Shareholder Letter

3rd Quarter 2017

Midland States Bancorp, Inc.

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midlandsb.com/investors

Dear Shareholders:

The third quarter of 2017 was a very significant quarter for the Company from a long-term perspective, although some of these same factors weighed on our short-term financial results. We continue to grow our franchise and build long-term shareholder value through acquisitions and core growth, even while we, like the community banking sector in general, face the continued headwinds of historically low interest rates and the more challenging deposit environment that results.

Our net income on a GAAP basis in the quarter was $0.10 per diluted share, which included $8.3 million ($0.27 per share) of integration and acquisition expenses and a loss of $3.6 million ($0.12 per share) on mortgage servicing rights (MSRs) booked in anticipation of the pending sale of approximately 72% of our residential MSRs in the fourth quarter. Taken together our fully diluted adjusted earnings for the quarter were $0.49 per share. The sale of a significant portion of our residential MSRs is expected to reduce the volatility in our earnings that results from the quarterly fluctuations in the value of the MSRs from an accounting perspective, and will free up capital for the Alpine acquisition. Additional information concerning our third quarter results is contained in a press release dated October 26th and in the Company's Form 10-Q filed with the SEC on November 9th. Each of these documents is available on our website under the "Investors" tab.

From a long-term perspective the most important event in the third quarter was our announcement of an agreement to acquire Alpine Bancorporation, Inc. Alpine has the lead market share by deposits in the Rockford, Illinois market, which is the second largest market in Illinois. The acquisition will increase our total assets by $1.3 billion, to approximately $5.8 billion, and will increase our assets under management in our Wealth Management group by $1.0 billion, to just over $3.0 billion (in each case based on Midland's and Alpine's third quarter ending data). As described in our September 16th press release announcing the transaction, when the transaction is completed we expect it to be immediately accretive to earnings and significantly improve our presence in our Northern Illinois region.

We also completed the data conversion and business integration of Centrue Bank in the third quarter, and are on track to realize the cost-savings we had originally projected from this acquisition. The third quarter was the first full quarter of having Centrue on our books, and we saw significant enhancements in a number of important metrics from that addition, including a 25% increase in net interest income and a 13.1% increase in fee income. Separate from Centrue, we were also able to increase our average interest rate on new and renewed loans in the quarter by 48 basis points as a result of being more selective in the commercial loans we originated in the quarter.

The Centrue and Alpine acquisitions, which in the aggregate account for almost $3.0 billion in additional assets for our Bank and $1.0 billion of assets under management for our wealth group, also help increase

