



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Midland States Bank - Midland States Bancorp Inc

Person to be contacted regarding this report:	Leon J. Holschbach
UST Sequence Number:	398
CPP Funds Received:	10,000,000
CPP Funds Repaid to Date:	10,000,000
Date Funded (first funding):	N/A
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	1491351
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	1040
City:	Effingham
State:	Illinois

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	From year end 2008 (we received our CPP capital on 1/23/09) our total loans increased from 336 million to 628 million. 1-4 family increased 52 million, retail including home equity lending increased 3.3 million, C&I loans increased 38.5 million and commercial real estate increased
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	139 million. Much of this growth was acquisition driven. (see below)
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	During this period our total investment portfolio increased from 71 million to 341 million.

<input type="checkbox"/>	Make other investments	n/a
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	While our ALLR increased by 1.2 million, the CPP capital was not used for this purpose, however, earnings from our core bank and acquisitions did provide funding.
<input checked="" type="checkbox"/>	Reduce borrowings	Throughout the year borrowing INCREASED as FHLB advances were assumed by our bank as part of the balance sheet structure of the two "distressed" target acquisitions during '09. For example, FHLB advances went from 16 million to 75.5 million during this period.
<input checked="" type="checkbox"/>	Increase charge-offs	While charge offs have increased over this period, earnings, not CPP funds, were used to replenish the reserve.
<input checked="" type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	During the period covered, we acquired two banks: Waterloo Bankshares a 110 million bank in Waterloo, Illinois with five branches in February 2009. In May 2009 we acquired, (VIA FDIC RECEIVERSHIP), the approximately 550 million Strategic Capital Bank in Champaign, Illinois.
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	By year end 2009 (we repaid the CPP in December 2009) our Tier 1 Risk Based Capital had increased from YE 2008 10.07% to 15.07% and total risk based capital had increased from YE 2008 11.06% to 15.84%

What actions were you able to avoid because of the capital infusion of CPP funds?

Our company took the CPP capital for defensive and opportunistic reasons. We were well capitalized prior and no actions were avoided because of the CPP capital purchase.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Receipt of the CPP capital helped increase capital for the Waterloo Bankshares opportunity though the deal was negotiated and approved prior to the receipt of the CPP injection.

HOWEVER, because our bank did not have any preferred share class approved, the creation of the preferred shares by a special meeting of our shareholders in January 2009, provided an unanticipated benefit later in 2009.

When the opportunity to acquire a FDIC receivership bank materialized in May 2009, we were able to quickly issue a Private Placement Memorandum, and using the newly created preferred share class (raised almost \$24 million in 30 days) to win and close on this opportunity. As quickly as FDIC deals move, it is difficult to imagine we could have raised the needed capital if we had also needed to squeeze in a special shareholder meeting to then create the preferred shares.

Unanticipated fortuitous!

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

Like many community banks, we saw an unprecedented in pouring of deposits into our bank; all branches, totaling over 100 million f