




Midland States Bancorp, Inc.

NASDAQ: MSBI

Investor Presentation

December 2022



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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 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.



Company Snapshot

- **\$7.8 billion asset community bank established in 1881 and headquartered in Effingham, Illinois**
 - **Largest Illinois-based community bank¹**
- **\$3.4 billion Wealth Management business**
- **Commercial bank focused on in-market relationships with national diversification in equipment finance**
- **53 branches in Illinois and Missouri**
- **16 successful acquisitions since 2008**

Notes:

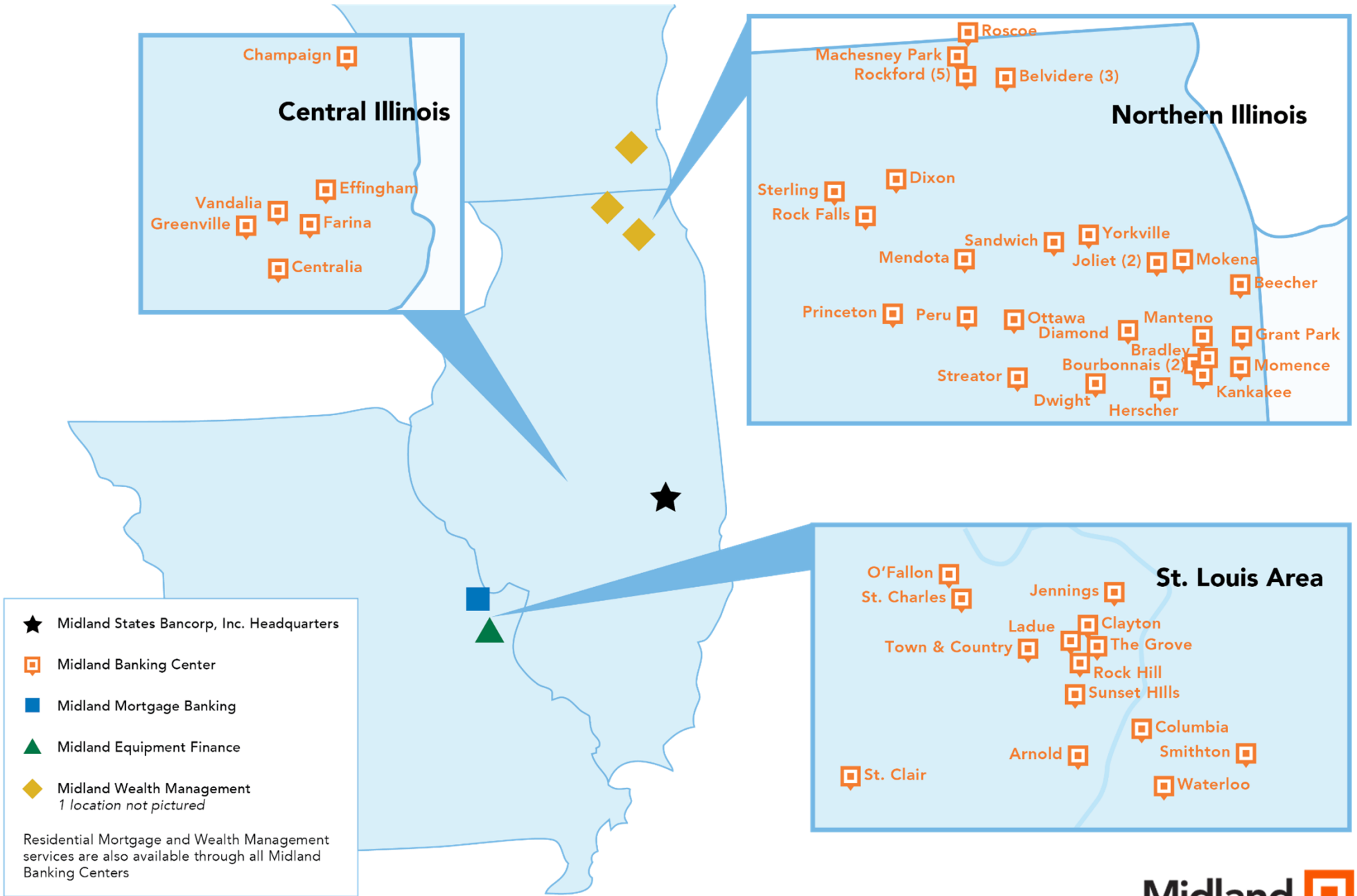
- 1) Community bank defined as banks with less than \$10 billion in assets; Source: S&P Capital IQ
- 2) All financial data as of September 30, 2022



Recent Trends and Operational Highlights

- **Profitable growth and improved efficiencies resulting in higher EPS and increased returns**
- **Strengthened commercial banking team and increased presence in faster growing markets driving significant organic loan growth and consistent inflows of new commercial deposits**
- **More diversified, lower-risk loan portfolio resulting in improved asset quality**
- **\$115 million preferred stock offering in August 2022 strengthened capital ratios to support continued growth**
- **Banking-as-a-Service foundation being developed and expected to begin making a contribution in 2023**
- **New leadership in Wealth Management business focused on more effectively capitalizing on cross-selling opportunities and increasing organic growth rate**

Financial Services & Banking Center Footprint



Investment Summary



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



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

32%

Attractive, stable core deposit franchise with 32% non-interest bearing accounts¹



Leveraging technology to drive revenue growth, increase market share, and enhance the customer experience



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



Illinois and contiguous states provide ample opportunities for future acquisitions



Well diversified loan portfolio across asset classes, industries and property types

Business and Corporate Strategy

Customer-Centric Culture

Drive organic growth by focusing on customer service and accountability to our clients and colleagues; seek to develop bankers who create dynamic relationships; pursue continual investment in people; maintain a core set of institutional values, and build a robust technology platform that provides customers with a superior banking experience

Operational Excellence

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

Enterprise-Wide Risk Management

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

Accretive Acquisitions

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

Revenue Diversification

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



Experienced Senior Management Team



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

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



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

- Joined Midland in 2003
- Appointed Bank President in March 2018
- Oversees all sales activities for commercial, retail, mortgage, wealth management, equipment finance, and treasury management



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

- 20+ years experience advising banks and bank holding companies
- Significant IPO, SEC reporting and M&A experience
- Joined Midland in 2010



Eric T. Lemke | Chief Financial Officer

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



Jeffrey A. Brunoehler | Chief Credit Officer

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

Successful Acquisition History

- Midland States has completed 16 transactions since 2008, including FDIC-assisted, branch, whole bank, asset purchase and business line acquisitions, and a New York trust asset acquisition
- Demonstrated history of earnings expansion
- Deliberate diversification of geographies and revenue channels
- Successful post-closing integration of systems and businesses
- Most recent acquisition: FNBC branch acquisition (closed in Q2 2022)

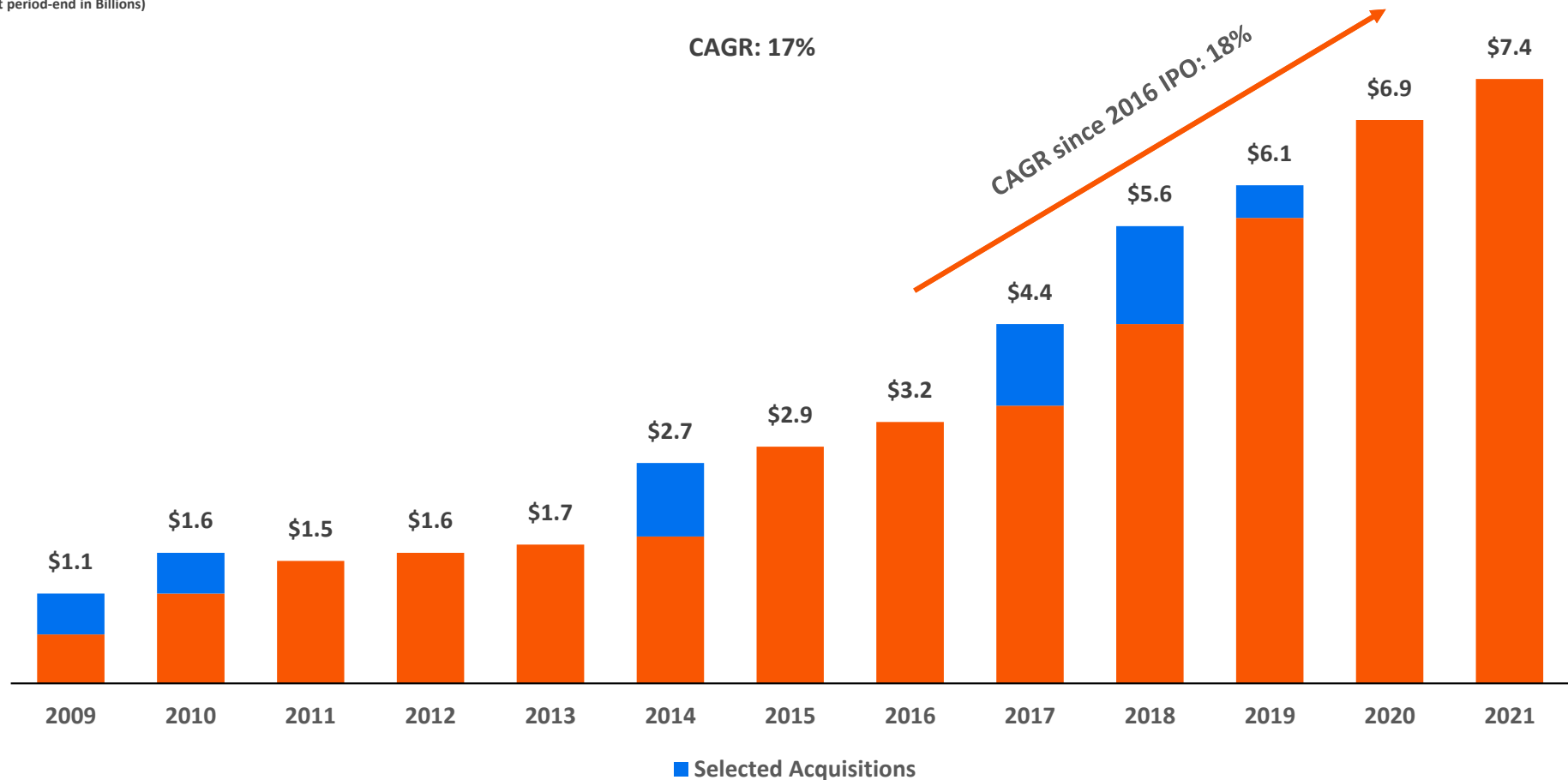
Selected Acquisitions

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

Successful Execution of Strategic Plan...

Total Assets

(at period-end in Billions)



Selected Acquisitions: Total Assets at Time of Acquisition (in millions)

2009: Strategic Capital Bank (\$540)

2014: Love Savings/Heartland Bank (\$889)

2018: Alpine Bancorp. (\$1,243)

2010: AMCORE Bank (\$500)

2017: Centru Financial (\$990)

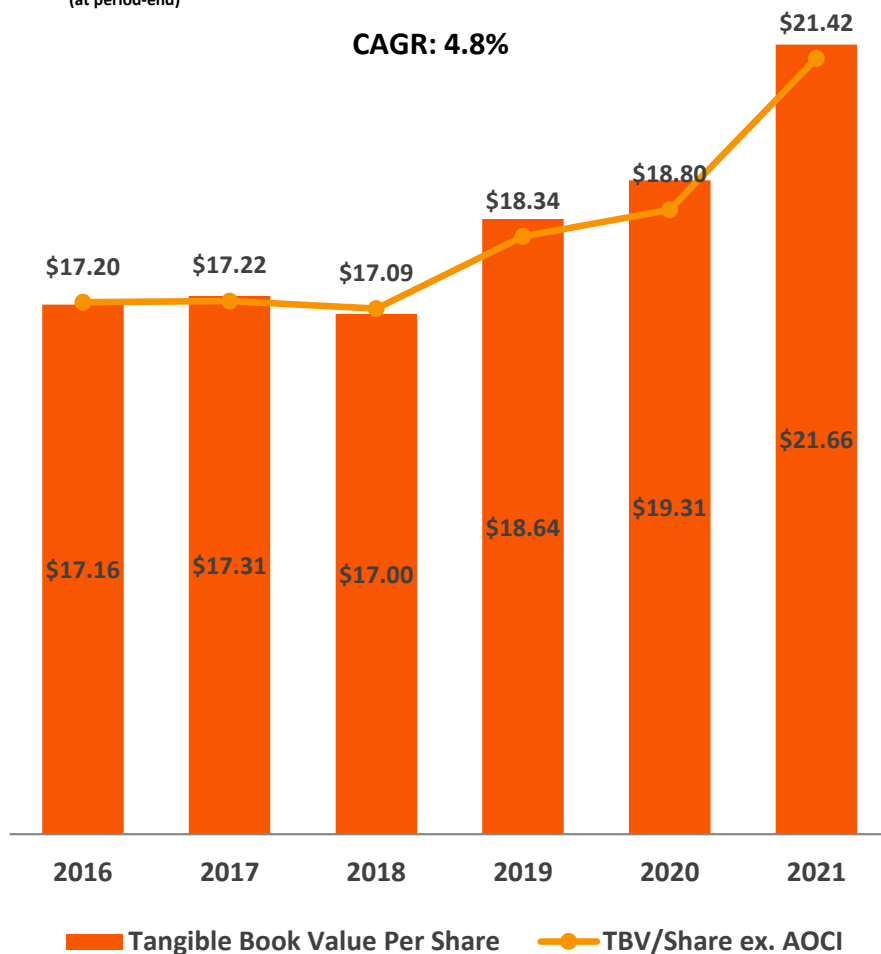
2019: HomeStar Financial Group (\$366)

