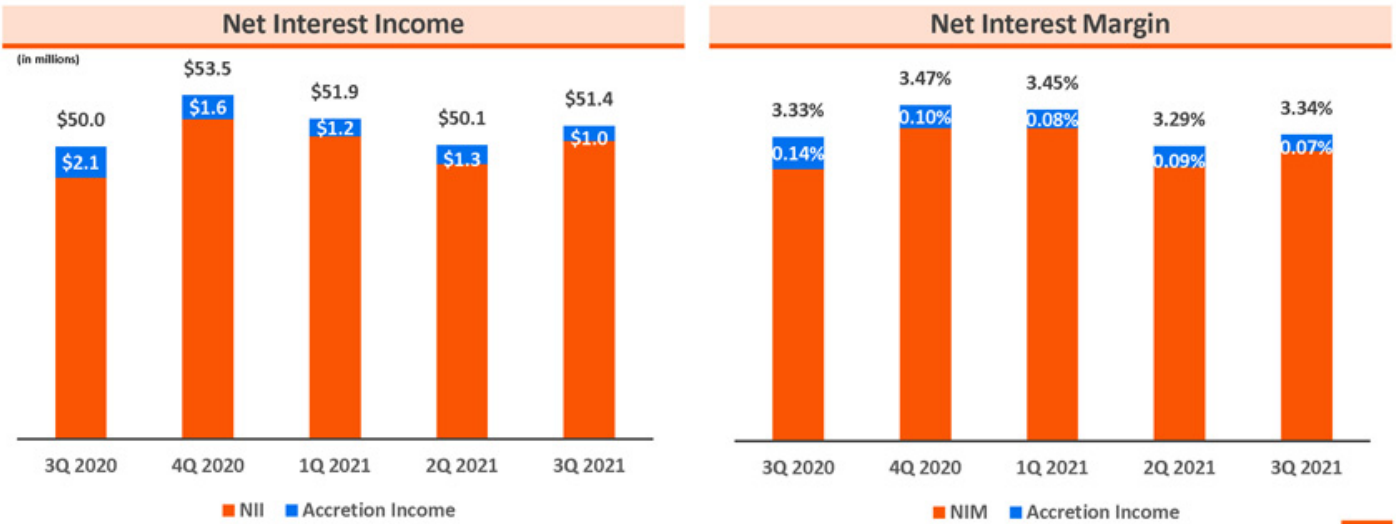
(In millions, as of quarter-end)





# Net Interest Income/Margin

- Net interest income increased 2.6% from the prior quarter due primarily to an increase in net interest margin
- Net interest margin, excluding accretion income, increased 7 bps from prior quarter due primarily to a reduction in the cost of funds
- Excess liquidity expected to result in a lower net interest margin in 4Q21



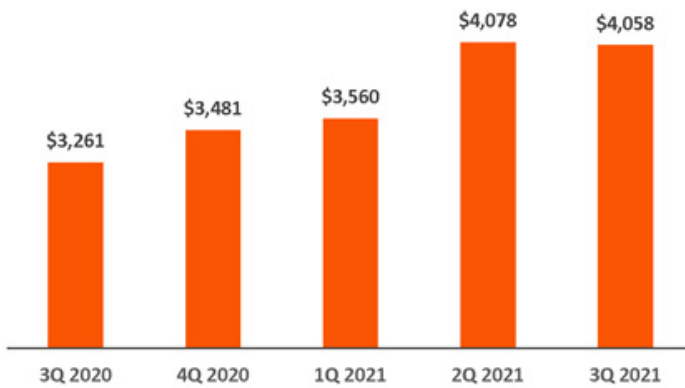


# Wealth Management

- During 3Q21, assets under administration decreased \$19.4 million, primarily due to market performance
- Wealth Management revenue increased 9.9% from prior quarter, primarily due to full quarter contribution of ATG Trust Company

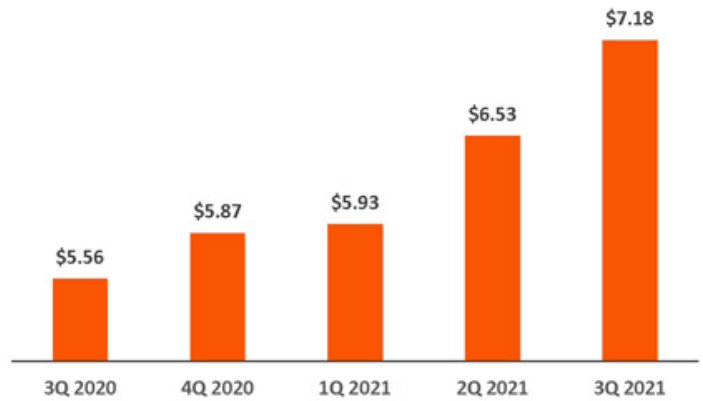
Assets Under Administration

(in millions)



