Shareholder Letter

2nd Quarter 2017

Midland States Bancorp, Inc.

Dear Shareholders:

The highlight of the second quarter was the closing of the Centrue Bank acquisition on June 9th. As expected, net income for the quarter, which was $3.5 million, or $0.20 per diluted share, was significantly impacted by integration and acquisition expenses of $7.5 million, or $0.31 per diluted share, largely related to the Centrue transaction. Our net income for the quarter was also negatively impacted by an impairment charge of $1.7 million, or $0.07 per diluted share, on our mortgage servicing rights. Tangible book value increased to $17.47 per share as of June 30, 2017.

Net interest income for the second quarter was $29.4 million, an increase of 7.1% from the first quarter of 2017. Our loan growth continued in the second quarter, and our annualized loan growth for the first six months of 2017 is 15%. Our overall loan portfolio grew to approximately $3.2 billion at June 30th, including approximately $688 million of loans acquired through the Centrue acquisition.

While our residential mortgage and commercial FHA businesses softened in the second quarter as compared to the first quarter of 2017, our wealth management and commercial leasing businesses had quarter-over-quarter growth.

Additional information concerning our second quarter results is contained in a press release dated July 27th and in the Company's Form 10-Q filed with the SEC on August 9th. Each of these documents is available on our website under the "Investors" tab.

With respect to the Centrue Bank acquisition, we have been very pleased with the progress the operations teams of Centrue and Midland are making towards the data processing conversion planned for the Labor Day weekend. Following that conversion all of the current Centrue branches will be rebranded under the Midland name, and we are excited to have these branches as part of the Midland family.

On the Wealth Management front, we are already seeing some of the benefits of having added a registered investment advisory business to our wealth management group through our first quarter acquisition of CedarPoint Investment Advisors, headquartered

2nd Quarter 2017 Financial Results

Summary Consolidated Financial Data

(in thousands, except for share and per share data)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Summary Income Statement Data - Unaudited				
Interest income	$ 34,528	$ 32,115	$ 66,367	$ 60,082
Interest expense	5,128	4,126	9,506	8,053
Net interest income	29,400	27,989	56,861	52,029
Provision for loan losses	458	629	1,991	1,754
Net interest income after provision for loan losses	28,942	27,360	54,870	50,275
Noninterest income:				
Commercial FHA revenue	4,153	8,538	10,848	15,100
Residential mortgage banking revenue	2,330	1,037	5,246	2,158
Wealth management revenue	3,406	1,870	6,279	3,655
Service charges on deposit accounts	1,122	965	2,014	1,872
Interchange revenue	1,114	945	2,092	1,909
FDIC loss-sharing expense	-	(1,608)	-	(1,661)
Other income	1,494	2,269	3,482	3,602
Total noninterest income	13,619	14,016	29,961	26,635
Noninterest expense:				
Salaries and employee benefits	21,842	17,012	38,957	32,399
Occupancy and equipment	3,472	3,233	6,655	6,544
Data processing	2,949	2,624	5,746	5,244
Professional	3,142	1,573	6,134	3,274
Amortization of intangible assets	579	519	1,104	1,099
Other	5,661	5,943	9,846	9,982
Total noninterest expense	37,645	30,904	68,442	58,542
Income before income taxes	4,916	10,472	16,389	18,368
Income taxes	1,377	3,683	4,360	6,460
Net income	$ 3,539	$ 6,789	$ 12,029	$ 11,908
Per Common Share Data				
Earnings per share:				
Basic	$ 0.21	$ 0.51	$ 0.73	$ 0.94
Diluted	0.20	0.50	0.71	0.92
Dividends declared	0.20	0.18	0.40	0.36
Weighted average common shares outstanding:				
Basic	16,803,724	13,358,289	16,272,929	12,657,552
Diluted	17,320,089	13,635,074	16,838,416	12,936,995
Selected Performance Metrics				
Return on average assets	0.39%	0.89%	0.70%	0.80%
Return on average shareholders' equity	3.93%	10.20%	7.06%	9.47%
Return on average tangible common shareholders' equity	4.91%	12.70%	8.69%	12.03%
Yield on earning assets	4.33%	4.81%	4.40%	4.61%
Cost of average interest-bearing liabilities	0.78%	0.74%	0.76%	0.74%
Net interest margin	3.70%	4.20%	3.78%	4.01%
Efficiency ratio	66.54%	66.46%	66.46%	66.78%
Common stock dividend payout ratio	95.24%	35.29%	93.02%	38.30%
Net charge-offs to average loans	0.13%	0.09%	0.12%	0.29%
Net charge-offs to average loans - excludes PCI	0.14%	0.09%	0.12%	0.30%