...Leads to Creation of Shareholder Value

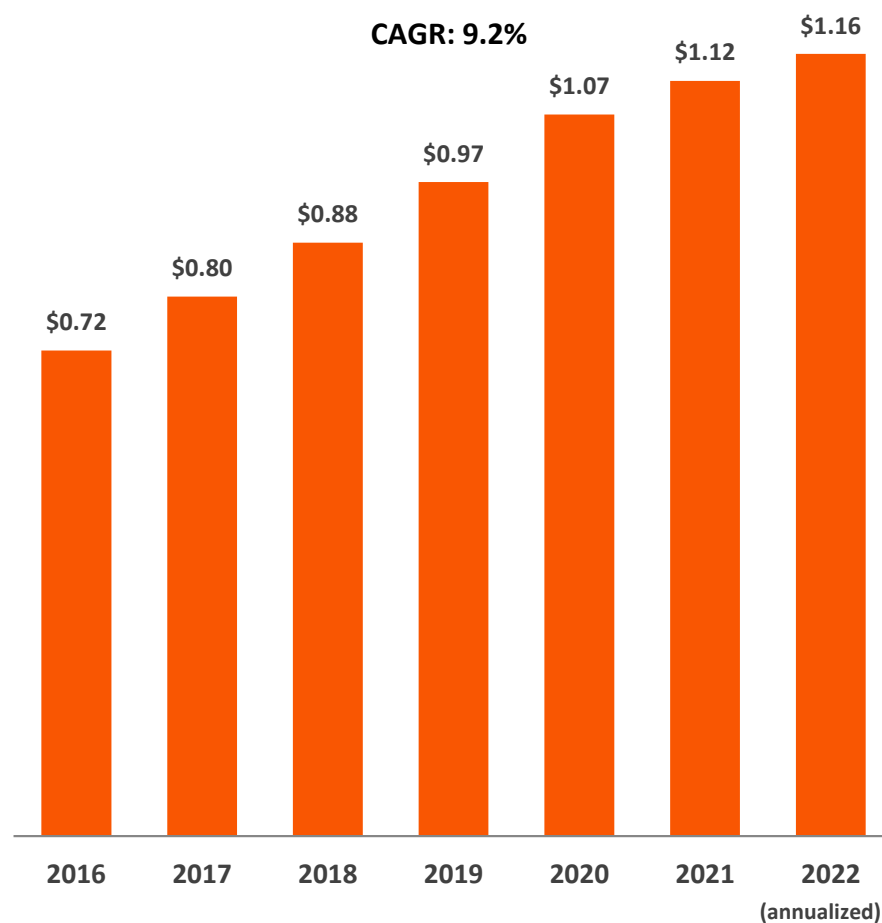
22 Consecutive Years of Dividend Increases

Tangible Book Value Per Share⁽¹⁾

(at period-end)



Dividends Declared Per Share



Note:

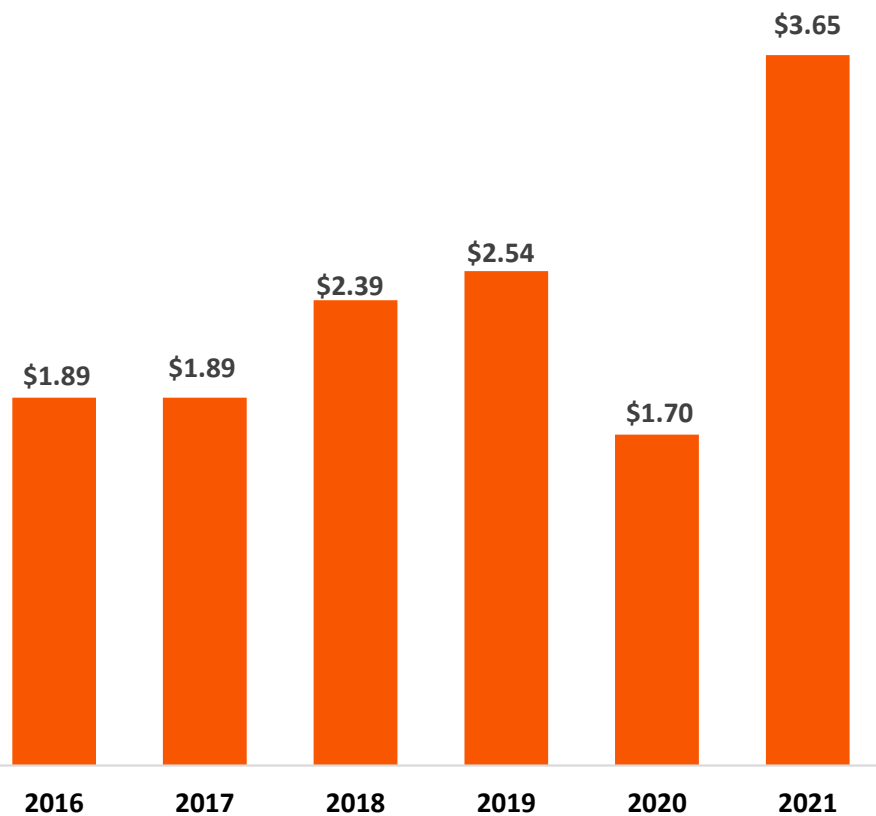
(1) Tangible book value per share is a non-GAAP financial measure; tangible book value per share is defined as tangible common equity divided by shares of common stock outstanding; please refer to the reconciliation in the Appendix



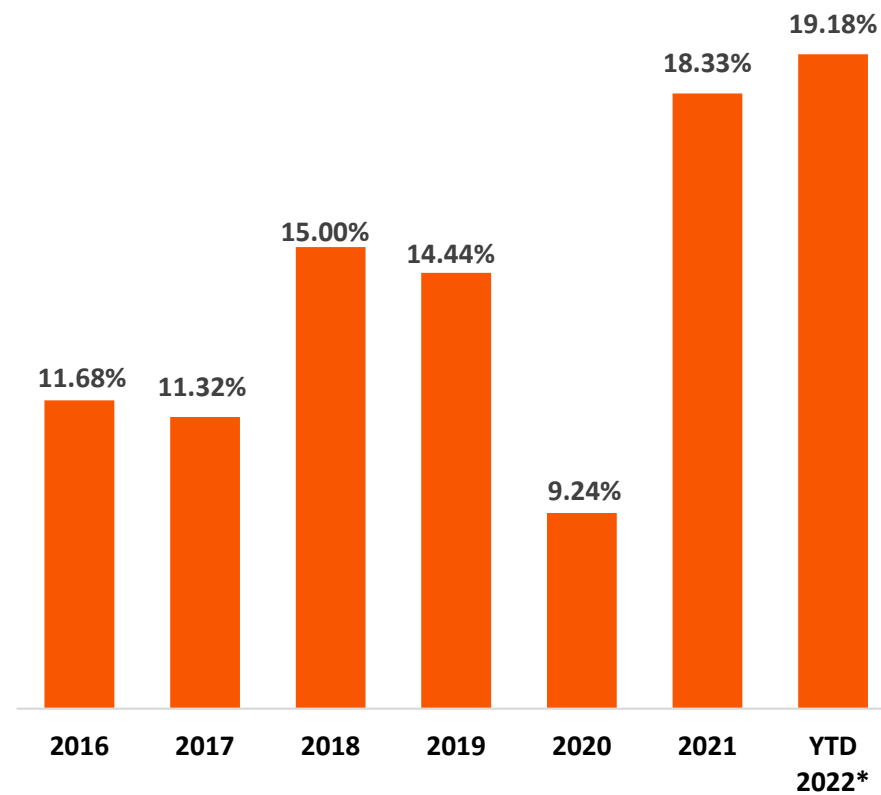
...And Increased Profitability

Adjusted Diluted EPS⁽¹⁾

CAGR: 17.9%



Adjusted ROATCE⁽¹⁾



Notes:

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

*As of 9/30/22

Strategic Initiatives Strengthening Franchise

Significant Corporate Actions Since Coming Public in 2016...

Scale	Action	Strategic Rationale	Financial Impact		
	Three whole bank acquisitions	<ul style="list-style-type: none"> Low-cost deposits 	Total Assets	2016 \$3.2B	2021 \$7.4B
	Four Wealth Management acquisitions	<ul style="list-style-type: none"> Recurring revenue 	AUA	\$1.7B	\$4.2B
	Expanded equipment finance group	<ul style="list-style-type: none"> Diversify revenue with attractive risk-adjusted yields 	Equipment Finance	\$191M	\$945M

Efficiency	Action	Strategic Rationale	Financial Impact		
	Branch network and facility reductions	<ul style="list-style-type: none"> Increasing adoption of digital 	Efficiency Ratio ⁽¹⁾	2016 68.66%	2021 57.05%
	Sale of Commercial FHA Loan Origination platform	<ul style="list-style-type: none"> Remove inconsistent revenue and profit contributor Retain low-cost servicing deposits 			
	Accelerate technology investments	<ul style="list-style-type: none"> Harnessing data to drive efficiencies for increased wallet share 			
		Deposits/Branch	\$53M	\$118M	

Notes:

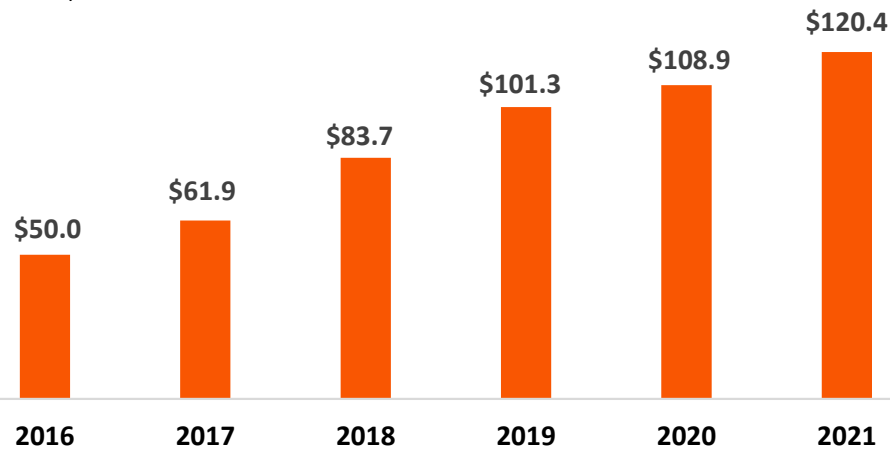
(1) Represents a non-GAAP financial measure. See "Non-GAAP Reconciliation" in the appendix.

Strategic Initiatives Strengthening Franchise

...Have Produced Improved Growth and Profitability

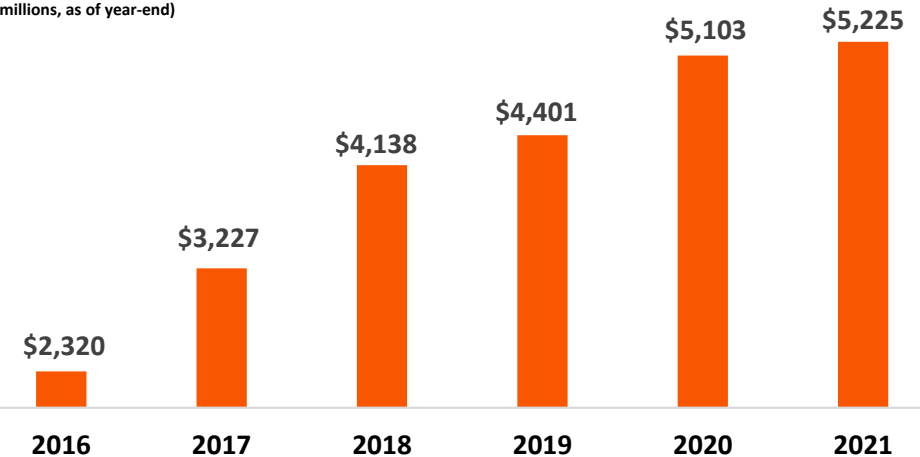
Adjusted Pre-Tax Pre-Provision Earnings⁽¹⁾

(in millions)

