

First Merchants Corporation Announces 3.8 Percent Increase in Second Quarter 2019 Earnings per Share

Second Quarter 2019 Earnings

First Merchants Corporation (NASDAQ-FRME) has reported second quarter 2019 net income of \$41.1 million, an increase of 3.6 percent, compared to \$39.6 million during the same period in 2018. Earnings per share for the period totaled \$.83 per share, an increase of 3.8 percent, compared to the second quarter of 2018 result of \$.80 per share.

Total assets equaled \$10.7 billion as of quarter-end and loans totaled \$7.5 billion. The Corporation's loan portfolio increased, by \$434 million, or 6.1 percent, during the past twelve months. Investments increased \$473 million, or 29.2 percent, during the same period and now total \$2.1 billion. Total deposits equaled \$8.3 billion as of quarter-end and increased by \$816 million, or 10.9 percent, while borrowings, totaling \$793 million, declined during the period by \$46 million, or 5.5 percent. As a result, the loan-to-deposit ratio now totals 90.4 percent and loan-to-asset ratio totals 70 percent. Additionally, the Corporation's total risk-based capital ratio equaled 14.56 percent, common equity tier 1 capital ratio equaled 12.05 percent, and the tangible common equity ratio totaled 10.07 percent.

Michael C. Rechin, President and Chief Executive Officer, stated, "Our second quarter of 2019 results continued to reflect effective market coverage by our bankers coupled with healthy levels of activity from our commercial and consumer clients throughout our franchise. We are pleased with our execution producing second quarter organic loan growth of 11.8% and deposit growth of 13.5% on an annualized basis. Net Income and earnings per share improved during the quarter despite margin pressure and legal and settlement expenses of \$1.3 million reflected in our marketing line item. We continue to anticipate closing our acquisition with Monroe Bank & Trust during the third quarter of 2019 and completing the integration in the fourth quarter of 2019."



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

Analyst Comments

Piper Jaffray – July 2019
Neutral

FRME remains one of the higher quality and more profitable Midwest institutions of its size; however, we remain Neutral until offsets emerge for current revenue growth challenges (e.g. core NIM pressure and 2H20 Durbin impact) and given a potential PE overhang with its pending MBTF acquisition. We maintain our 2019E operating EPS of \$3.14 and fine-tune 2020E to \$3.35 (+\$0.02) as our reduced NIM outlook is partly mitigated by higher fee income assumptions and a bigger B/S following solid 2Q19 organic growth. Our PT remains at \$42 and reflects 12.5x (unch) our 2020E EPS, consistent with a premium to peers (12.1x) given FRME's superior profitability profile and organic loan growth prospects.

DA Davidson – July 2019
Buy

First Merchants reported 2Q19 core EPS of \$0.85, which was in-line with our higher end of consensus estimate and \$0.04 above the Street. Positives in the quarter include strong top and bottom line growth, robust loan demand, reduced core operating expenses and solid profitability (ROA and ROE of 1.6% and 11.1%).

Raymond James – July 2019
Outperform

We reiterate our Outperform rating on FRME shares following its release of 2Q financial results. Most of the fundamentals were strong in 2Q for First Merchants, as results bested forecasts for fee income, credit costs and balance sheet growth.

Janney – July 2019
Neutral

Loan growth outlook remains favorable. C&D and CRE concentration levels of 50% and 220%, respectively, are below regulatory guidelines (100%/300%) and allow for growth in both segments prospectively.

FRME remains optimistic about being able to maintain a low single digit growth rate (1-2%) in expenses and realizing the full cost savings from the MBTF deal, which should help to support continued strong efficiency. MBTF conversion is slated for 4Q19 with full cost synergies recognized in 1Q20 expense base.

Second Quarter 2019 Highlights

- Earnings Per Share of \$.83, a 3.8% increase over 2Q2018
- \$41.1 Million of Net Income, a 3.6% increase over 2Q2018
- Total Assets of \$10.7 Billion; Grew by 10.3% over 2Q2018
- Annualized Organic Loan & Deposit Growth of 11.8% and 13.5%, respectively
- High Performance Measures: 1.56% Return on Average Assets; 11.10% Return on Average Equity; 51.00% Efficiency Ratio

2019 Second Quarter Statistics

Asset Size	\$10.7 billion
Deposits	\$8.3 billion
Loans	\$7.5 billion
Private Wealth	\$3.01 billion
Customers	233,598
Banking Centers	110
ATMs	135
NASDAQ Symbol	FRME

Capital Position

	FMC 2019 2Q	"Well- Capitalized" Requirements
Total Risk-Based Capital Ratio	14.56%	10%
Tier 1 Risk-Based Capital Ratio	12.83%	6%
Leverage Ratio	10.86%	5%
TCE/TCA	10.07%	N/A

At a Glance

As the largest financial holding company based in Central Indiana, 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

