

**AUDIT COMMITTEE CHARTER
OF
MIDLAND STATES BANCORP, INC.**

I. Purpose

The primary purpose of the Audit Committee (the "Committee") of the Board of Directors ("Board") of Midland States Bancorp, Inc. and its subsidiaries (the "Company") is to provide assistance to the Board in fulfilling its oversight responsibility to the Company's shareholders, the investment community and others related to:

- the integrity of the Company's financial statements and financial reporting process;
- the integrity of the Company's systems of internal controls regarding finance, accounting and legal compliance;
- the qualifications, independence and performance of the Company's independent auditors;
- the performance of the Company's internal auditors;
- the integrity and performance of the Company's loan review process and compliance by the Company with loan policies and procedures; and
- compliance by the Company with applicable legal and regulatory requirements.
- firm-wide risk management strategies based on an integrated view of credit, market, liquidity, compliance, operational, interest rate, investment, capital and reputational risks.
- managing exposures across all business and support activities.
- assuming risk exposures that are consistent with risk appetites and tolerances on behalf of the Board.
- reviewing and recommending as appropriate the President and Chief Executive Officer's strategies for the effective management of capital through risk-based capital assessment.

The Committee also shall provide an avenue of communication among the independent auditors, management, the Risk Management Department and the Board. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain outside counsel or other experts for this purpose.

II. Committee Composition and Procedure

A. Composition

The Board shall appoint the members of the Committee. The Board may designate a Chairman of the Committee and shall have the power to change the membership of the Committee and to fill vacancies in it, subject to such new member(s) satisfying the general Committee membership requirements discussed below.

The Committee shall consist of at least three members, each of whom shall be: (i) independent as defined by the rules and regulations of the Securities and Exchange Commission (the “SEC”), the Nasdaq Stock Market (or by the rules and regulations of any other exchange or national market on which the Company’s common stock is quoted or listed for trading) and any other body with regulatory authority over the Company; and (ii) free from any relationship that would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a director. Notwithstanding the foregoing, during the one-year period following the commencement of listing of the Company’s common stock on the Nasdaq Stock Market in connection with the Company’s initial public offering, the Company may avail itself of the phase-in schedule applicable to companies listing on the Nasdaq Stock Market in connection with their initial public offering that is set forth in the listing rules of the Nasdaq Stock Market.

In addition to the independent requirements set forth above: (i) all members of the Committee shall be financially literate—*i.e.*, they must have a basic understanding of finance and accounting and be able to read and understand financial statements, including the Company’s balance sheet, income statement and cash flow statement; and (ii) no member of the Committee shall have participated in the preparation of the financial statements of the Company in the three-year period prior to becoming a Committee member. Furthermore, at least one member of the Committee shall be financially sophisticated—*i.e.*, he or she must have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in such member being financially sophisticated, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities at another company.

The Company’s Board shall seek to have an “audit committee financial expert” (as such term is defined by the rules and regulations of the SEC) appointed to the Committee within one year following the commencement of listing of the Company’s common stock on the Nasdaq Stock Market in connection with the Company’s initial public offering. The Board shall determine at least annually whether any member of the Committee possesses financial management expertise sufficient to qualify as an audit committee financial expert and ensure that the appropriate disclosure regarding this determination is made in the Company’s annual proxy statement.

B. Procedure

The Committee shall meet with such frequency and at such intervals as it shall determine necessary to carry out its duties and responsibilities, but in no event shall the Committee meet less than once quarterly. The Chairman of the Committee shall prepare and/or approve an agenda in advance of each meeting. The Committee should meet privately in executive session at least annually with management, the Chief Risk Officer, the Director – Internal Audit, the Director of Compliance, the

Director – Process Risk Management (Credit) and the independent auditor to discuss any matters that the Committee or each of these groups believes should be discussed. In addition, the Committee, or at least its Chairman, should meet with management and the independent auditors quarterly to review the Company's financial statements and significant findings based upon the auditor's limited review procedures. The Committee shall maintain minutes of its meetings and records relating to those meetings and the Committee's activities and shall provide copies of such minutes and records to the Board. The Committee shall determine its rules of procedure.