Wealth Management Revenue

(in millions)

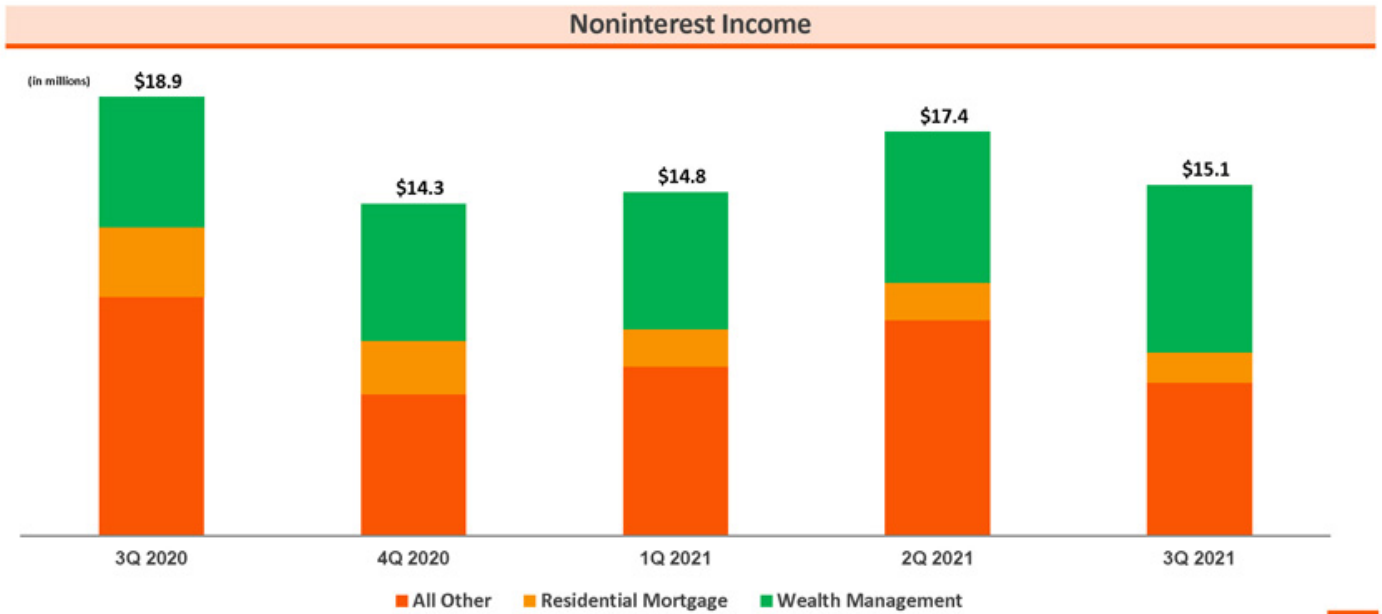






# Noninterest Income

- **Noninterest income decreased 13.1% from prior quarter**
- **Impairment on commercial MSR's impacted noninterest income by \$3.0 million and \$1.1 million in 3Q21 and 2Q21, respectively**
- **Excluding the impact of the impairment of commercial MSR's, noninterest income decreased 2.1% primarily due to the sale of other real estate owned recognized in 2Q21, partially offset by higher wealth management revenue**