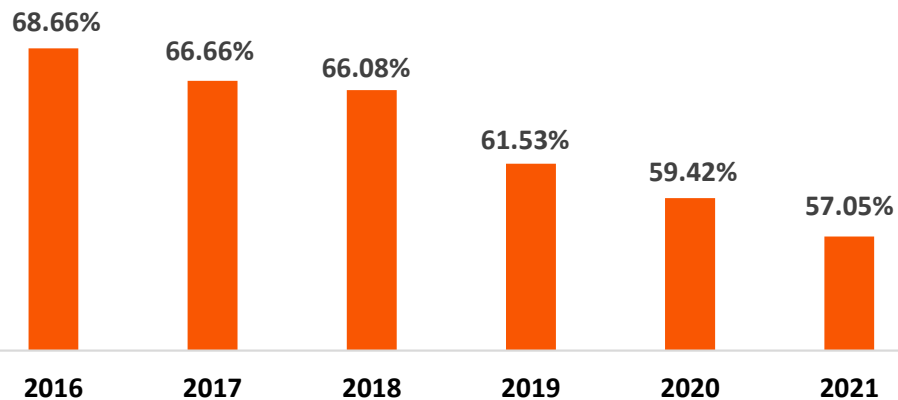


Total Loans

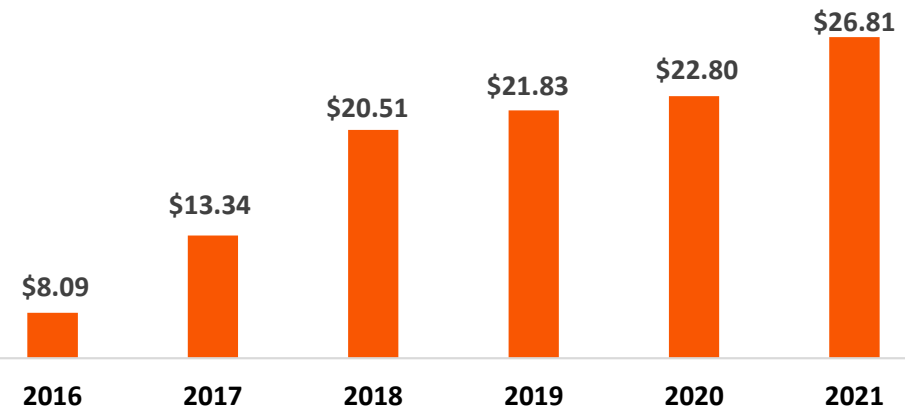
(in millions, as of year-end)



Efficiency Ratio⁽¹⁾



Wealth Management Revenue















Notes:












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



Technology Roadmap

Midland's technology investments are enhancing efficiencies, improving client experience, and positively impacting retail deposit gathering and commercial/consumer loan production

	Consumer	Small Business	Commercial	Wealth
Customer Facing	Flexible Overdrafts (Q1 2022) 	Commercial Online Account Opening (Q4 2021) 		
	Near real time payments (Q1 2021) 	Integrated Payables – Payments (Q4 2021) 		
	Online loan Origination (Q1 2021) 	Commercial Relationship pricing optimization engine (Q1 2022) 		Online Access and Portal (Q4 2021) 
	Consumer online account opening (2020) 	SBA Loan Portal (Opening Dec 2021)		
	Automated analytics-based marketing platform deployed with access to all datasets and all businesses (2020 and on-going) 			
	CRM deployed to 600+ front office employees with rich view of the customer, automated leads, and single view of pipelines for executive team (2020) 			
	Retail Banking Needs Navigator & Customer Incentive Programs (2020) 	Self service loan portal and treasury on-boarding (2021) 		

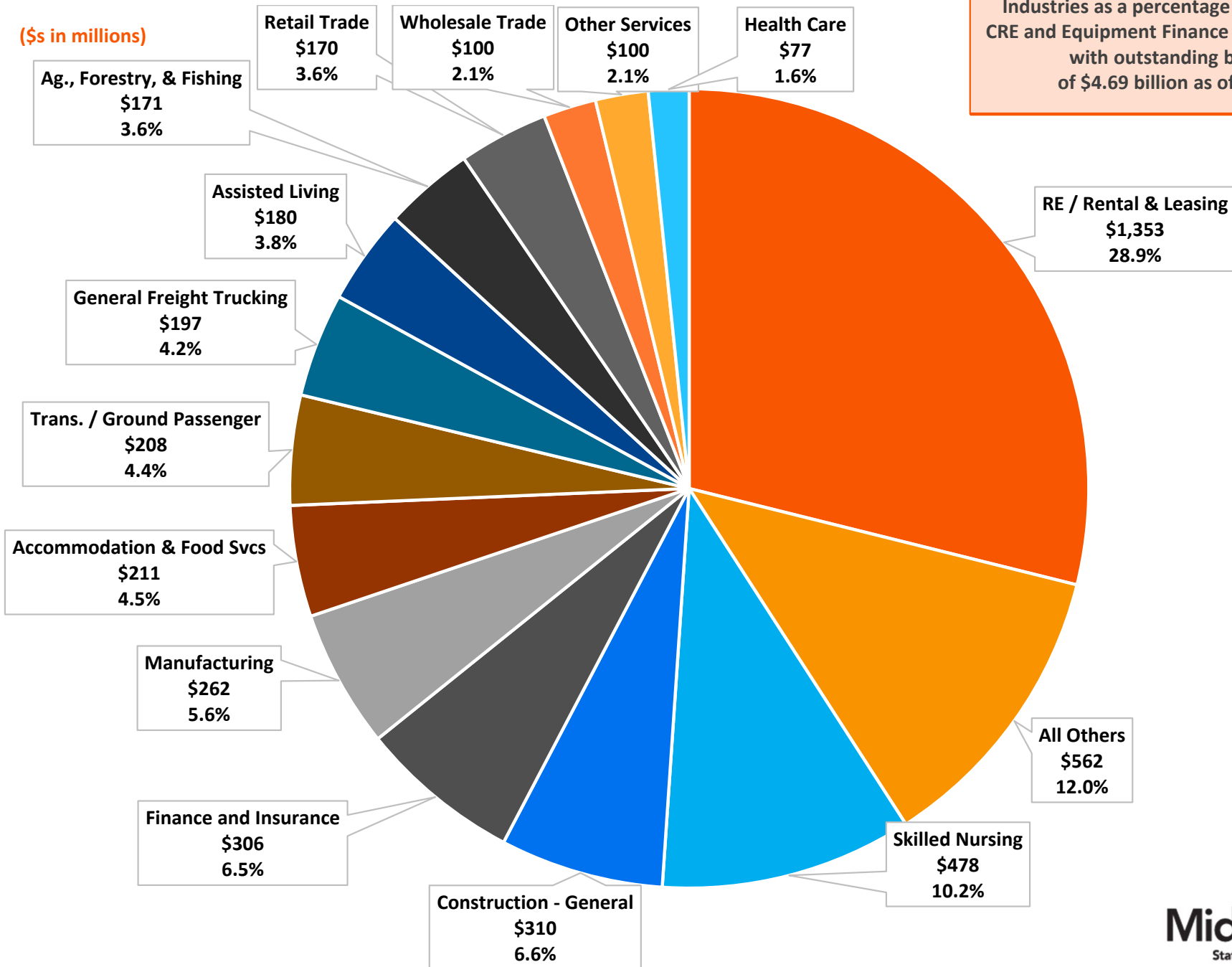
Foundational	Fintech Partnerships Established Canapi Fund, Alloy, Blend, Plaid, GreenSky, JAM/FINTOP Fund, Informatica      			
	CX Platform Customer Feedback (2020, 2021)			
	Artificial Intelligence (2020, 2021) 200+ RPA "bots" deployed in the last 18 months, AI based solutions applied in Risk Management, Mortgage Operations (Q2 2021), and Cyber Security (UEBA)			 
	Silo-elimination and 360 view of customer (2020) All sales teams on single sales platform using same 360 view of customer			 
	Centralized Data Analytics – Informatica, PowerBI, SAS Viya (2018, 2019, 2020) Oracle data warehouse with 98% of data accessible for analytics across all products, services and channels.			
Digital Talent (39 FTE) Chief Digital Officer, Director – Digital Customer Experience, Director – Enterprise Data Services, Director – Digital Solution Delivery, Lead Engineer API Development, Senior Manager – Digital Marketing, Manager – Customer Experience, Board Member – Digital Expertise, Web Development				



Loan Portfolio and Asset Quality

Commercial Loans and Leases by Industry

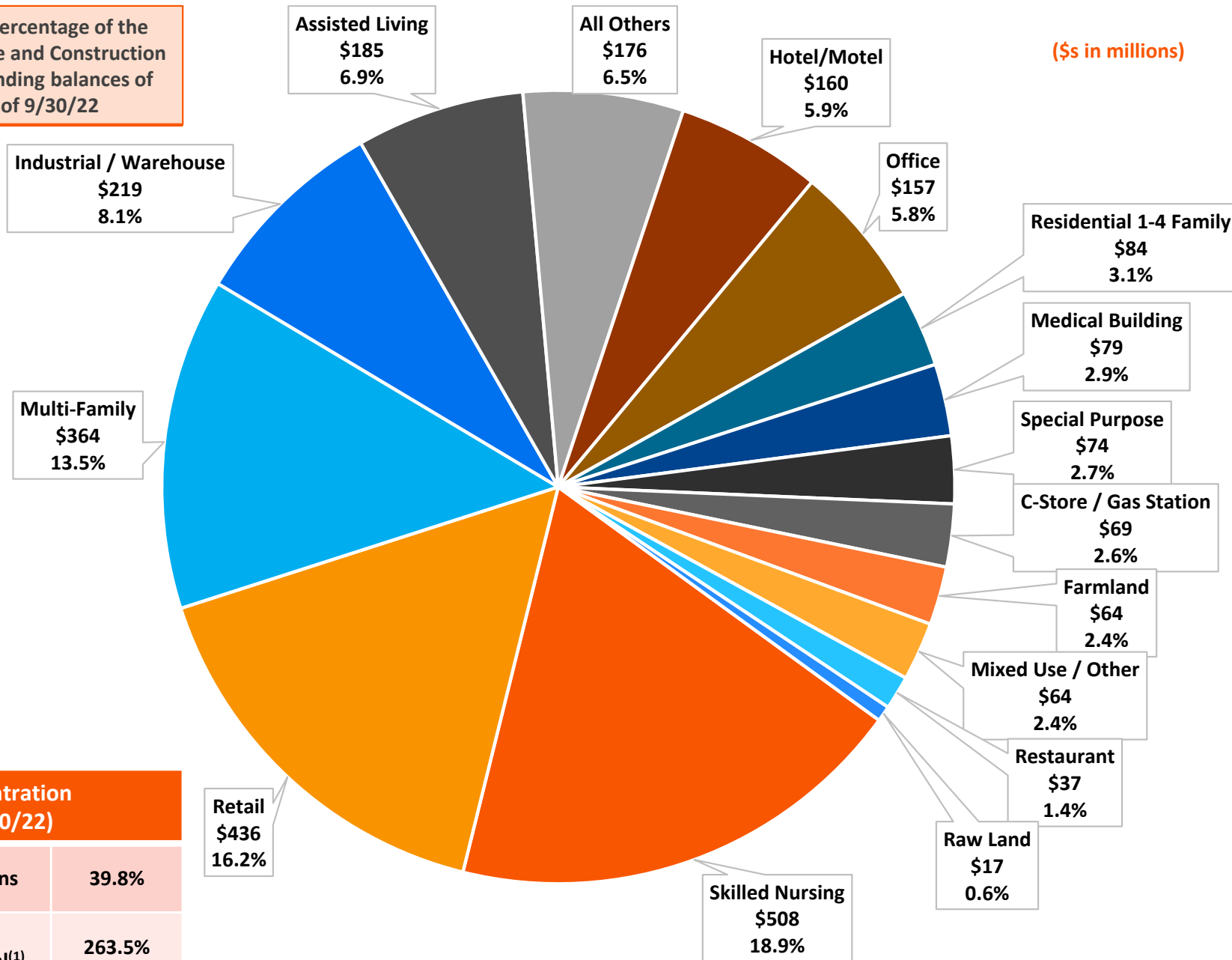
Industries as a percentage of Commercial, CRE and Equipment Finance Loans and Leases with outstanding balances of \$4.69 billion as of 9/30/22



Commercial Real Estate Portfolio by Collateral Type

Collateral type as a percentage of the Commercial Real Estate and Construction Portfolio with outstanding balances of \$2.69 billion as of 9/30/22

(\$s in millions)



CRE Concentration (as of 9/30/22)

CRE as a % of Total Loans 39.8%

CRE as a % of Total Risk-Based Capital⁽¹⁾ 263.5%

Notes:

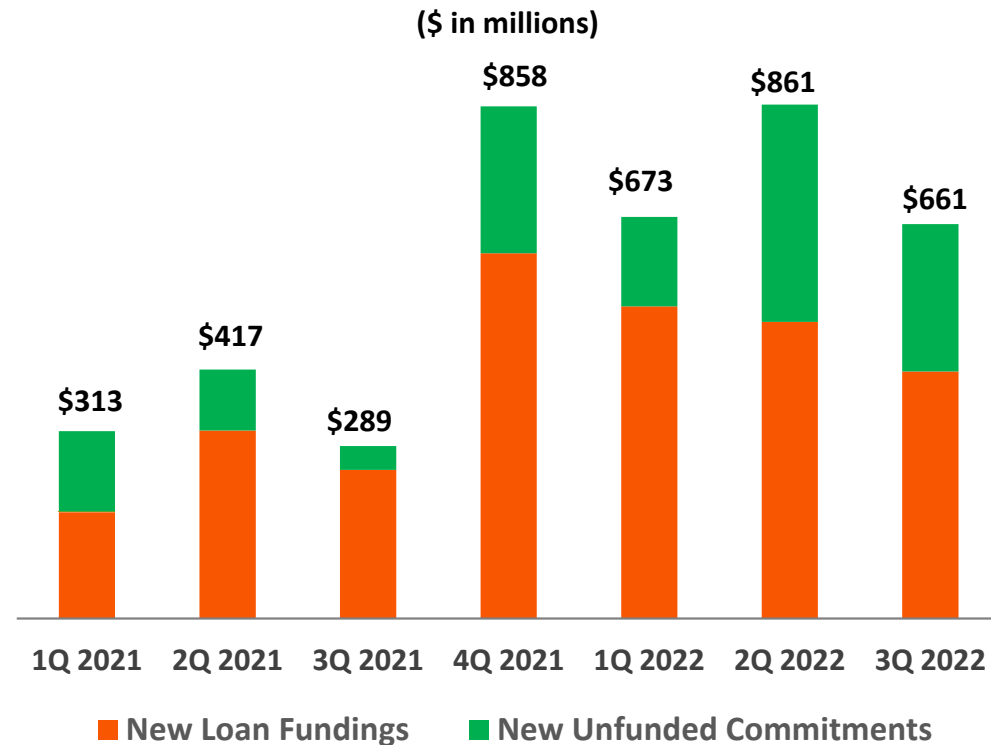
(1) Represents non-owner occupied CRE loans only

Accelerating Commercial Loan Growth

39% Commercial Loan Growth Over Trailing 12 Months⁽¹⁾

- **New hires and an increase in productivity of the commercial banking group without increasing the size of the business development team**
- **Addition of expertise in specialty finance and SBA lending**
- **Increased exposure to higher growth markets in Northern Illinois and St. Louis**
- **Successfully moving up market and working with larger clients that have greater financing needs**
- **Effectively leveraging technology investments, including the Salesforce platform, to improve win rate and expand relationships with clients**

Commercial and CRE Loan Production



Notes:

1) As of September 30, 2022, excluding PPP loans and commercial FHA warehouse lines of credit

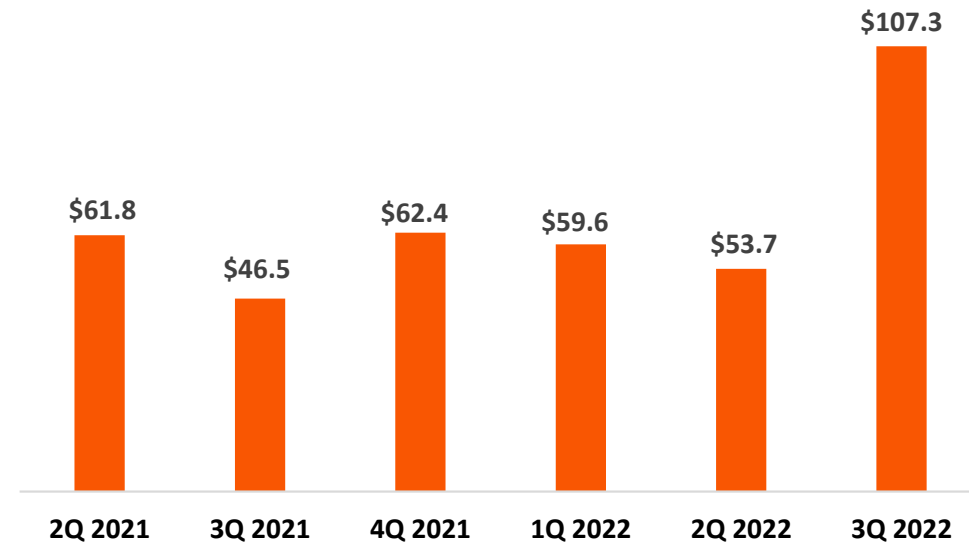
Deposit Base Shifting More Toward Commercial Deposits

New Business Development Efforts Producing Consistent Inflows of Commercial Deposits

- **Commercial banking team more focused on developing full banking relationships**
- **Treasury Management successfully targeting larger commercial clients**
- **Larger banking team in St. Louis effectively taking market share**
- **Effectively leveraging technology investments, including the Salesforce platform, to improve win rate with commercial clients**

New Commercial Deposit Accounts

(\$ in millions)



Midland Equipment Finance Portfolio Overview

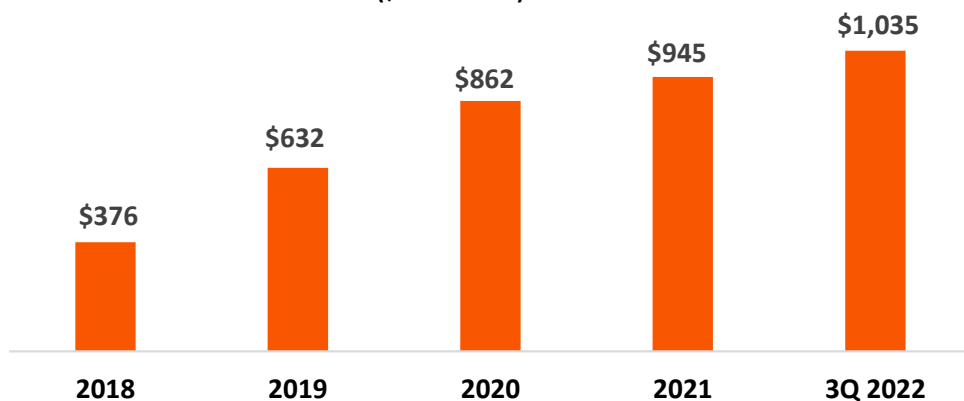
Portfolio Characteristics (as of 9/30/22)

Nationwide portfolio providing financing solutions to equipment vendors and end-users

Total Outstanding Loans and Leases	\$1,034.9 million (16.7% of total loans)
Number of Loans and Leases	8,718
Average Loan/Lease Size	\$118,708
Largest Loan/Lease	\$2.6 million
Weighted Average Rate	4.92%
Representative Industries Served	Manufacturing, General Freight Trucking, Construction, Transit and Ground Passenger

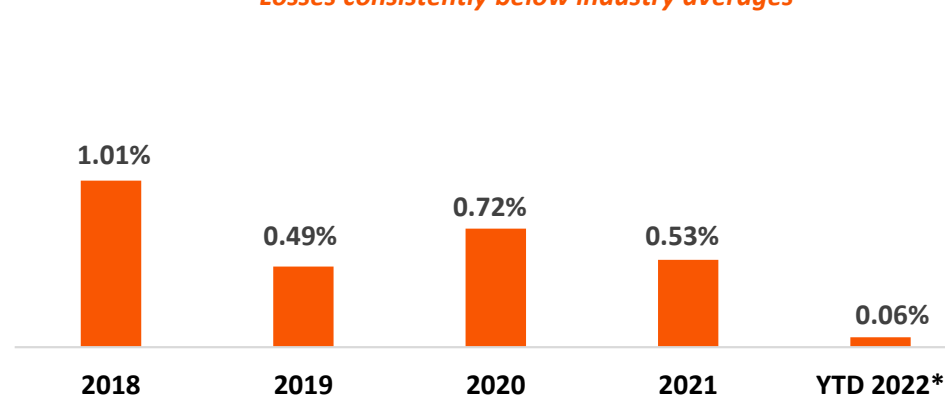
Equipment Finance Outstanding Balances

(\$ in millions)



NCOs/Average Loans

Losses consistently below industry averages



* As of 9/30/2022

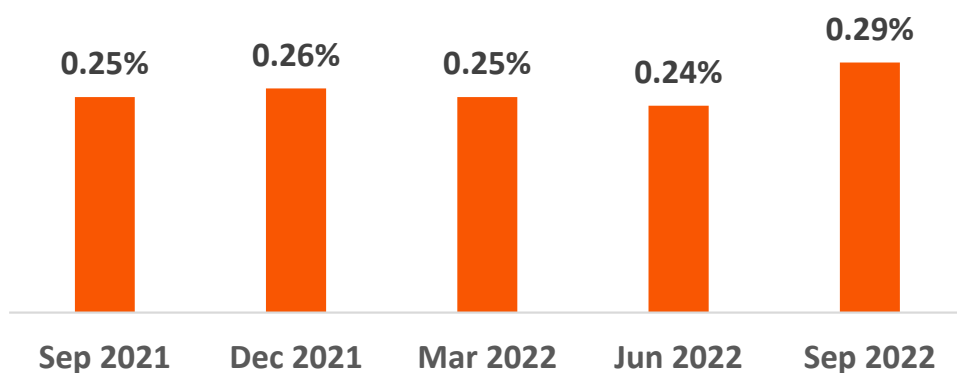


GreenSky Consumer Loan Portfolio Overview

Portfolio Characteristics (as of 9/30/22)

Total Outstanding	\$950.4 million (15.3% of total loans)
Number of Loans	415,326
Average Loan Size	\$2,288
Average FICO Score	774

Delinquency Rate (greater than 60 days)



Prime Credit

- Average FICO score of 774
- No losses to MSBI in 10 year history of portfolio

Credit Enhancement

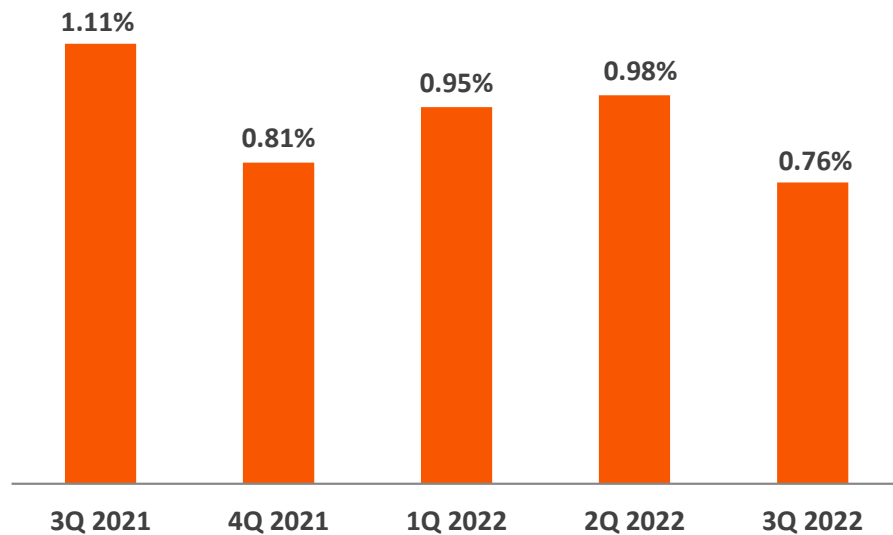
- Cash flow waterfall structure
 - Cash flow from portfolio covers servicing fee, credit losses and our target margin
 - Excess cash flow is an incentive fee to GreenSky that is available to cover additional losses
 - GreenSky received incentive fees in 44 of past 45 months including every month in 2020, 2021 and 2022
- Escrow deposits
 - Escrow deposits absorb losses in excess of cash flow waterfall
 - Escrow account totaled \$41.0 million at 9/30/22 or 4.3% of the portfolio

Asset Quality

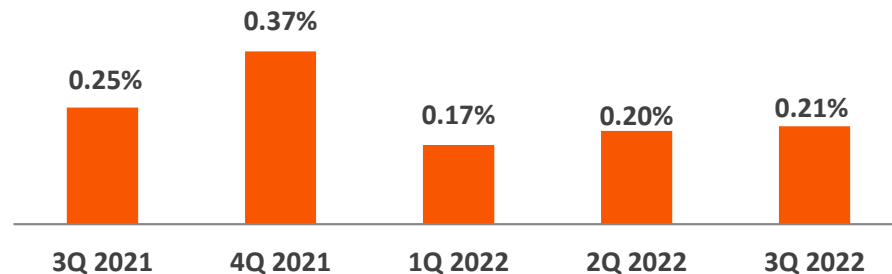
- **Nonperforming loans decreased \$10.0 million due to a combination of payoffs, note sale, and a charge-off on a previously reserved loan relationship**
- **Generally positive trends in the loan portfolio with continued upgrades of watch list loans**
- **Delinquencies in consumer portfolio remain low**
- **Provision for credit losses on loans of \$7.0 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)