III. Duties and Responsibilities of the Committee

The primary responsibilities of the Committee are to (1) oversee the Company's financial reporting process on behalf of, and to report the results of its activities to the Board, and (2) fulfill the responsibilities relating to the Company's risk management program set forth in Section I. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or compliance examinations or to determine that the Company's financial statements and disclosure are complete and accurate and are in accordance with U.S. generally accepted accounting principles and applicable rules and regulations. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for planning and conducting the audits of the Company's financial statements and for reviewing the Company's unaudited interim financial statements.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible in order to best react to changing conditions and circumstances. The Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices and ethical behavior.

Set forth below are the general activities to be performed by the Committee in carrying out its oversight responsibilities as well as certain specific tasks that it is directed to carry out. The Committee may supplement these activities and tasks as appropriate.

A. General Activities

The Committee shall:

(a) Be directly responsible for the appointment, termination, compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee.

(b) Oversee the internal audit function (b) of the Company and the compliance function limited to activities related to the Company, including the independence of such functions, the proposed audit and compliance plans for the coming year, and the coordination of such plans with any third party internal audit and compliance firms and the independent auditors. Oversee the loan review process of the Company's subsidiary bank and assess the integrity and performance of such process as well as compliance by the Company's subsidiary bank with internal loan policies and procedures. The Chief Risk

Officer shall report directly to the Committee. The Director – Process Risk Management (Credit) generally shall report directly to the Chief Risk Officer, but also may report directly to the Committee if the circumstances warrant.

(c) Review firm-wide strategies for addressing risk management requirements of Company policy, as well as benchmarks for implementation and consistent application of Company risk management strategy.

(d) Undertake an annual review of policies promulgated by Company operating units relating to the management of credit, market, compliance and operational risk.

(e) Annually review the Company's risk-based capital allocations, as well as strategies to ensure efficient application of financial resources.

(f) Review strategies to manage Company credit risk ratings.

(g) Review management's assessments of important new product categories and supporting operations, contemplating all significant risks, potential benefits and encompassing plans for measuring, monitoring and controlling associated risks.

(h) Review and endorse as appropriate the President and Chief Executive Officer's annual proposal of risk appetite and subsidiary and product line allocations, to be presented to the Board.

(i) Review and approve management's risk-based capital assessments to ensure that they remain effective and contemporary in light of evolving business strategy and operations.

(j) Pre-approve all audit, and any permitted non-audit services provided to the Company by the independent auditors and the fees to be paid for those services. The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of certain audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting.

(k) Have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants to advise the Committee. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report or performing other permitted services and to any consultants engaged by the Committee.

(l) Make regular reports to the Board. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board of Directors for approval. The Committee shall annually review the Committee's own performance.

B. Specific Tasks

In addition to the general activities set forth above, the Committee shall, specifically:

(a) Review and discuss with the Director – Audit & Assurance, the Chief Risk Officer, the Director – Process Risk Management (Credit), Director of Compliance and the independent auditor the overall scope, approach, staffing, locations and plans for their respective audits, risk assessments and compliance examinations, including the adequacy of staffing and compensation. Also, the Committee shall discuss with management, the Director – Audit & Assurance, the Chief Risk Officer, compliance officers and independent auditor the adequacy and effectiveness of the accounting and financial controls, compliance with regulations, including the Company's policies and procedures to assess, monitor and manage business risk, and legal and ethical compliance programs.

(b) Review and discuss with the independent auditor: (i) any problems or difficulties encountered in the course of its audit, including any restrictions on the scope of the independent auditor's activities or on access to requested information and management's response, and any significant disagreements with management; (ii) any report by the independent auditor as required by Section 10A of the Securities Exchange Act of 1934, as amended, including any report related to critical accounting policies and practices to be used, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor, and other material written communications between the independent auditor and management; and (iii) the matters required to be discussed by Statement on Auditing Standards No. 114 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work.