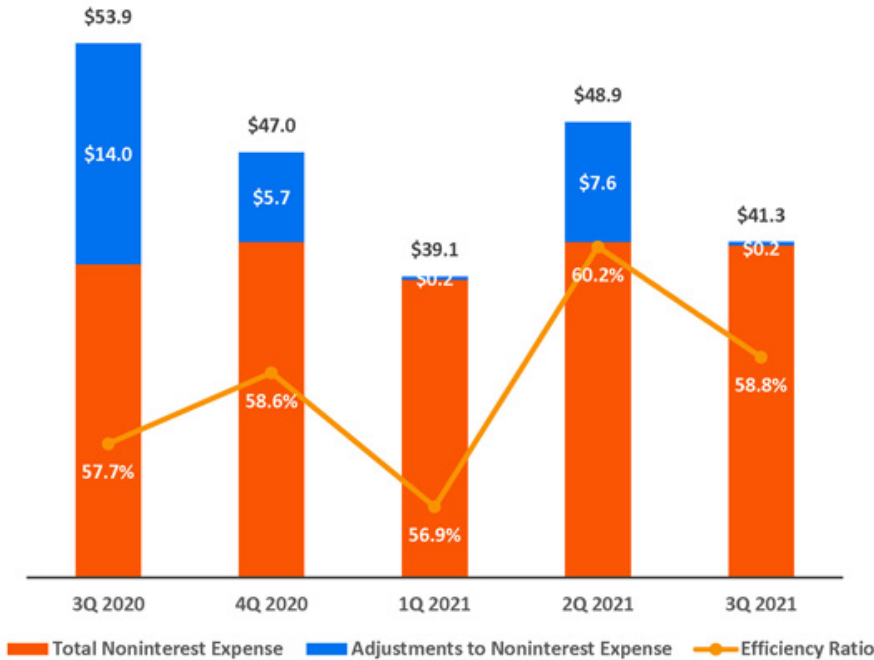




# Noninterest Expense and Operating Efficiency

## Noninterest Expense and Efficiency Ratio <sup>(1)</sup>

(Noninterest expense in millions)



- Efficiency Ratio <sup>(1)</sup> was 58.8% in 3Q21 vs. 60.2% in 2Q21

- Adjustments to non-interest expense:

(\$ in millions)	3Q21	2Q21
Integration and acquisition related expenses	(\$0.1)	(\$3.8)
➢ Professional fees related to tax settlement	--	(\$3.6)
➢ Other expenses	(\$0.1)	(\$0.2)
FHLB advance prepayment fee	--	(\$3.7)
Loss on MSRs held for sale	(\$0.1)	(\$0.1)

- Excluding these adjustments, noninterest expense decreased \$0.2 million
- Operating expense run-rate expected to be \$40.0 - \$42.0 million in 4Q21

**Notes:**

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

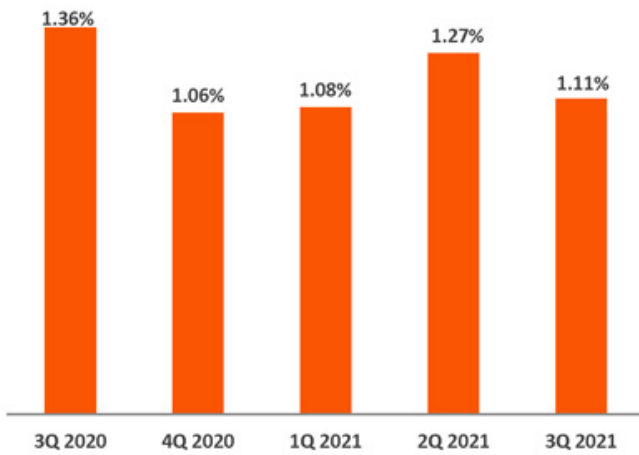


# Asset Quality

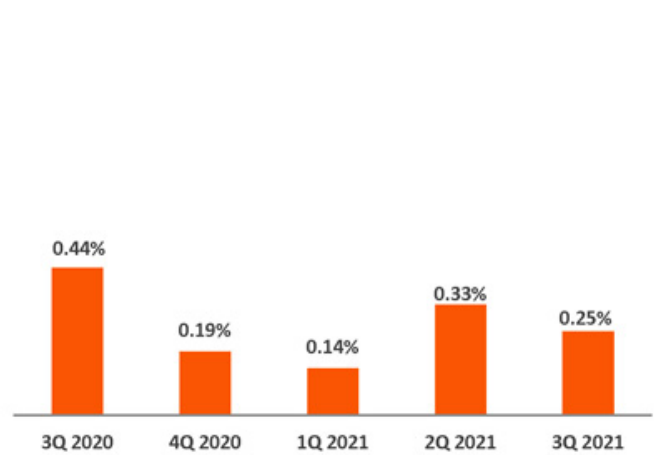
- **Nonperforming loans decreased \$6.7 million due to upgrades, disposition of certain loans, and minimal new inflow into nonperforming category**
- **Net charge-offs of \$3.0 million, or 0.25% of average loans**
- **\$1.5 million specific reserve charged-off on one of the three hotel loans put into NPL in 2Q21 prior to expected note sale in 4Q21; no additional deterioration in other two loans**
- **No provision for credit losses on loans due to improving asset quality; Negative provision for credit losses of \$0.2 million on available-for-sale securities**

Nonperforming Loans / Total Loans

(Total Loans as of quarter-end)