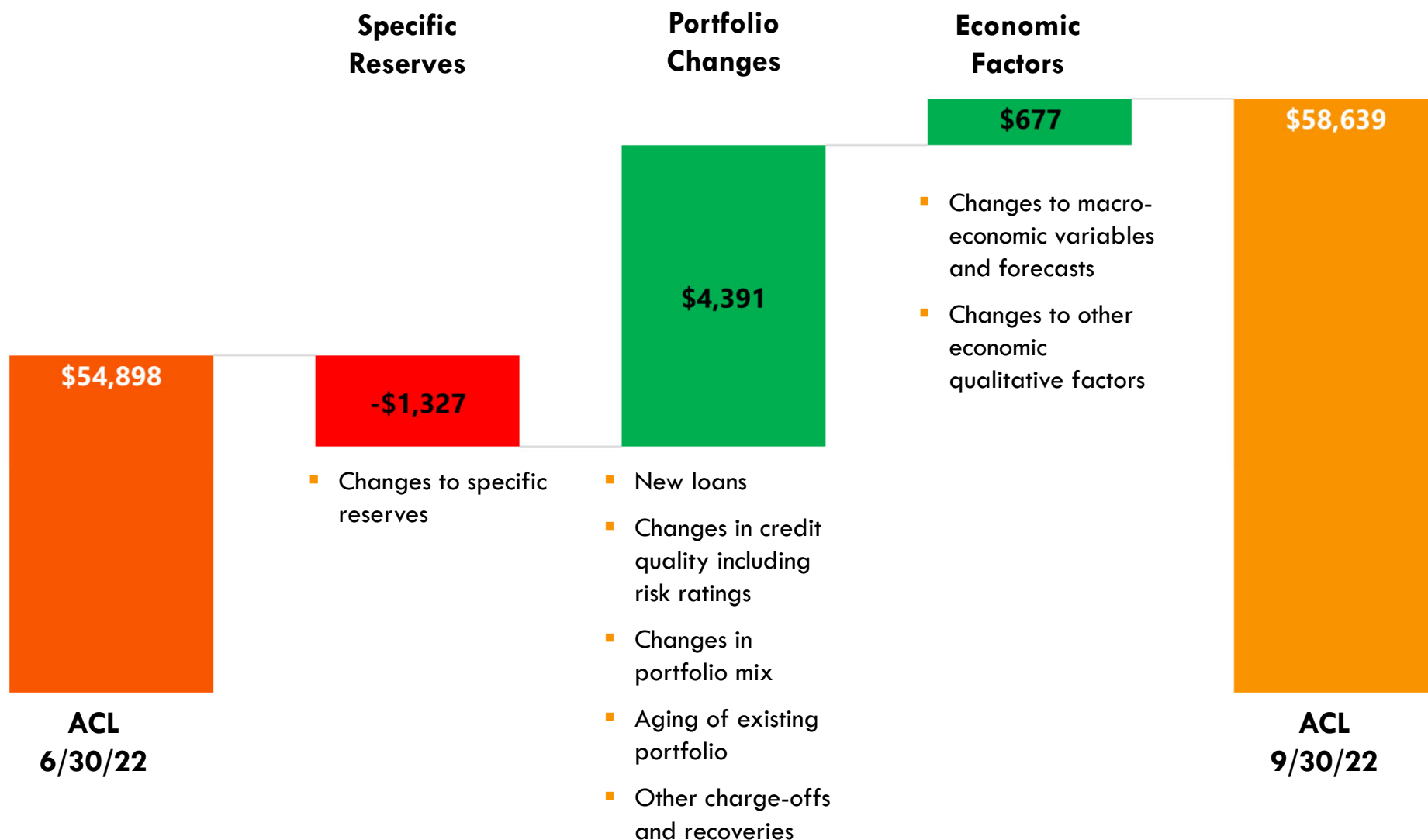


NCO / Average Loans



Changes in Allowance for Credit Losses

(\$ in thousands)



ACL by Portfolio

(\$ in thousands)

September 30, 2022

June 30, 2022

Portfolio	Loans	ACL	% of Total Loans		Loans	ACL	% of Total Loans
Commercial	\$ 852,930	\$ 5,745	0.67%		\$ 747,782	\$ 5,412	0.72%
Warehouse Lines	51,309	-	0.00%		23,872	-	0.00%
Commercial Other	683,353	8,620	1.26%		643,477	7,336	1.14%
Equipment Finance Loans	577,323	8,307	1.44%		546,267	7,068	1.29%
Paycheck Protection Program	2,810	4	0.14%		6,409	10	0.15%
Equipment Finance Leases	457,611	6,678	1.46%		439,202	6,765	1.54%
CRE non-owner occupied	1,567,308	19,141	1.22%		1,480,031	18,861	1.27%
CRE owner occupied	505,174	5,818	1.15%		524,587	6,037	1.15%
Multi-family	328,473	3,105	0.95%		265,749	2,610	0.98%
Farmland	65,348	366	0.56%		65,288	366	0.56%
Construction and Land Development	225,550	1,591	0.71%		203,955	1,101	0.54%
Residential RE First Lien	294,432	3,686	1.25%		279,628	3,025	1.08%
Other Residential	61,793	485	0.78%		60,474	391	0.65%
Consumer	110,226	594	0.54%		98,558	379	0.38%
Consumer Other ⁽¹⁾	1,046,254	2,810	0.27%		986,813	2,615	0.26%
Total Loans	6,198,451	58,639	0.95%		5,795,544	54,898	0.95%
Loans (excluding GreenSky, PPP and warehouse lines)	5,036,227	55,636	1.10%		4,716,721	52,080	1.10%

Notes:

(1) Primarily consists of loans originated through GreenSky relationship



Recent Financial Trends



Overview of 3Q22

Higher Earnings and Improved Returns

- Net income of \$23.5 million, or \$1.04 diluted EPS, up from \$0.97 in prior quarter
- Pre-tax, pre-provision earnings⁽¹⁾ of \$36.4 million, up from \$35.9 million in prior quarter
- ROAA of 1.22% and ROATCE⁽¹⁾ of 20.20%, both increased from prior quarter

Strong, Well Balanced Loan Growth

- Total loans increased 27.8% annualized
- Growth in all portfolios with largest increases in commercial and CRE loans
- Equipment financing portfolio surpasses \$1.0 billion

Positive Trends Across Key Metrics

- Average loan yields increased 34 bps from prior quarter
- Continued growth in noninterest-bearing and interest-bearing deposits
- Nonperforming assets declined 14% from end of prior quarter

Strengthened Capital Ratios

- \$115 million preferred stock offering completed in August
- Combination of preferred stock offering and strong financial performance positively impacted capital ratios
- Total capital ratio and Tier 1 leverage ratio both increased from prior quarter

Notes:

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

Loan Portfolio

- **Total loans increased \$402.9 million from prior quarter to \$6.20 billion**
- **Growth in all portfolios with the exception of SBA PPP loans**
- **Largest increases came in commercial and CRE loans, which increased at 36% annualized and 22% annualized, respectively**
- **Equipment finance balances increased \$49.5 million, or 5.0% from end of prior quarter**

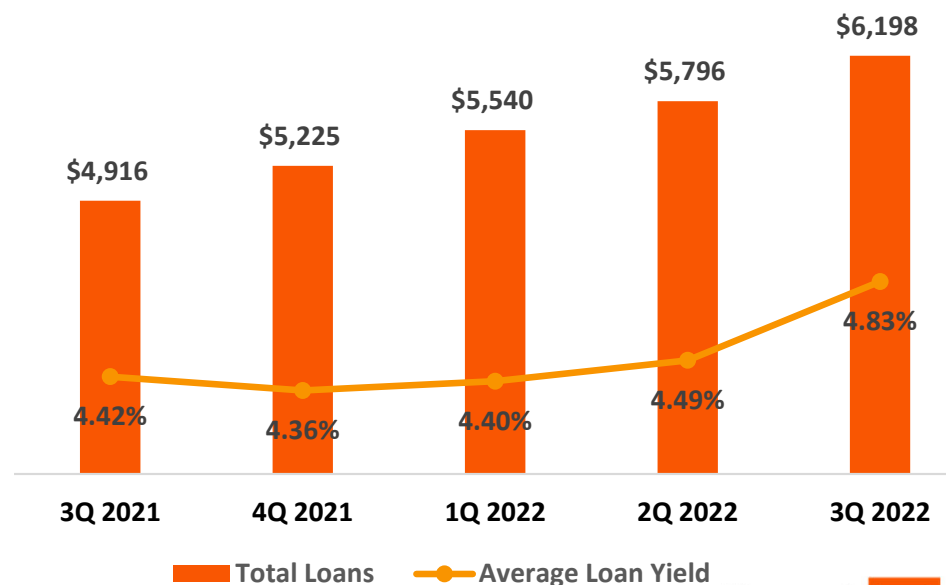
Loan Portfolio Mix

(in millions, as of quarter-end)

	3Q 2022	2Q 2022	3Q 2021
Commercial loans and leases	\$ 1,994	\$ 1,830	\$ 1,880
Commercial real estate	2,466	2,336	1,562
Construction and land development	226	204	201
Residential real estate	356	340	344
Consumer	1,156	1,085	929
Total Loans	\$6,198	\$5,796	\$4,916
Total Loans ex. Commercial FHA Lines and PPP	\$6,144	\$5,765	\$4,653

Total Loans and Average Loan Yield

(in millions, as of quarter-end)



Total Deposits

- Total deposits increased \$210.8 million from prior quarter to \$6.40 billion
- Increase driven by higher balances of noninterest-bearing and lower-cost interest-bearing deposits
- Continued improvement in deposit mix with noninterest-bearing deposits increasing to 31.7% of total deposits from 29.9% of total deposits in 3Q21
- Strengthened commercial banking and treasury management teams consistently generating new relationships that provide steady inflow of commercial deposits

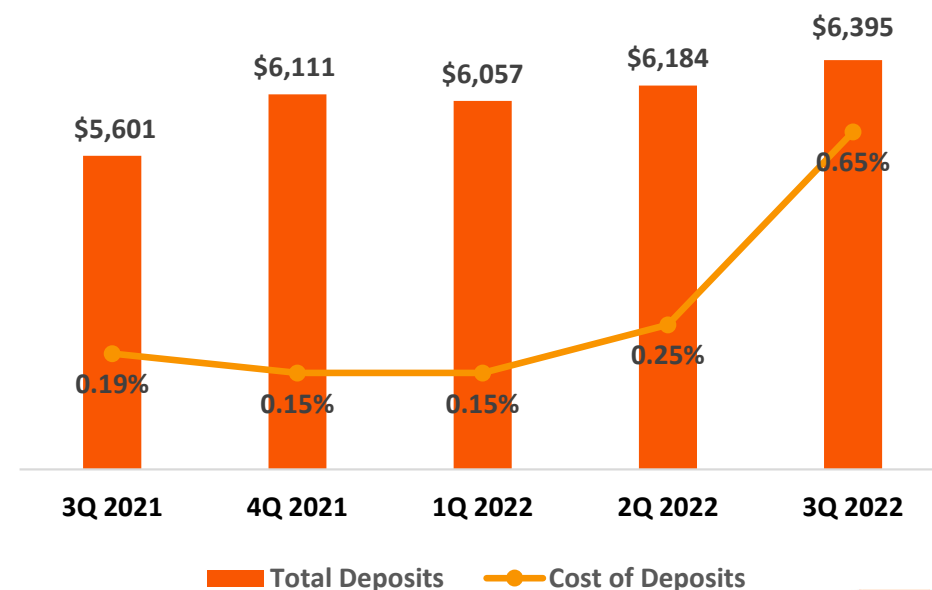
Deposit Mix

(in millions, as of quarter-end)

	3Q 2022	2Q 2022	3Q 2021
Noninterest-bearing demand	\$ 2,025	\$ 1,972	\$ 1,673
Interest-bearing:			
Checking	1,905	1,809	1,697
Money market	1,125	1,028	853
Savings	704	740	666
Time	621	620	689
Brokered time	14	15	24
Total Deposits	\$6,395	\$6,184	\$5,601

Total Deposits and Cost of Deposits

(in millions, as of quarter-end)

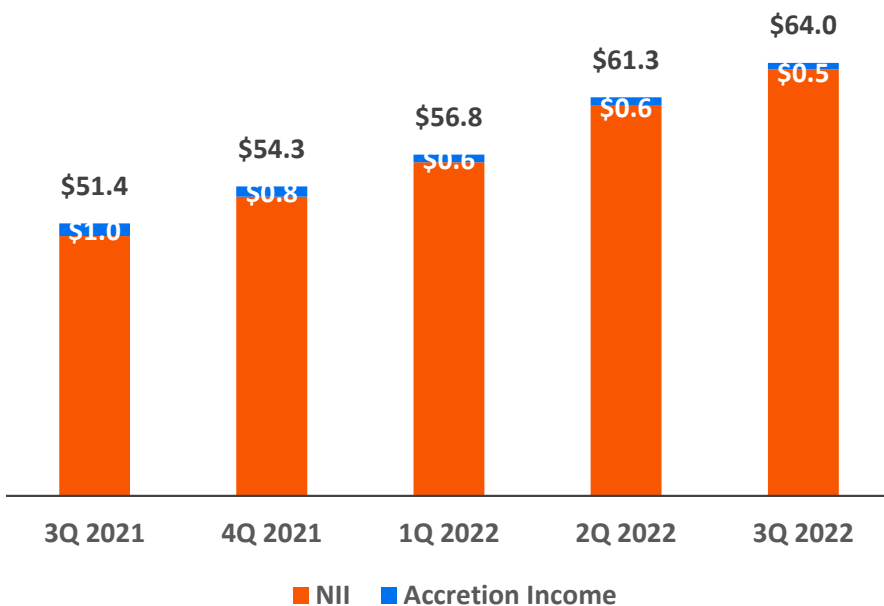


Net Interest Income/Margin

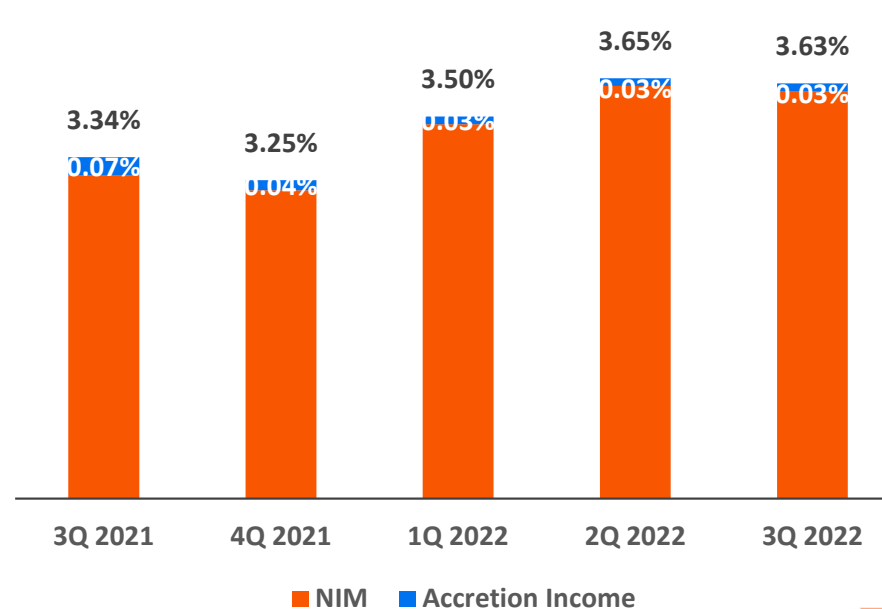
- Net interest income increased 4.4% from the prior quarter due primarily to higher average loan balances
- Net interest margin decreased 2 bps from prior quarter as increase in cost of deposits exceeded the increase in the average yield on earning assets
- Planned redemption of \$40 million of sub debt in October will eliminate higher cost source of funds
- Average rate on new and renewed loan originations increased 74 bps to 5.53% in September 2022 from 4.79% in June 2022
 - Midland Equipment Finance yields increased 46 bps; other commercial loan yields increased 55 bps