(c) Review and discuss with management and the independent auditor the annual audited and quarterly unaudited financial statements, including disclosures made in management's discussion and analysis, earnings press releases and any earnings guidance provided to analysts and rating agencies, prior to the release of quarterly and annual earnings results

(d) Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles and the adequacy of the Company's internal controls.

(e) Discuss with management and the Chief Risk Officer the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

(f) Review the adequacy and effectiveness of the Company's overall disclosure controls and procedures and management reports thereon.

(g) Review any disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

(h) Review management's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditor's report on management's assertion.

(i) Obtain and review a report from the independent auditor at least annually regarding: (i) the independent auditor's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm; (iii) any steps taken to deal with any such issues; and (iv) all relationships between the independent auditor and the Company.

(j) Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence and taking into account the opinions of management and internal auditors.

(k) Review and evaluate the lead partner of the independent auditor team and ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.

(l) Discuss with the independent auditor, management, the Chief Risk Officer and, if deemed appropriate, the Director - Audit & Assurance the Company's internal audit function and the responsibilities of those performing the internal audit, the internal audit budget, the staffing of the internal audit and any recommended changes in the scope of the internal audit function.

(m) Discuss with management, the Chief Risk Officer and, if deemed appropriate, the Director of Compliance the Company's compliance auditing function and the responsibilities of those performing the compliance auditing, the compliance auditing budget, the staffing of the compliance auditing and any recommended changes in the scope of the compliance auditing function.

(n) Discuss with management, the Chief Risk Officer and the Director – Process Risk Management (Credit) the loan review function of the Company's subsidiary bank, including the performance by the Board of Directors of the subsidiary bank of its oversight responsibility with respect to the loan review function, and periodically assess the need for engaging a third party firm to provide credit risk reviews.

(o) Demand that the Committee receive, prior to each meeting of the Committee, a summary of findings from completed internal audits, risk assessments, compliance examinations and a progress report on the proposed internal audit and compliance examination plans, with explanations for any deviations from the original plan as well as disposition of audit and compliance recommendations.

(p) Establish procedures for: (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing or compliance matters; and (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Such procedures may be amended from time to time by the Committee.

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(q) Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.

(r) Obtain advice and assistance from the Company's counsel as to matters that may have a material impact on the financial statements or the Company's compliance policies.

(s) Review the status of the information technology security program, updates to risk assessments, results of audit testing, security breaches or violations as well as any changes to the program.

(t) Review and pre-approve all material "related party transactions" that are not prohibited by the rules of the SEC, the Nasdaq Stock Market (or the requirements of any other exchange or national market on which the Company's common stock is quoted or listed for trading) and of any other body with regulatory authority over the Company. The term "related party transactions" shall refer to transactions required to be disclosed pursuant to Item 404 of SEC Regulation S-K.

(u) Perform any other activities consistent with this Charter, the Company's by-laws and the rules and regulations of the SEC, the Nasdaq Stock Market (or the requirements of any other exchange or national market on which the Company's common stock is quoted or listed for trading) and of any other body with regulatory authority over the Company, as the Committee or the Board of Directors deem necessary or appropriate.

IV. Formal Reporting

The Committee shall prepare, review and approve its report to be included in the Company's annual proxy statement, as required by SEC regulations. The report shall state whether the Committee has: (i) reviewed and discussed with management the annual audited financial statements of the Company; (ii) discussed with the independent auditors the matters required by Statement of Auditing Standards No. 114; (iii) received from the independent auditors the written disclosures required by Public Company Accounting Oversight Board Rule 3526 and discussed with them their independence from the Company; and (iv) recommended to the Board of Directors that the audited financial statements be included in the Company's Form 10-K for filing with the SEC. The report also shall state that the Committee is governed by a formal written charter and must disclose if the Committee has determined to allow a non-independent director to serve on the Committee.