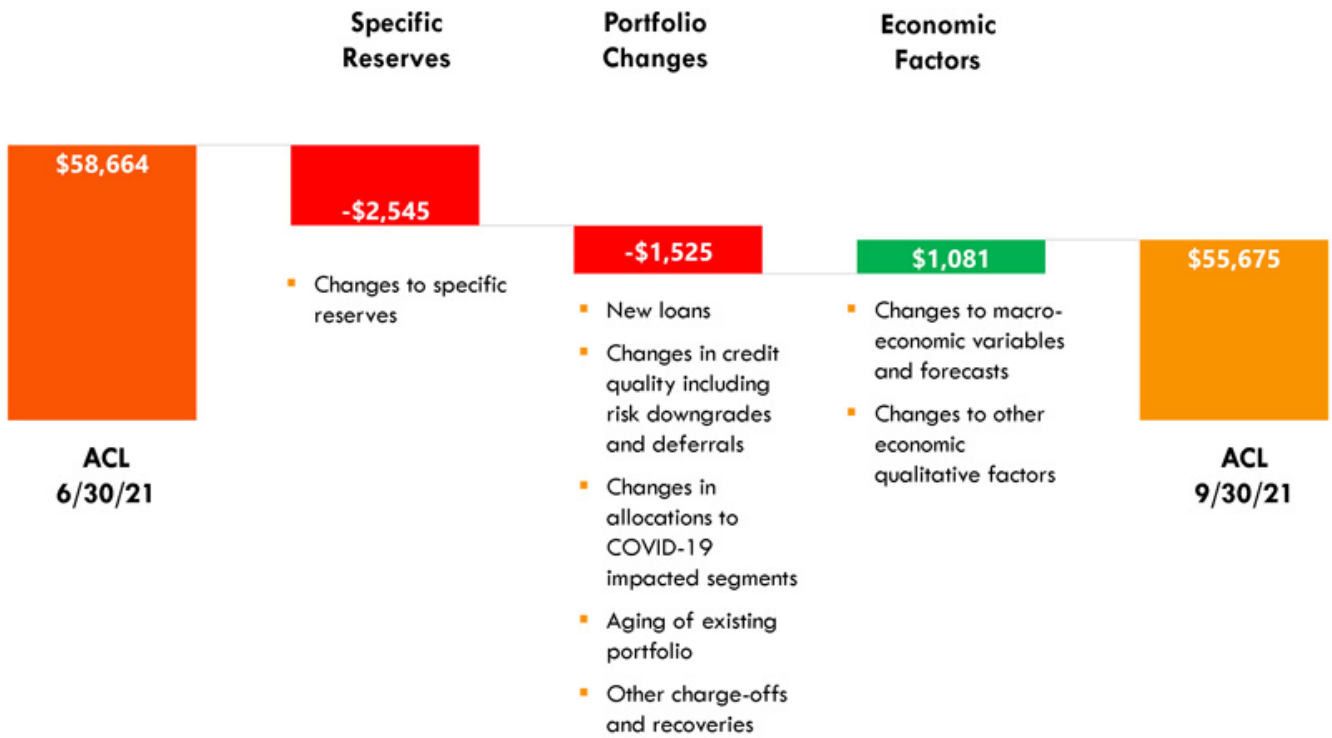
NCO / Average Loans





# Changes in Allowance for Credit Losses

(\$ in thousands)





# ACL by Portfolio

(\$ in thousands)

Portfolio	Total Loans at 9/30/21	ACL	% of Total Loans	Total Loans at 6/30/21	ACL	% of Total Loans
Commercial	\$ 799,189	\$ 6,360	0.80%	\$ 719,642	\$ 5,825	0.81%
Warehouse Lines	180,248	-	0.00%	129,607	-	0.00%
Commercial Other	668,146	8,231	1.23%	704,438	9,024	1.28%
Equipment Finance	486,623	7,856	1.61%	464,380	8,635	1.86%
Paycheck Protection Program	82,410	124	0.15%	146,728	220	0.15%
Lease Financing	412,430	7,586	1.84%	407,161	5,389	1.32%
CRE non-owner occupied	921,344	17,943	1.95%	908,787	21,168	2.33%
CRE owner occupied	437,140	6,855	1.57%	440,722	7,153	1.62%
Multi-family	128,961	1,591	1.23%	116,176	1,754	1.51%
Farmland	74,568	564	0.76%	74,804	643	0.86%
Construction and Land Development	200,792	1,131	0.56%	212,508	1,733	0.82%
Residential RE First Lien	277,819	2,551	0.92%	296,256	3,028	1.02%
Other Residential	66,595	466	0.70%	70,356	655	0.93%
Consumer	77,132	268	0.35%	74,627	266	0.36%
Consumer Other <sup>(1)</sup>	851,438	2,129	0.25%	810,389	2,026	0.25%
<b>Total Loans</b>	<b>4,915,554</b>	<b>55,675</b>	<b>1.13%</b>	<b>4,835,866</b>	<b>58,664</b>	<b>1.21%</b>
<b>Loans (excluding GreenSky, PPP and warehouse lines)</b>	<b>3,745,257</b>	<b>53,253</b>	<b>1.42%</b>	<b>3,695,247</b>	<b>56,259</b>	<b>1.52%</b>