3rd Quarter 2017 Financial Results

Summary Consolidated Financial Data

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Summary Income Statement Data - Unaudited				
Interest income	$ 43,246	$ 31,186	$ 109,613	$ 91,268
Interest expense	6,481	3,921	15,987	11,974
Net interest income	36,765	27,265	93,626	79,294
Provision for loan losses	1,489	1,392	3,480	3,146
Net interest income after provision for loan losses	35,276	25,873	90,146	76,148
Noninterest income:				
Commercial FHA revenue	3,777	3,260	14,625	18,360
Residential mortgage banking revenue	2,317	4,990	7,563	7,148
Wealth management revenue	3,475	1,941	9,754	5,596
Service charges on deposit accounts	2,133	1,044	4,147	2,916
Interchange revenue	1,724	920	3,816	2,829
FDIC loss-sharing expense	-	-	-	(1,661)
Other income	1,977	2,782	5,459	6,384
Total noninterest income	15,403	14,937	45,364	41,572
Noninterest expense:				
Salaries and employee benefits	22,411	16,568	61,368	48,967
Occupancy and equipment	4,144	3,271	10,800	9,815
Data processing	5,786	2,586	11,531	7,830
Professional	4,151	1,877	10,285	5,151
Amortization of intangible assets	1,187	514	2,291	1,613
Loss on mortgage servicing rights held for sale	3,617	-	3,617	-
Other	7,067	3,841	16,913	13,823
Total noninterest expense	48,363	28,657	116,805	87,199
Income before income taxes	2,316	12,153	18,705	30,521
Income taxes	280	4,102	4,640	10,562
Net income	$ 2,036	$ 8,051	$ 14,065	$ 19,959
Per Common Share Data				
Earnings per share:				
Basic	$ 0.10	$ 0.51	$ 0.81	$ 1.46
Diluted	0.10	0.51	0.78	1.43
Dividends declared	0.20	0.18	0.60	0.54
Weighted average common shares outstanding:				
Basic	19,265,409	15,578,703	17,274,746	13,637,997
Diluted	19,704,217	15,858,273	17,797,235	13,902,664
Selected Performance Metrics				
Return on average assets	0.18%	1.03%	0.50%	0.88%
Adjusted return on average assets(1)	0.87%	1.06%	0.99%	0.93%
Return on average shareholders' equity	1.78%	10.04%	4.94%	9.68%
Return on average tangible common shareholders' equity	2.39%	12.01%	6.29%	12.01%
Adjusted return on average tangible common shareholders' equity(2)	11.43%	12.35%	12.53%	12.73%
Yield on earning assets	4.44%	4.57%	4.41%	4.60%
Cost of average interest-bearing liabilities	0.79%	0.71%	0.77%	0.73%
Net interest margin	3.78%	4.00%	3.78%	4.01%
Efficiency ratio	69.00%	64.54%	67.39%	66.20%
Common stock dividend payout ratio	200.00%	35.29%	74.07%	36.99%
Net charge-offs to average loans	0.01%	0.11%	0.07%	0.23%
Net charge-offs to average loans - excludes PCI	0.01%	0.10%	0.08%	0.23%

(1) Adjusted return on average assets represents a non-GAAP financial measure calculated as Adjusted Earnings(3) divided by average assets.
(2) Adjusted return on average tangible common shareholders' equity represents a non-GAAP financial measure calculated as Adjusted Earnings(3) available to common shareholders divided by average tangible common shareholders' equity
(3) Adjusted Earnings is a non-GAAP financial measure that represents income before income taxes adjusted for certain other income and expense items that are not part of our core business. Other income adjustments primarily include gain on sales of investment securities and other expense adjustments are comprised primarily of integration and acquisition related expenses.

Summary Consolidated Financial Data - Continued
(in thousands, except for share and per share data)

	September 30, 2017	December 31, 2016
Summary Balance Sheet Data - Unaudited		
Total assets	$ 4,347,761	$ 3,233,723
Loans	3,157,972	2,319,976
Allowance for loan losses	(16,861)	(14,862)
Investment securities	467,852	325,011
Cash and cash equivalents	183,572	190,716
Deposits	3,114,467	2,404,366
Borrowings	642,313	369,075
Subordinated debt and trust preferred debentures	99,848	91,913
Shareholders' equity	450,689	321,770
Per Common Share Data		
Book value	$ 23.45	$ 20.78
Tangible book value	17.41	17.16
Common shares outstanding	19,093,153	15,483,499
Regulatory and Other Capital Ratios - Consolidated		
Tier 1 leverage ratio	8.54%	9.76%
Tier 1 capital to risk-weighted assets	10.20%	11.27%
Total capital to risk-weighted assets	12.21%	13.85%
Common equity Tier 1 capital	8.50%	9.35%
Tangible common equity to tangible assets	7.85%	8.36%
Regulatory Capital Ratios - Midland States Bank		
Tier 1 leverage ratio	10.05%	10.05%
Tier 1 capital to risk-weighted assets	11.99%	11.61%
Total capital to risk-weighted assets	12.47%	12.17%
Common equity Tier 1 capital	11.99%	11.61%
Credit Quality Data		
Allowance for loan losses to total loans	0.53%	0.64%
Allowance for loan losses plus credit marks to total loans	0.99%	1.02%

the magnitude of our core bank and wealth management operations as a percentage of total revenue. This should also help mitigate the volatility in other areas of our business, including in the residential and commercial mortgage areas. Also as a result of these acquisitions we have been able to quickly and effectively deploy the capital generated by our 2016 IPO, and our shareholders have seen an approximate 50% increase in the price of our shares since the IPO. **We currently expect to hold a Special Meeting of Shareholders early next year with respect to the acquisition, so please watch for the notice of the meeting to come in the mail.**

