

First Merchants Corporation Announces 66 Percent Increase in Third Quarter 2018 Earnings Per Share.

Third Quarter 2018 Earnings

First Merchants Corporation (NASDAQ - FRME) has reported third quarter 2018 net income of \$41.1 million, an increase of 69 percent, compared to \$24.4 million during the same period in 2017. Earnings per share for the period totaled \$.83, an increase of 66 percent, compared to the third quarter of 2017 result of \$.50 per share. Net income for the nine months ended September 30, 2018 totaled \$117.4 million, compared to \$71.7 million during the same period in 2017. Year-to-date earnings per share totaled \$2.37, an increase of \$.74 per share, or 45 percent, over the same period in 2017. The increase in net income was driven by several key factors including the two fully integrated acquisitions in 2017, strong organic growth throughout 2017 and 2018, and the impact of tax reform.

Michael C. Rechin, President and Chief Executive Officer, stated, "Deposit betas, deposit growth and flattening yield curves seem to be a primary focus of investors this quarter. First Merchants continues to perform well delivering strong net interest income and net interest margin coupled with high, single-digit organic balance sheet growth. Our highly efficient business model continues to drive performance and returns at levels produced by the best banks in the industry."

Rechin continued, "On October 10th we announced the signing of a definitive agreement to merge Monroe Bank and Trust (MBT) into First Merchants. Currently, we are working closely with the MBT executives to sustain their performance momentum and the community leadership they enjoy throughout their marketplace."

Third Quarter 2018 Highlights

- \$41.1 Million of Net Income, a 68.8% Increase over 3Q2017
- Earnings Per Share of \$.83, a 66.0% Increase over 3Q2017
- Total Assets of \$9.8 Billion Grew Organically by 8.2% over 3Q2017
- 1.69% ROAA; 12.10% ROAE
- 49.25% Efficiency Ratio
- Definitive Agreement Announced October 10, 2018 with MBT Financial Corporation

Analyst Comments

FIG Partners – October 2018 Market-Perform

FRME reported 3Q18 Core EPS of \$0.81; two cents better than our estimate adjusting for Securities gains. Strong core NIM expansion, coupled with a jump in fee income, were key highlights which more than offset an uptick in expenses resulting in modest improvement in operating leverage. Credit remained excellent.

Keefe, Bruyette & Woods – October 2018 Outperform

FRME posted operating earnings of \$0.81/sh which were better than expected, despite loan growth coming in below expectations. A stronger margin was able to offset the impact of lower earning assets, allowing spread income to match expectations while a lower provision and better fee income more than offset higher expenses and tax rate. Full year (and beyond) growth expectations remain generally intact while strong credit trends, steady fee income growth and reasonably controlled expenses led us to bump our 2018E and 2019E (while 2020E remain unchanged). We trim our target to \$51 from \$53 while we maintain Outperform rating on the shares.

PiperJaffray – October 2018 Neutral

We remain positive on FRME given its above average organic growth prospects, and solidly asset sensitive B/S supported by its lower beta deposit franchise; however, we remain Neutral given some potential private equity overhang with its pending MBTF acquisition.

FMC Strategy and Tactics Overview

- Manage market presence and our core banking business. Continue organic growth protocol.
- Optimize our retail and commercial deposit strategy...products and pricing.
- Build out of specialty finance businesses in sponsor finance, public finance, asset-based lending, and loan syndications.
- Finalize planning to cross \$10 Billion with the acquisition of MBT Financial Corporation.
- Design integration schedule and marketing plan for Michigan entry.



2018 Third Quarter Statistics

Asset Size	\$9.8 billion
Deposits	\$7.6 billion
Loans	\$7.1 billion
Private Wealth	\$2.8 billion
Customers	232,459
Banking Centers	116
ATMs	137
NASDAQ Symbol	FRME

Capital Position

	2018 3Q FMC	"Well-Capitalized" Requirements
Total Risk-Based Capital Ratio	14.25%	10%
Tier 1 Risk-Based Capital Ratio	12.46%	6%
Leverage Ratio	10.73%	5%
TCE/TCA	9.55%	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

