

First Merchants Corporation Announces Record 2018 Earnings Per Share.

Fourth Quarter 2018 Earnings

First Merchants Corporation (NASDAQ - FRME) has reported fourth quarter 2018 net income of \$41.7 million, an increase of 71 percent, compared to \$24.4 million during the same period in 2017. Earnings per share for the period totaled a record \$.85 per share, an increase of 73 percent, compared to the fourth quarter of 2017 result of \$.49 per share. Net income for the year ended December 31, 2018 totaled \$159.1 million, compared to \$96.1 million during the same period in 2017. Year-to-date earnings per share was \$3.22, a record level as we celebrated the Corporation's 125th anniversary. The result was an increase of \$1.10 per share, or 52 percent, over the same period in 2017.

Total assets equaled \$9.9 billion as of year-end and loans totaled \$7.2 billion. The Corporation's loan portfolio increased by \$471 million, or 7 percent, during the past twelve months. Total deposits equaled \$7.8 billion as of year-end and increased by \$582 million, or 8 percent.

Michael C. Rechin, President and Chief Executive Officer, stated, "I am proud of our team for running through the tape in 2018 by posting a strong and balanced organic growth quarter. Quality low cost funding, loan growth and sound asset quality all contributed prominently in our record quarter capping off our record year. Our teammates connect with the needs of the marketplace and our communities while our execution produces results and efficiency." Rechin also added, "We look forward to 2019 and extending our franchise into Michigan through our merger with Monroe Bank & Trust. We look to continue their tradition of superior service to Monroe's communities through the combination of their skilled bankers and First Merchants' delivery capabilities."

Full Year 2018 Performance

- Record Net Income of \$159.1 Million, a 65.6% increase over 2017
- Earnings per share of \$3.22, a 51.9% increase over 2017
- Total Assets of \$9.9 Billion; grew organically by 5.5% over 2017
- 1.64% ROAA; 11.84% ROAE; 50.21% Efficiency Ratio
- Organic Loan Growth of \$471 Million, a 7.0% growth rate
- Organic Deposit Growth of \$582 Million, an 8.1% growth rate
- Tangible Book Value increased to \$19.12 per share, or 12.7% over year-end 2017

Analyst Comments

Stephens – January 2019 Equal-Weight

While adjusted 4Q18 EPS were modestly below our estimate, we feel the real story at First Merchants is the strategic and financial importance of the pending acquisition of Monroe Bank & Trust. With pro forma assets of \$11.1 billion, we see First Merchants remaining acquisitive consistent with peer banks that have crossed the \$10 billion threshold. Market disruption in SE Michigan from a recently announced MOE could play into First Merchants favor. We maintain our EW rating on FRME but at under 10x our '20 estimate would say shares have become more attractive.

DA Davidson – January 2019 Buy

First Merchants reported 4Q18 EPS of \$0.85, which was inline with our estimate (the high end of Street) and \$0.03 better than the Street of \$0.82. This is the fourth consecutive quarter that FRME has exceeded Street expectations and the second consecutive quarter of hitting our high-end of consensus EPS estimate. 4Q18 EPS of \$0.85 increased 1.2% Q/Q, driven by revenue growth (+1.0%) due to higher spread income (+1.6%); the increased earnings were partially offset by decreased fee income (-1.8%), increased operating expenses (+4.9%), and higher credit costs (\$1.7M vs. \$1.4M). We are maintaining our 2019E and 2020E earnings of \$3.52 and 3.76, respectively.

PiperJaffray – January 2019 Neutral

We are favorably disposed to FRME's above-average organic growth prospects and conservative core NIM expectations; however, we remain Neutral given some potential private equity overhang with its pending MBTF acquisition. In our view, 4Q results were mixed given stronger top-line revenue (partly due to higher PAA) and benign credit quality metrics, while op. expenses were elevated relative to expectations and contributed to a 2% PTPP income miss. We trim our 2019E / 2020E operating EPS 1-2% lower to \$3.38 / \$3.67 (from \$3.44 / \$3.73) based on a reduced core NIM outlook given 4Q18 compression. Our PT moves to \$42 (-\$5) and reflects 11.5x (from 12.5x given lower peer multiples) our 2020E EPS, consistent with a premium to peers due to FRME's above average profitability profile (1.66% / 17.4% operating ROA / ROTCE in 2019E).

Fourth Quarter 2018 Highlights

- Earnings Per Share of \$.85, a 73.5% increase over 4Q2017
- \$41.7 Million of Net Income, a 71.1% increase over 4Q2017
- Winning marketplace execution delivering growth
 - Organic Loan Growth of \$138 Million, a 7.8% annualized growth rate
 - Organic Deposit Growth of \$121 Million, a 6.4% annualized growth rate



**First Merchants Bank
Ranked #2 in 2019**

2018 Fourth Quarter Statistics

Asset Size	\$9.9 billion
Deposits	\$7.8 billion
Loans	\$7.2 billion
Private Wealth	\$2.7 billion
Customers	231,851
Banking Centers	116
ATMs	137
NASDAQ Symbol	FRME

Capital Position

	2018 4Q FMC	"Well-Capitalized" Requirements
Total Risk-Based Capital Ratio	14.61%	10%
Tier 1 Risk-Based Capital Ratio	12.80%	6%
Leverage Ratio	10.91%	5%
TCE/TCA	9.97%	N/A

At a Glance

As the 2nd largest Indiana Bank, First Merchants delivers superior service to clients in 27 Indiana counties as well as two counties in both Illinois and Ohio for:

- Commercial Banking
- Personal Banking
- Private Wealth Advisors