Notes:

(1) Primarily consists of loans originated through GreenSky relationship





## Outlook

- **GreenSky relationship to gradually wind down over next two years**
  - **Loan originations expected to continue through mid-2022 and keep balances relatively stable**
  - **After loan originations end, GreenSky portfolio expected to decline by \$400-\$450 million over the following year**
  - **Runoff expected to slow after the first year with remaining portfolio paying off over next several years**
  - **Well positioned to replace GreenSky portfolio through combination of larger commercial banking team, new direct consumer lending programs, and other Fintech partnership opportunities**
- **Healthy loan and deposit pipelines should drive quality balance sheet growth and a continuation of positive trends in 4Q21**
- **Dwight Capital relationship expanding in 4Q21 to include approximately \$400 million of additional low-cost servicing deposits**
- **Continued focus on expanding presence and adding new banking talent in higher growth markets in Northern Illinois and St. Louis**
- **Growth in balance sheet and recurring fee income expected to continue resulting in higher levels of revenue, increasing operating leverage and improved profitability**



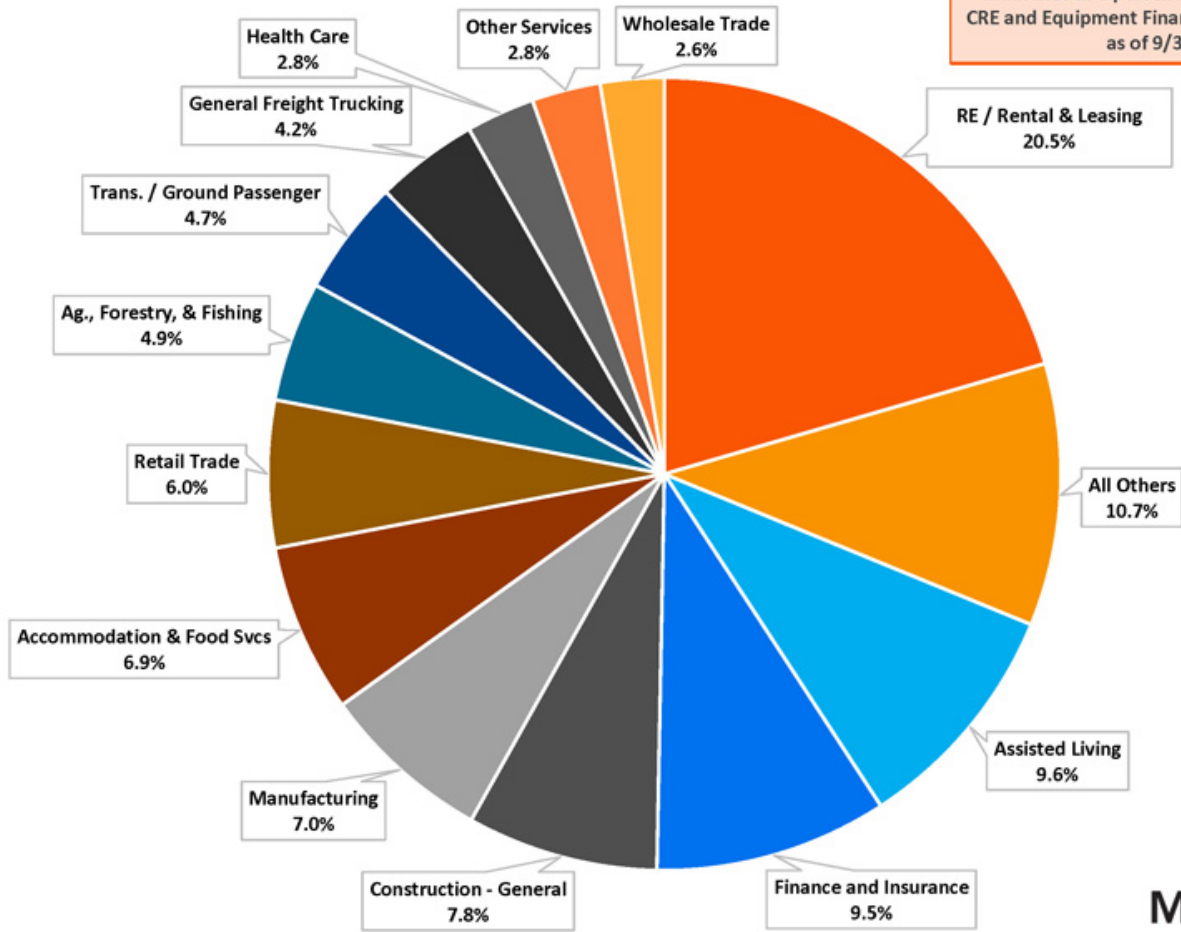
# APPENDIX





# Commercial Loans and Leases by Industry

Industries as a percentage of Commercial, CRE and Equipment Finance Loans and Leases as of 9/30/21

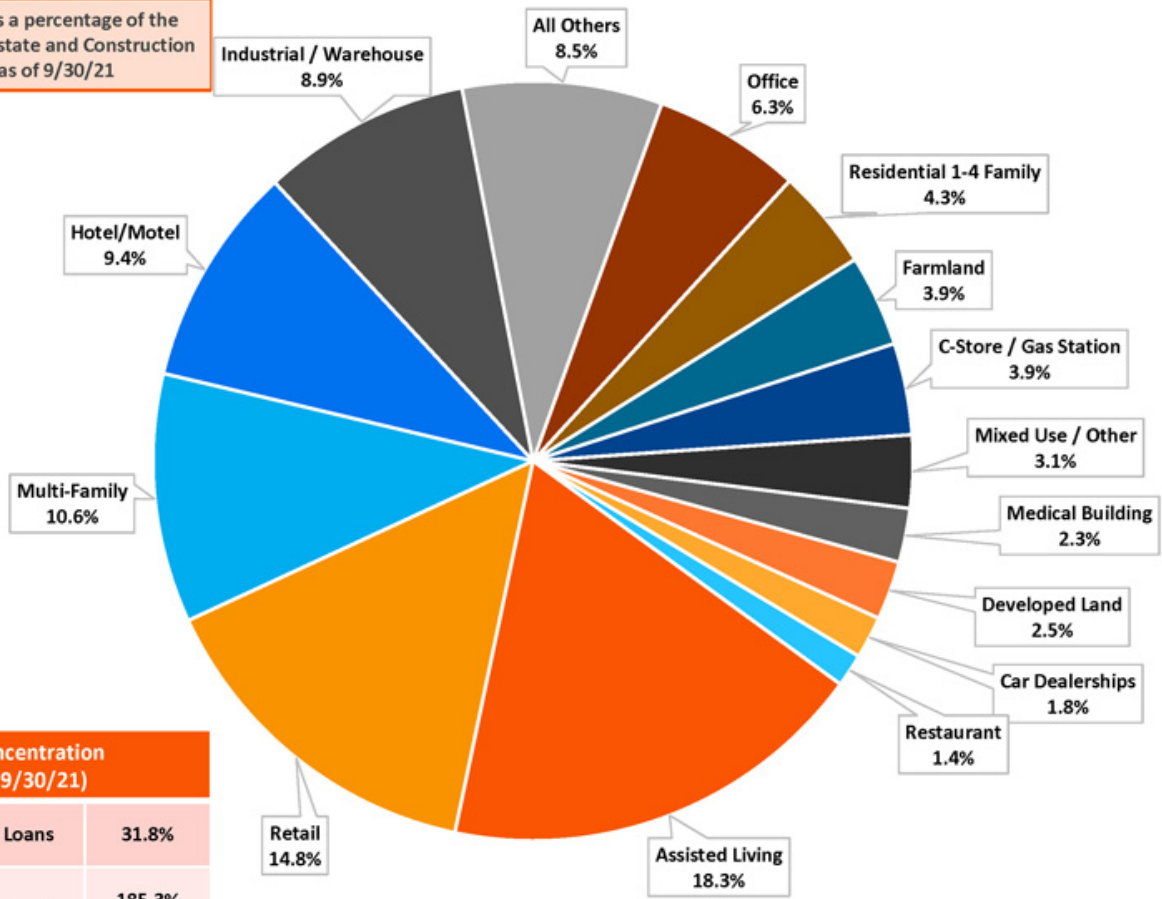






# Commercial Real Estate Portfolio by Collateral Type

Collateral type as a percentage of the Commercial Real Estate and Construction Portfolio as of 9/30/21