Net Interest Income

(in millions)



Net Interest Margin

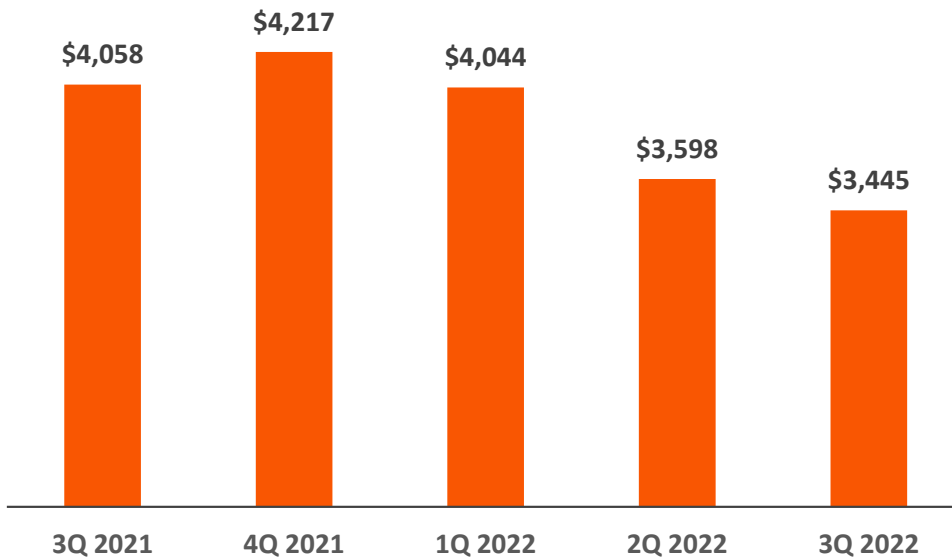


Wealth Management

- During 3Q22, assets under administration decreased \$152.7 million, primarily due to market performance
- Wealth Management revenue relatively consistent with prior quarter

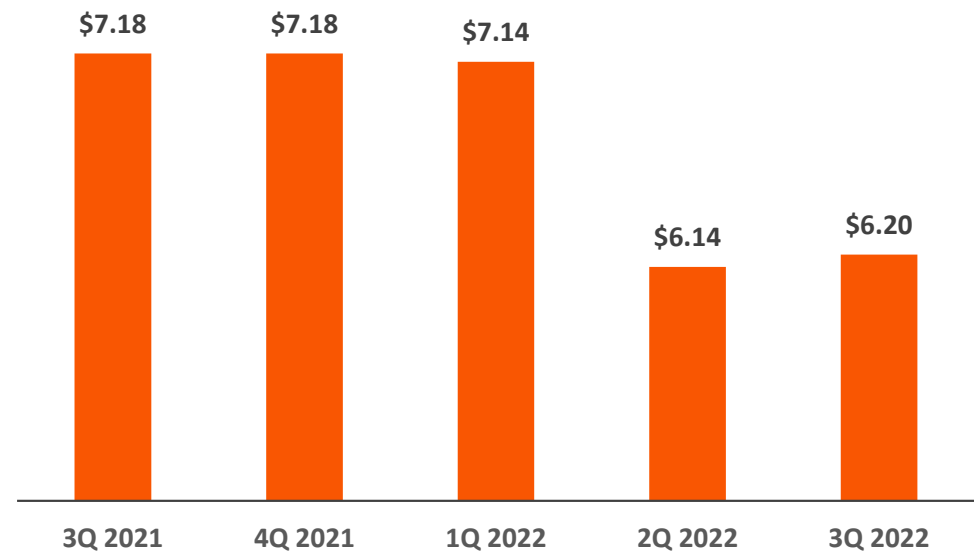
Assets Under Administration

(in millions)



Wealth Management Revenue

(in millions)

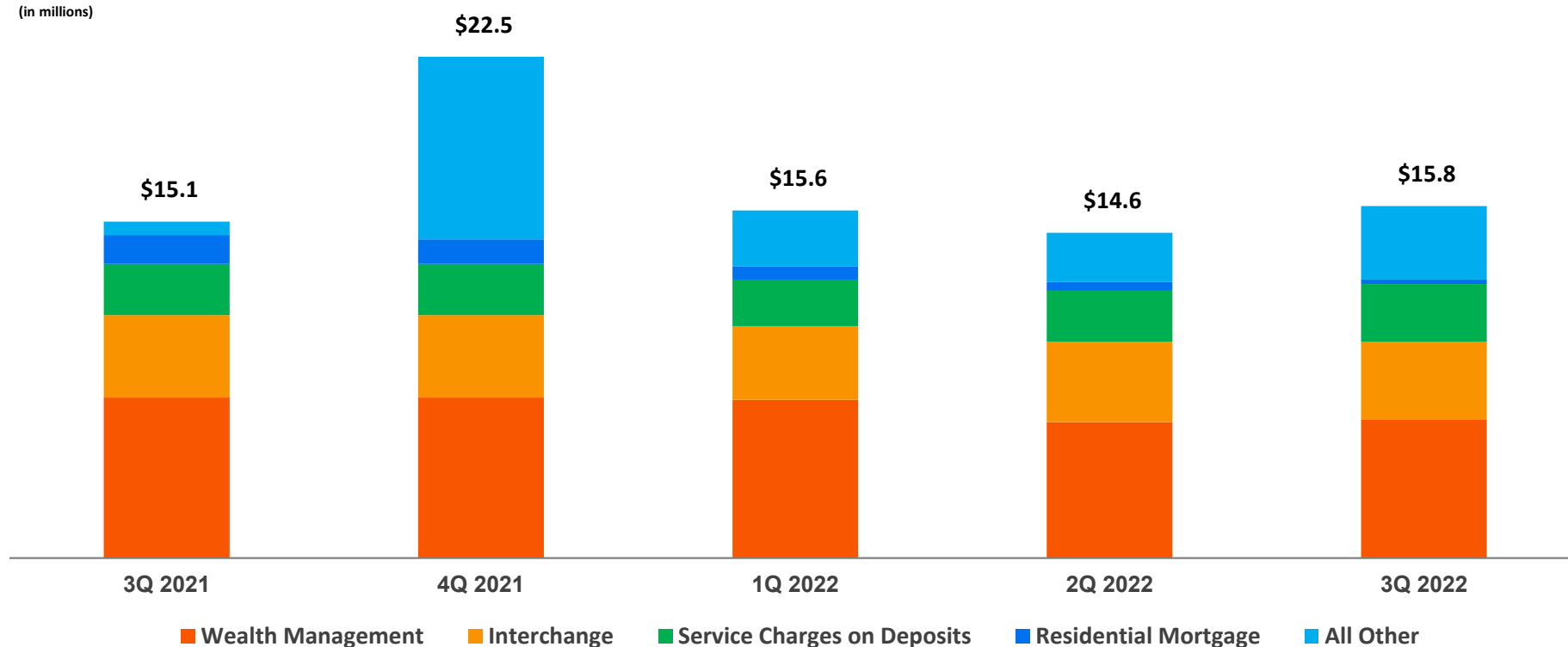


Noninterest Income

- **Noninterest income increased 8.3% from prior quarter, primarily due to impairment on commercial MSR that negatively impacted noninterest income in 2Q22**
- **Most fee generating areas were relatively consistent with prior quarter**
- **Commercial MSR portfolio in the process of being sold, which will eliminate a source of earnings volatility and provide a small benefit to capital ratios**

Noninterest Income

(in millions)

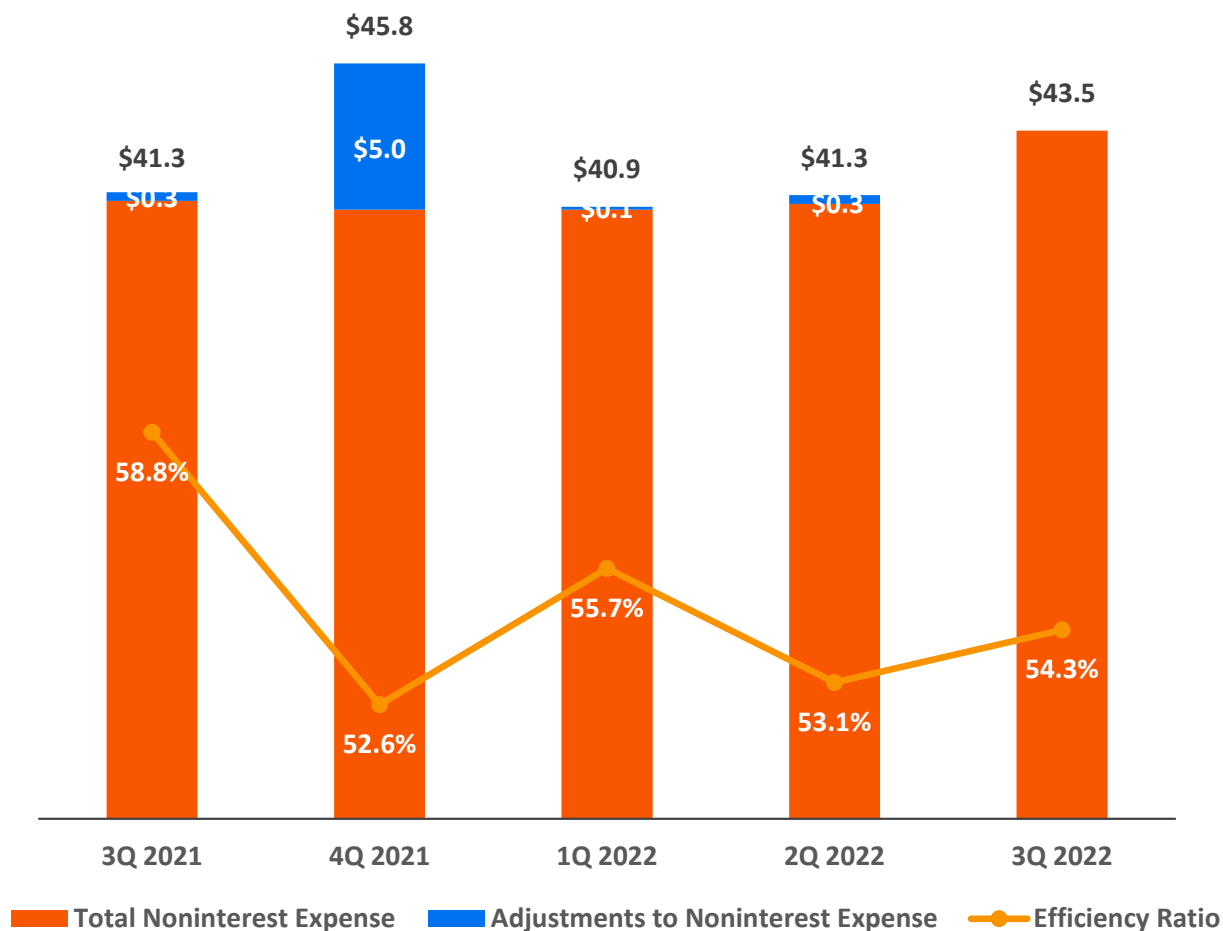


■ Wealth Management ■ Interchange ■ Service Charges on Deposits ■ Residential Mortgage ■ All Other

Noninterest Expense and Operating Efficiency

Noninterest Expense and Efficiency Ratio ⁽¹⁾

(Noninterest expense in millions)



- **Efficiency Ratio ⁽¹⁾ was 54.3% in 3Q22 vs. 53.1% in 2Q22**

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

(\$ in millions)	3Q22	2Q22
Integration and acquisition related expenses	--	(\$0.3)