Summary Consolidated Financial Data - Continued

(in thousands, except for share and per share data)

	June 30, 2017	December 31, 2016
Summary Balance Sheet Data - Unaudited		
Total assets	$ 4,491,642	$ 3,233,723
Loans	3,184,063	2,319,976
Allowance for loan losses	(15,424)	(14,862)
Investment securities	460,711	325,011
Cash and cash equivalents	334,356	190,716
Deposits	3,333,031	2,404,366
Borrowings	570,933	369,075
Subordinated debt and trust preferred debentures	99,712	91,913
Total shareholders' equity	451,952	321,770
Per Common Share Data		
Book value	$ 23.51	$ 20.78
Tangible book value	17.47	17.16
Common shares outstanding	19,087,409	15,483,499
Regulatory and Other Capital Ratios - Consolidated		
Tier 1 leverage ratio	11.04%	9.76%
Tier 1 capital to risk-weighted assets	10.45%	11.27%
Total capital to risk-weighted assets	12.34%	13.85%
Common equity Tier 1 capital	8.68%	9.35%
Tangible common equity to tangible assets	7.62%	8.36%
Credit Quality Data		
Nonpreforming loans to total loans	0.87%	1.36%
Nonpreforming assets to total assets	0.74%	1.07%
Allowance for loan losses to total loans	0.48%	0.64%

in Delafield, WI. Bob Dignan and Dan Wilson, the principals of CedarPoint, have done a great job transitioning their team into the Midland family, while at the same time bringing us the benefits of their investment platform as another service to our wealth management clients.

During the quarter we also continued our work in the areas of corporate governance and leadership succession. To further this process and to help facilitate bringing new individuals onto our Bank board as we continue to grow, Jack Schultz has graciously resigned from the Bank board, including from his position as Chairman of the Bank. Our leadership at the holding company level remains unchanged and Jack will continue in his role as Chairman of the Company. I will also continue to serve as Vice-Chairman of the Company and the Bank.

Jeff Smith has been elected Chairman of the Bank. Jeff has been a director of both the Company and the Bank since 2005, and has served in a number of leadership positions on both boards over the years, including as a member of our Audit and Compensation Committees and as the current Chairman of our Corporate Governance Committee. He is also a long-standing member of the Bank's Directors Credit Risk Committe. Outside the Bank, Jeff has been a tremendous champion of Midland, especially in the St. Louis market, where he is well known and highly respected by the business community. We are grateful that he is willing to take on this additional responsibility.

Please join me in thanking Jack for his many years of service as Chairman of our Bank and welcoming Jeff in his new role.

Enclosed is your quarterly dividend of $0.20 per common share.

Yours very truly,

L. J. Holschbach

Leon J. Holschbach
President and CEO
Midland States Bancorp, Inc.

Forward-Looking Statements
This document may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our plans, objectives, future performance and business. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of management and on information currently available to management, 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. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and we undertake no obligation to update any statement in light of new information or future events. A number of factors, many of which are beyond our ability to control or predict, could cause actual results to differ materially from those in our forward-looking statements. These factors include, among others, the matters described in our Annual Report on Form 10-K and our other filings with the SEC.

Midland
States Bancorp, Inc.

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