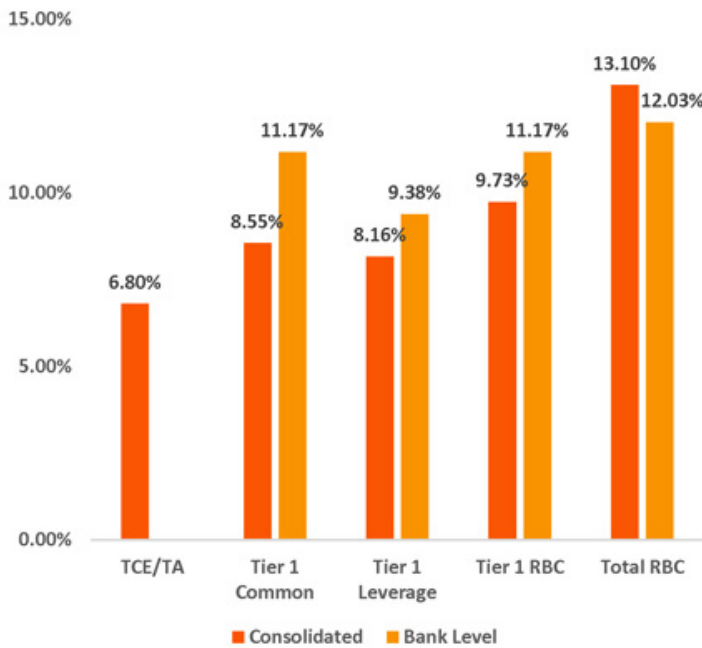
CRE Concentration (as of 9/30/21)	
CRE as a % of Total Loans	31.8%
CRE as a % of Total Risk-Based Capital <sup>(1)</sup>	185.3%

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



# Capital and Liquidity Overview

## Capital Ratios (as of 9/30/21)



## Liquidity Sources (as of 9/30/21)

(\$ in millions)

Cash and Cash Equivalents	\$ 662.6
Unpledged Securities	291.6
FHLB Committed Liquidity	730.0
FRB Discount Window Availability	53.5
<b>Primary Liquidity</b>	<b><u>1,737.7</u></b>
FRB – PPP Liquidity Facility <sup>(1)</sup>	82.4
<b>Secondary Liquidity</b>	<b><u>82.4</u></b>
<b>Total Estimated Liquidity</b>	<b><u>\$ 1,820.1</u></b>
<b>Conditional Funding Based on Market Conditions</b>	
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 \$35.3 Million

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

**Adjusted Earnings Reconciliation**

	For the Quarter Ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
<i>(dollars in thousands, except per share data)</i>					
Income before income taxes - GAAP	\$ 25,431	\$ 19,041	\$ 24,040	\$ 10,746	\$ 3,270
Adjustments to noninterest income:					
Gain on sales of investment securities, net	160	377	-	-	1,721
Other income	-	(27)	75	3	(17)
Total adjustments to noninterest income	160	350	75	3	1,704
Adjustments to noninterest expense:					
Loss on mortgage servicing rights held for sale	79	143	-	617	188
Impairment related to facilities optimization	-	-	-	(10)	12,651
FHLB advances prepayment fees	-	3,669	8	4,872	-
Integration and acquisition expenses	176	3,771	238	231	1,200
Total adjustments to noninterest expense	255	7,583	246	5,710	14,039
Adjusted earnings pre tax	25,526	26,274	24,211	16,453	15,605
Adjusted earnings tax	5,910	6,519	5,549	3,982	3,582
<b>Adjusted earnings - non-GAAP</b>	<b>\$ 19,616</b>	<b>\$ 19,755</b>	<b>\$ 18,662</b>	<b>\$ 12,471</b>	<b>\$ 12,023</b>
Adjusted diluted earnings per common share	\$ 0.86	\$ 0.86	\$ 0.82	\$ 0.54	\$ 0.52
Adjusted return on average assets	1.15 %	1.17 %	1.12 %	0.73 %	0.72 %
Adjusted return on average shareholders' equity	11.94 %	12.36 %	12.12 %	7.97 %	7.56 %
Adjusted return on average tangible common equity	16.82 %	17.52 %	17.39 %	11.50 %	11.04 %