- **Excluding these adjustments, noninterest expense was up from the prior quarter primarily due to:**
 - **Increase in compensation including incentive compensation and commissions**
 - **General increase in expenses due to greater loan and deposit activity**
 - **Full quarter impact of branch acquisition in June 2022**
- **Near-term operating expense run-rate expected to be \$42.5 - \$43.5 million**

Notes:

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



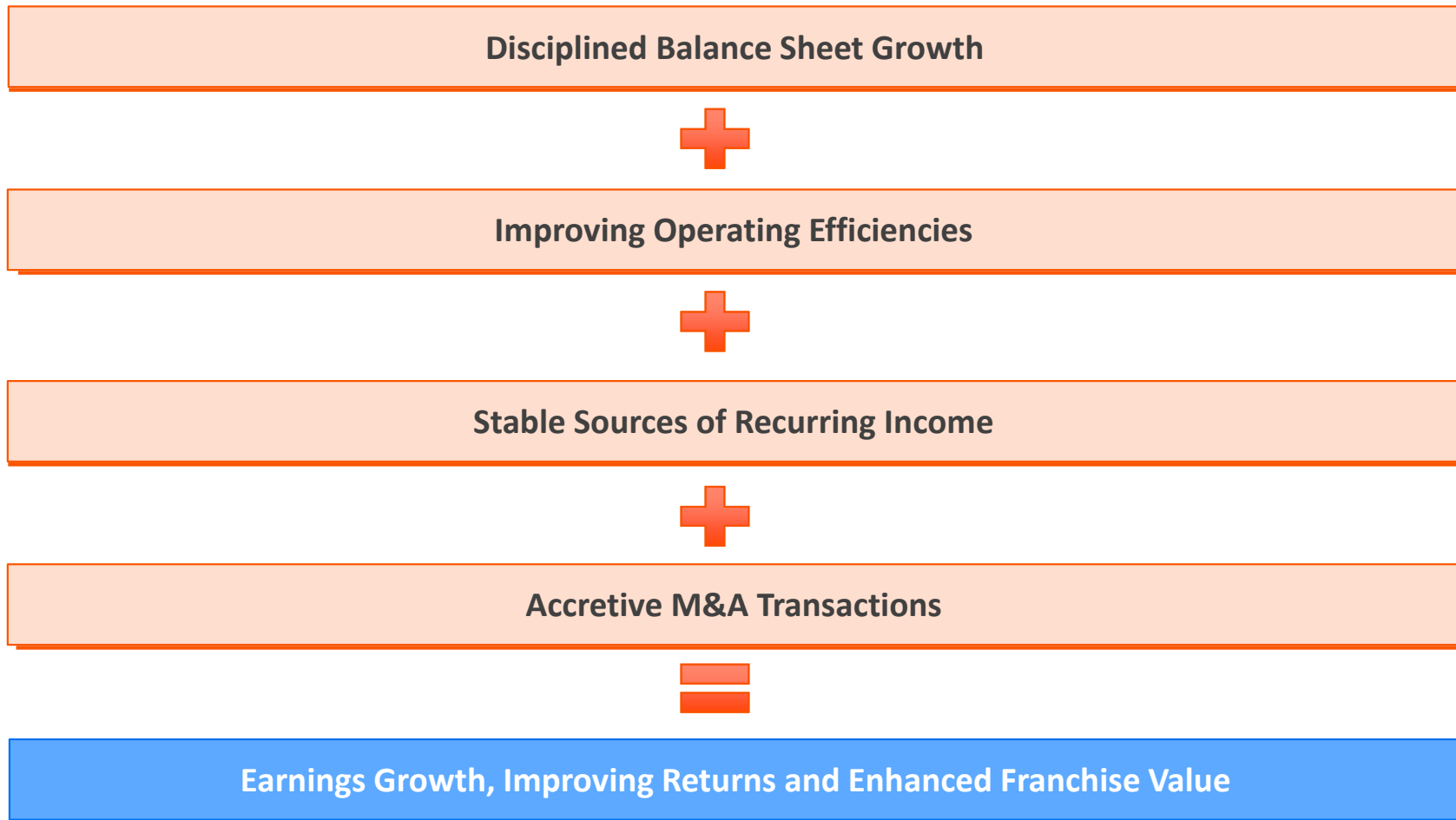
Outlook



Outlook

- **Strengthened capital ratios will support continued balance sheet growth**
- **Loan pipeline remains strong, but loan growth expected to moderate as higher rates and uncertain economic conditions have a greater impact on loan demand**
- **Continued loan growth, higher net interest margin, and improved efficiencies expected to result in consistently strong financial performance**
- **Continued progress on Banking-as-a-Service initiative building foundation for positive impact on loan production, deposit gathering and fee income generation in 2023**

Long-Term Formula for Enhancing Shareholder Value





APPENDIX

ESG: A Framework for Sustainability

Environmental

Facilities

- Our Corporate HQ, built in 2011, is LEED (Silver) Certified.
- We have installed solar power in 10 Midland locations.
- We have made more than \$50+ million of credit available for residential solar projects since 2011.
- We have also completed more than \$540 million of financing for 18 “green” (LEED, Energy Star, etc.) multi-family/health care facilities through our Love Funding subsidiary since 2017.

Paper Reduction

- More than 40% of our customers use paperless statements and Midland has had a digitization/paper elimination program in place since 2010.

Social

Community Outreach

- Midland States Bank has been serving families and businesses in our communities for more than 140 years, offering products and services based on the needs of our customers.
- We work with more than 150 low-to-moderate income (“LMI”) and minority focused community development groups in our banking markets to help insure our community development programs address the needs of each of our markets.
- The Midland Institute CEO Program, a unique program designed to teach and create entrepreneurial opportunities to teens, was first created by our Bank in 2008 for the local Effingham, Illinois high schools and has now grown to be offered by 229 high schools in six states.

Culture and People

- Since 2008 Midland has provided all employees personal and professional development through an acclaimed third-party training company.
- Midland’s Advanced Study for Talent Enrichment and Resource Training (“MASTERS”) program serves to develop future leaders of the Company. To date 59% of participants have been women or minority employees.
- Midland launched its Diversity & Inclusion Council in April 2020 to focus on diversity in the workplace and workforce.

Philanthropy

- \$30 million of investment towards community development goals targeted for the 2019-2021 period.

Financial Education

- Since 2015 we have held more than 240 financial literacy seminars in LMI/minority neighborhoods in our footprint.

CRA, Community Development and Financial Inclusion

- Through our Believable Banking® Residential Mortgage and Home Improvement Loan Programs we have made more than \$31 million of loans to consumers underserved by traditional loan programs.
- Our banking products and services are offered through our personal bankers and online with materials designed to clearly describe the features, costs and alternatives available to our customers, including through dual-language materials and our ADA compliant website.
- Midland has provided \$877 million of financing for 148 affordable multi-family and health care projects since 2015.

Governance

Reputation

- Midland States Bank was one of the first in the nation to have a woman on its board (1903).
- Our board composition includes 40% women and minorities, and our criteria for identifying directors includes seeking diverse individuals.

Oversight of Strategy and Risk

- The Company’s Chair and CEO roles been separate since the Company’s inception (1988).
- Our Board of Directors has established a Risk and Compliance Committee to oversee all aspects of risk and compliance management.
- Our ERM program evaluates risk in each of our businesses and operational departments, including asset and liability management, and our Chief Risk Officer reports directly to the Audit and Risk and Compliance Committees of the Company’s Board of Directors.

Data Security

- Robust data security programs and a Privacy Policy under which we do not sell or share customer information with non-affiliated entities.

Management of Legal and Regulatory Environment

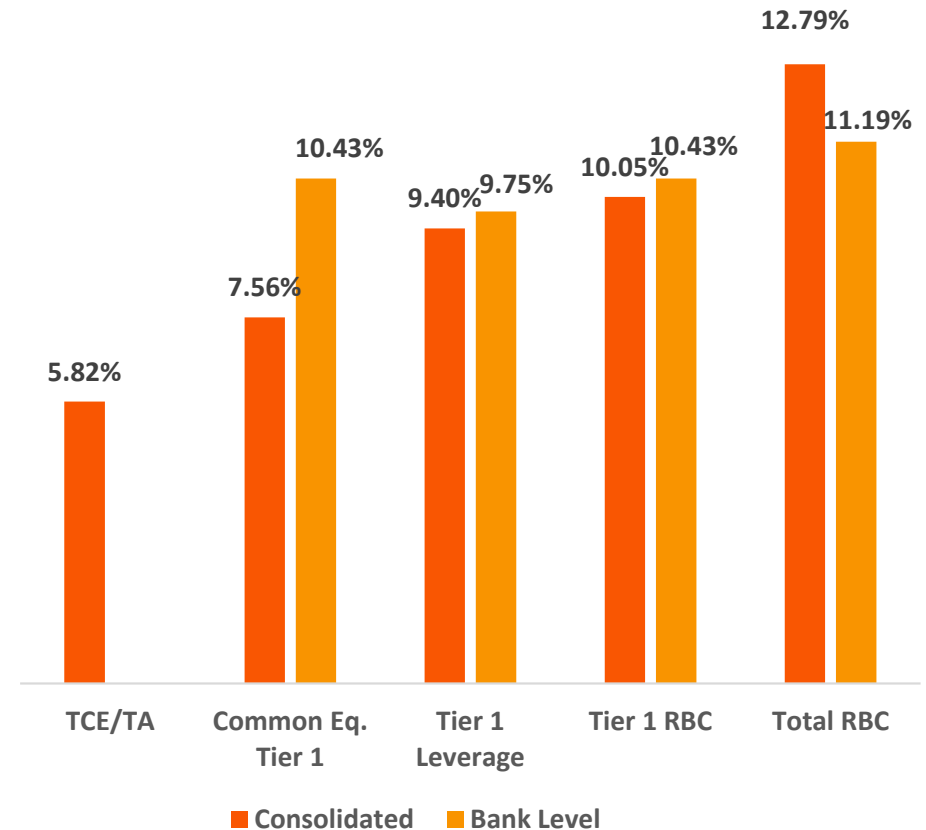
- All continuing directors except our CEO are “independent” pursuant to applicable SEC/NASDAQ rules.
- Our Executive Compensation, including all performance related compensation, is also evaluated under our ERM to ensure compliance with the FDIC’s Interagency Guidelines Establishing Standards for Safety and Soundness and the Sound Incentive Compensation Policies issued jointly by the federal financial institutions regulatory agencies.
- All cash and equity incentive programs for executive officers include operating metrics and/or four-year vesting periods.

Capital Ratios and Strategy

Capital Strategy

- **Strengthened capital ratios with issuance of \$115 million of non-cumulative preferred stock in August 2022**
 - **Included as Tier 1 Regulatory Capital**
 - **7.75% with reset at 5 years**
- **Reduce cost of funds by redeeming \$40 million of sub-debt with rate of 6.25% in October**
- **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 2023**
- **Capital actions and strong profitability expected to enable MSBI to raise capital ratios while maintaining current dividend payout**

Capital Ratios (as of 9/30/22)



Liquidity Overview

Liquidity Sources (as of 9/30/22)

(\$ in millions)

Cash and Cash Equivalents	\$	313.2
Unpledged Securities		153.5
FHLB Committed Liquidity		1,148.9
FRB Discount Window Availability		<u>13.5</u>
Total Estimated Liquidity	\$	<u>1,629.1</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 \$93.5 Million

Appendix: Reconciliation of TBV Per Share

<i>(dollars in thousands, except per share data)</i>	As of December 31,				
	2021	2020	2019	2018	2017
Shareholders' Equity to Tangible Common Equity:					
Total shareholders' equity—GAAP	\$ 663,837	\$ 621,391	\$ 661,911	\$ 608,525	\$ 449,545
Adjustments:					
Preferred stock	-	-	-	(2,781)	(2,970)
Goodwill	(161,904)	(161,904)	(171,758)	(164,673)	(98,624)
Other intangibles	(24,374)	(28,382)	(34,886)	(37,376)	(16,932)
Tangible Common Equity	\$ 477,559	\$ 431,105	\$ 455,267	\$ 403,695	\$ 331,019
Accumulated other comprehensive income (loss)	5,237	11,431	7,442	(2,108)	1,758
Tangible Common Equity, less AOCI	\$ 472,322	\$ 419,674	\$ 447,825	\$ 405,803	\$ 329,261
Total Assets to Tangible Assets:					
Total assets—GAAP	\$ 7,443,805	\$ 6,868,540	\$ 6,087,017	\$ 5,637,673	\$ 4,412,701
Adjustments:					
Goodwill	(161,904)	(161,904)	(171,758)	(164,673)	(98,624)
Other intangibles	(24,374)	(28,382)	(34,886)	(37,376)	(16,932)
Tangible Assets	\$ 7,257,527	\$ 6,678,254	\$ 5,880,373	\$ 5,435,624	\$ 4,297,145
Common Shares Outstanding	22,050,537	22,325,471	24,420,345	23,751,798	19,122,049
Tangible Common Equity to Tangible Assets	6.58 %	6.46 %	7.74 %	7.43 %	7.70 %
Tangible Book Value Per Share	\$ 21.66	\$ 19.31	\$ 18.64	\$ 17.00	\$ 17.31
Tangible Common Equity to Tangible Assets, less AOCI	6.51 %	6.28 %	7.62 %	7.47 %	7.66 %
Tangible Book Value Per Share, less AOCI	\$ 21.42	\$ 18.80	\$ 18.34	\$ 17.09	\$ 17.22