Alpine will also help us to drive further core growth. As is the case with many top-performing banks, we currently are operating at a comparatively high loan-to-deposit ratio, and attracting additional core deposits is high on our list of priorities. Alpine will bring us approximately $300 million in low-cost deposits that can support future loan growth. Nevertheless, remain focused on generating additional deposits. Just as I have challenged our bankers to reach out to individuals and businesses in this regard, I also want to ask you to consider increasing your deposits (or open a new deposit account) with Midland. This is a great way for you to help increase the value of your investment in the Company while also banking at one of the best banks in the nation. We have included a flyer describing our current deposit promotion. Please contact any of our bankers for more information or assistance opening a new account.

As a final note for the quarter, Kevin Thompson, who we had hired as Chief Financial Officer in late 2016, decided that he wanted to return to the West coast and continue his career in a larger market. We are fortunate to have Jeff Ludwig, who held that position for 10 years prior to Kevin joining us, to step in and fill that position while we conduct a search for a permanent replacement.

Enclosed is your quarterly dividend in the amount 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
Readers should note that in addition to the historical information contained herein, this letter includes "forward-looking statements," including but not limited to statements about the Company's growth plans, asset dispositions, integration of the Centrue acquisition, and the completion of the Alpine transaction. These statements are subject to many risks and uncertainties, including changes in interest rates and other general economic, business and political conditions, including changes in the financial markets; changes in business plans as circumstances warrant; and other risks detailed from time to time in filings made by the Company with the Securities and Exchange Commission (SEC). 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" or "continue," or similar terminology. Any forward-looking statements presented herein are made only as of the date of this press release, and we do not undertake any obligation to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

Additional Information
This letter includes disclosure in respect of the Alpine transaction and does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval.

Midland will file a registration statement on Form S-4 with the SEC in connection with the proposed transaction. The registration statement will include a joint proxy statement of Midland and Alpine that will also constitute a prospectus of Midland, which will be sent to Midland's and Alpine's respective shareholders. Shareholders are advised to read the joint proxy statement/prospectus and other documents filed with the SEC when they become available because they will contain important information about Midland, Alpine and the proposed transaction. When filed, this document and other documents relating to the Merger filed by Midland can be obtained free of charge from the website maintained by the SEC at www.sec.gov. These documents also can be obtained free of charge by accessing Midland's website at www.midlandsb.com under "Investors" and then under the "SEC Filings" tab. Alternatively, once they become available any of these filed documents can be obtained free of charge upon written request to Midland States Bancorp, Inc., Corporate Secretary, 1201 Network Centre Drive, Effingham, Illinois 62401, by calling (217) 342-7321 or by emailing corpsec@midlandsb.com.

Participants in this Transaction
Midland, Alpine and certain of their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from shareholders in connection with the proposed transaction under applicable SEC rules. Information about Midland and its directors and executive officers may be found in Midland's annual report on Form 10-K for the year ended December 31, 2016, filed with the SEC on March 10, 2017, and Midland's definitive proxy statement for its 2017 annual meeting of shareholders, filed with the SEC on March 17, 2017. These documents can be obtained free of charge from the sources indicated above. Information regarding Alpine and its directors and executive officers may be found in the joint proxy statement/prospectus when it becomes available. Additional information regarding the interests of these participants will also be included in the joint proxy statement/prospectus regarding the proposed transaction when it becomes available.

Midland States Bancorp, Inc.