**Adjusted Pre-Tax, Pre-Provision Earnings Reconciliation**

	For the Quarter Ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
<i>(dollars in thousands)</i>					
Adjusted earnings pre tax - non- GAAP	\$ 25,526	\$ 26,274	\$ 24,211	\$ 16,453	\$ 15,605
Provision for credit losses	(184)	(455)	3,565	10,058	11,728
Impairment on commercial mortgage servicing rights	3,037	1,148	1,275	2,344	1,418
<b>Adjusted pre-tax, pre-provision earnings - non-GAAP</b>	<b>\$ 28,379</b>	<b>\$ 26,967</b>	<b>\$ 29,051</b>	<b>\$ 28,855</b>	<b>\$ 28,751</b>
Adjusted pre-tax, pre-provision return on average assets	1.67 %	1.60 %	1.75 %	1.69 %	1.72 %

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

**Efficiency Ratio Reconciliation**

	For the Quarter Ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
<i>(dollars in thousands)</i>					
Noninterest expense - GAAP	\$ 41,292	\$ 48,941	\$ 39,079	\$ 47,048	\$ 53,901
Loss on mortgage servicing rights held for sale	(79)	(143)	-	(617)	(188)
Impairment related to facilities optimization	-	-	-	10	(12,651)
FHLB advances prepayment fees	-	(3,669)	(8)	(4,872)	-
Integration and acquisition expenses	(176)	(3,771)	(238)	(231)	(1,200)
Adjusted noninterest expense	<u>\$ 41,037</u>	<u>\$ 41,358</u>	<u>\$ 38,833</u>	<u>\$ 41,338</u>	<u>\$ 39,862</u>
Net interest income - GAAP	\$ 51,396	\$ 50,110	\$ 51,868	\$ 53,516	\$ 49,980
Effect of tax-exempt income	402	383	386	413	430
Adjusted net interest income	<u>51,798</u>	<u>50,493</u>	<u>52,254</u>	<u>53,929</u>	<u>50,410</u>
Noninterest income - GAAP	15,143	17,417	14,816	14,336	18,919
Impairment on commercial mortgage servicing rights	3,037	1,148	1,275	2,344	1,418
Gain on sales of investment securities, net	(160)	(377)	-	-	(1,721)
Other	-	27	(75)	(3)	17
Adjusted noninterest income	<u>18,020</u>	<u>18,215</u>	<u>16,016</u>	<u>16,677</u>	<u>18,633</u>
Adjusted total revenue	<u>\$ 69,818</u>	<u>\$ 68,709</u>	<u>\$ 68,270</u>	<u>\$ 70,607</u>	<u>\$ 69,043</u>
<b>Efficiency ratio</b>	58.78 %	60.19 %	56.88 %	58.55 %	57.74 %

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				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
<i>(dollars in thousands, except per share data)</i>					
<b>Shareholders' Equity to Tangible Common Equity</b>					
Total shareholders' equity—GAAP	\$ 657,844	\$ 648,186	\$ 635,467	\$ 621,391	\$ 621,880
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(26,065)	(27,900)	(26,867)	(28,382)	(29,938)
Tangible common equity	<u>\$ 469,875</u>	<u>\$ 458,382</u>	<u>\$ 446,696</u>	<u>\$ 431,105</u>	<u>\$ 430,038</u>
<b>Total Assets to Tangible Assets:</b>					
Total assets—GAAP	\$ 7,093,959	\$ 6,630,010	\$ 6,884,786	\$ 6,868,540	\$ 6,700,045
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(26,065)	(27,900)	(26,867)	(28,382)	(29,938)
Tangible assets	<u>\$ 6,905,990</u>	<u>\$ 6,440,206</u>	<u>\$ 6,696,015</u>	<u>\$ 6,678,254</u>	<u>\$ 6,508,203</u>
Common Shares Outstanding	22,193,141	22,380,492	22,351,740	22,325,471	22,602,844
<b>Tangible Common Equity to Tangible Assets</b>	6.80 %	7.12 %	6.67 %	6.46 %	6.61 %
<b>Tangible Book Value Per Share</b>	\$ 21.17	\$ 20.48	\$ 19.98	\$ 19.31	\$ 19.03

**Return on Average Tangible Common Equity (ROATCE)**

	For the Quarter Ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
<i>(dollars in thousands)</i>					
Net income available to common shareholders	\$ 19,548	\$ 20,124	\$ 18,538	\$ 8,333	\$ 86
Average total shareholders' equity—GAAP	\$ 651,751	\$ 641,079	\$ 624,661	\$ 622,594	\$ 632,879
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(168,771)
Other intangible assets, net	(27,132)	(26,931)	(27,578)	(29,123)	(30,690)
Average tangible common equity	<u>\$ 462,715</u>	<u>\$ 452,244</u>	<u>\$ 435,179</u>	<u>\$ 431,567</u>	<u>\$ 433,418</u>
ROATCE	16.76 %	17.85 %	17.28 %	7.68 %	0.08 %