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

Adjusted Earnings Reconciliation

	For the Years Ended December 31,					
	2021	2020	2019	2018	2017	2016
<i>(dollars in thousands, except per share data)</i>						
Income before income taxes - GAAP	\$ 99,112	\$ 32,014	\$ 72,471	\$ 50,805	\$ 26,471	\$ 50,431
Adjustments to noninterest income:						
Gain on sales of investment securities, net	537	1,721	674	464	222	14,702
Gain on termination of hedged interest rate swap	2,159	-	-	-	-	-
Other income	48	(17)	(29)	89	(67)	(608)
Total adjustments to noninterest income	2,744	1,704	645	553	155	14,094
Adjustments to noninterest expense:						
Impairment related to facilities optimization	-	12,847	3,577	-	1,952	2,099
Loss (gain) on mortgage servicing rights held for sale	222	1,692	(490)	458	4,059	-
FHLB advances prepayment fees	8,536	4,872	-	-	-	-
Loss on repurchase of subordinated debt	-	193	1,778	-	-	511
Integration and acquisition expenses	4,356	2,309	5,493	24,015	17,738	2,343
Total adjustments to noninterest expense	13,114	21,913	10,358	24,473	23,749	4,953
Adjusted earnings pre tax	109,482	52,223	82,184	74,725	50,065	41,290
Adjusted earnings tax	26,261	12,040	19,358	17,962	15,170	14,064
Adjusted earnings - non-GAAP	\$ 83,221	\$ 40,183	\$ 62,826	\$ 56,763	\$ 34,895	\$ 27,226
Preferred stock dividends, net	-	-	46	141	83	-
Adjusted earnings available to common shareholders - non-GAAP	\$ 83,221	\$ 40,183	\$ 62,780	\$ 56,622	\$ 34,812	\$ 27,226

Adjusted Pre-Tax, Pre-Provision Earnings Reconciliation

	For the Years Ended December 31,					
	2021	2020	2019	2018	2017	2016
<i>(dollars in thousands)</i>						
Adjusted earnings pre tax - non- GAAP	\$ 109,482	\$ 52,223	\$ 82,184	\$ 74,725	\$ 50,065	\$ 41,290
Provision for credit losses	3,393	44,361	16,985	9,430	9,556	5,591
Impairment on commercial mortgage servicing rights	7,532	12,337	2,139	(449)	2,324	3,135
Adjusted pre-tax, pre-provision earnings - non-GAAP	\$ 120,407	\$ 108,921	\$ 101,308	\$ 83,706	\$ 61,945	\$ 50,016
Adjusted pre-tax, pre-provision return on average assets	1.75 %	1.67 %	1.74 %	1.53 %	1.57 %	1.63 %

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

Efficiency Ratio Reconciliation

	For the Years Ended December 31,					
	2021	2020	2019	2018	2017	2016
<i>(dollars in thousands)</i>						
Noninterest expense - GAAP	\$ 175,069	\$ 184,010	\$ 175,641	\$ 191,643	\$ 152,997	\$ 121,289
Adjustments to noninterest expense:						
Net expense from FDIC loss share termination agreement	-	-	-	-	-	(351)
Impairment related to facilities optimization	-	(12,847)	(3,577)	-	(1,952)	(2,099)
(Loss) gain on mortgage servicing rights held for sale	(222)	(1,692)	490	(458)	(4,059)	-
FHLB advances prepayment fees	(8,536)	(4,872)	-	-	-	-
Loss on repurchase of subordinated debt	-	(193)	(1,778)	-	-	(511)
Integration and acquisition expenses	(4,356)	(2,309)	(5,493)	(24,015)	(17,738)	(2,343)
Adjusted noninterest expense	<u>\$ 161,955</u>	<u>\$ 162,097</u>	<u>\$ 165,283</u>	<u>\$ 167,170</u>	<u>\$ 129,248</u>	<u>\$ 115,985</u>
Net interest income - GAAP	\$ 207,675	\$ 199,136	\$ 189,815	\$ 180,087	\$ 129,662	\$ 105,254
Effect of tax-exempt income	1,543	1,766	2,045	2,095	2,691	2,579
Adjusted net interest income	<u>209,218</u>	<u>200,902</u>	<u>191,860</u>	<u>182,182</u>	<u>132,353</u>	<u>107,833</u>
Noninterest income - GAAP	69,899	61,249	75,282	71,791	59,362	72,057
Adjustments to noninterest income:						
Impairment (recapture) on commercial mortgage servicing rights	7,532	12,337	2,139	(449)	2,324	3,135
Gain on sales of investment securities, net	(537)	(1,721)	(674)	(464)	(222)	(14,702)
Gain on termination of hedged interest rate swap	(2,159)	-	-	-	-	-
Other income	(48)	17	29	(89)	67	608
Adjusted noninterest income	<u>74,687</u>	<u>71,882</u>	<u>76,776</u>	<u>70,789</u>	<u>61,531</u>	<u>61,098</u>
Adjusted total revenue	<u>\$ 283,905</u>	<u>\$ 272,784</u>	<u>\$ 268,636</u>	<u>\$ 252,971</u>	<u>\$ 193,884</u>	<u>\$ 168,931</u>
Efficiency ratio	57.05 %	59.42 %	61.53 %	66.08 %	66.66 %	68.66 %



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

Adjusted Return on Average Tangible Common Equity (ROATCE)

<i>(dollars in thousands)</i>	For the Nine Months Ended	For the Years Ended December 31,				
	September 30, 2022	2021	2020	2019	2018	2017
Adjusted earnings	\$ 66,574	\$ 83,221	\$ 40,183	\$ 62,780	\$ 56,622	\$ 34,812
Average total shareholders' equity—GAAP	\$ 667,225	\$ 642,698	\$ 634,995	\$ 638,307	\$ 569,537	\$ 399,061
Adjustments:						
Preferred stock	(18,222)	-	-	(1,561)	(2,882)	(1,707)
Goodwill	(161,904)	(161,904)	(168,821)	(166,721)	(151,546)	(76,394)
Other intangible assets, net	(23,019)	(26,733)	(31,501)	(35,344)	(37,507)	(13,437)
Average tangible common equity	\$ 464,080	\$ 454,061	\$ 434,673	\$ 434,681	\$ 377,602	\$ 307,523
ROATCE	19.18 %	18.33 %	9.24 %	14.44 %	15.00 %	11.32 %

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

Adjusted Earnings Reconciliation

	For the Quarter Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
<i>(dollars in thousands, except per share data)</i>					
Income before income taxes - GAAP	\$ 29,380	\$ 29,167	\$ 27,389	\$ 30,600	\$ 25,431
Adjustments to noninterest income:					
Loss (gain) on sales of investment securities, net	129	101	—	—	(160)
(Gain) on termination of hedged interest rate swap	—	—	—	(1,845)	—
Total adjustments to noninterest income	<u>129</u>	<u>101</u>	<u>—</u>	<u>(1,845)</u>	<u>(160)</u>
Adjustments to noninterest expense:					
(Loss) on mortgage servicing rights held for sale	—	—	—	—	(79)
FHLB advances prepayment fees	—	—	—	(4,859)	—
Integration and acquisition expenses	68	(324)	(91)	(171)	(176)
Total adjustments to noninterest expense	<u>68</u>	<u>(324)</u>	<u>(91)</u>	<u>(5,030)</u>	<u>(255)</u>
Adjusted earnings pre tax	29,441	29,592	27,480	33,785	25,526
Adjusted earnings tax	5,873	7,401	6,665	8,369	5,910
Adjusted earnings - non-GAAP	<u>\$ 23,568</u>	<u>\$ 22,191</u>	<u>\$ 20,815</u>	<u>\$ 25,416</u>	<u>\$ 19,616</u>
Adjusted diluted earnings per common share	\$ 1.04	\$ 0.98	\$ 0.92	\$ 1.12	\$ 0.86
Adjusted return on average assets	1.22 %	1.21 %	1.16 %	1.39 %	1.15 %
Adjusted return on average shareholders' equity	13.34 %	13.84 %	12.84 %	15.44 %	11.94 %
Adjusted return on average tangible common equity	20.24 %	19.41 %	17.89 %	21.65 %	16.82 %

Adjusted Pre-Tax, Pre-Provision Earnings Reconciliation

	For the Quarter Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
<i>(dollars in thousands)</i>					
Adjusted earnings pre tax - non-GAAP	\$ 29,441	\$ 29,592	\$ 27,480	\$ 33,785	\$ 25,526
Provision for credit losses	6,974	5,441	4,167	467	(184)
Impairment on commercial mortgage servicing rights	—	869	394	2,072	3,037
Adjusted pre-tax, pre-provision earnings - non-GAAP	<u>\$ 36,415</u>	<u>\$ 35,902</u>	<u>\$ 32,041</u>	<u>\$ 36,324</u>	<u>\$ 28,379</u>
Adjusted pre-tax, pre-provision return on average assets	1.89 %	1.95 %	1.79 %	1.98 %	1.67 %

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

Efficiency Ratio Reconciliation

	For the Quarter Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
<i>(dollars in thousands)</i>					
Noninterest expense - GAAP	\$ 43,496	\$ 41,339	\$ 40,884	\$ 45,757	\$ 41,292
Loss on mortgage servicing rights held for sale	—	—	—	—	(79)
FHLB advances prepayment fees	—	—	—	(4,859)	—
Integration and acquisition expenses	68	(324)	(91)	(171)	(176)
Adjusted noninterest expense	<u>\$ 43,564</u>	<u>\$ 41,015</u>	<u>\$ 40,793</u>	<u>\$ 40,727</u>	<u>\$ 41,037</u>
Net interest income - GAAP	\$ 64,024	\$ 61,334	\$ 56,827	\$ 54,301	\$ 51,396
Effect of tax-exempt income	307	321	369	372	402
Adjusted net interest income	<u>64,331</u>	<u>61,655</u>	<u>57,196</u>	<u>54,673</u>	<u>51,798</u>
Noninterest income - GAAP	15,826	14,613	15,613	22,523	15,143
Impairment on commercial mortgage servicing rights	—	869	394	2,072	3,037
Loss (gain) on sales of investment securities, net	129	101	—	—	(160)
(Gain) on termination of hedged interest rate swap	—	—	—	(1,845)	—
Adjusted noninterest income	<u>15,955</u>	<u>15,583</u>	<u>16,007</u>	<u>22,750</u>	<u>18,020</u>
Adjusted total revenue	<u>\$ 80,286</u>	<u>\$ 77,238</u>	<u>\$ 73,203</u>	<u>\$ 77,423</u>	<u>\$ 69,818</u>
Efficiency ratio	54.26 %	53.10 %	55.73 %	52.61 %	58.78 %

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, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Shareholders' Equity to Tangible Common Equity					
Total shareholders' equity—GAAP	\$ 739,279	\$ 636,188	\$ 644,986	\$ 663,837	\$ 657,844
Adjustments:					
Preferred Stock	(110,548)	—	—	—	—
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(22,198)	(23,559)	(22,976)	(24,374)	(26,065)
Tangible common equity	<u>\$ 444,629</u>	<u>\$ 450,725</u>	<u>\$ 460,106</u>	<u>\$ 477,558</u>	<u>\$ 469,875</u>
Total Assets to Tangible Assets:					
Total assets—GAAP	\$ 7,821,877	\$ 7,435,812	\$ 7,338,715	\$ 7,443,805	\$ 7,093,959
Adjustments:					
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(22,198)	(23,559)	(22,976)	(24,374)	(26,065)
Tangible assets	<u>\$ 7,637,775</u>	<u>\$ 7,250,349</u>	<u>\$ 7,153,835</u>	<u>\$ 7,257,527</u>	<u>\$ 6,905,990</u>
Common Shares Outstanding	22,074,740	22,060,255	22,044,626	22,050,537	22,193,141
Tangible Common Equity to Tangible Assets	5.82 %	6.22 %	6.43 %	6.58 %	6.80 %
Tangible Book Value Per Share	\$ 20.14	\$ 20.43	\$ 20.87	\$ 21.66	\$ 21.17

Return on Average Tangible Common Equity (ROATCE)

<i>(dollars in thousands)</i>	For the Quarter Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Net income	<u>\$ 23,521</u>	<u>\$ 21,883</u>	<u>\$ 20,749</u>	<u>\$ 23,107</u>	<u>\$ 19,548</u>
Average total shareholders' equity—GAAP	\$ 700,866	\$ 643,004	\$ 657,327	\$ 652,892	\$ 651,751
Adjustments:					
Preferred Stock	(54,072)	—	—	—	—
Goodwill	(161,904)	(161,904)	(161,904)	(161,904)	(161,904)
Other intangible assets, net	(22,859)	(22,570)	(23,638)	(25,311)	(27,132)
Average tangible common equity	<u>\$ 462,031</u>	<u>\$ 458,530</u>	<u>\$ 471,785</u>	<u>\$ 465,677</u>	<u>\$ 462,715</u>
ROATCE	20.20 %	19.14 %	17.84 %	19.69 %	16.76 %