

First Merchants Corporation Announces 5.4% Increase in First Quarter 2019 Earnings Per Share

First Quarter 2019 Earnings

First Merchants Corporation (NASDAQ - FRME) has reported first quarter 2019 net income of \$38.8 million, an increase of 5.8 percent, compared to \$36.7 million during the same period in 2018. Earnings per share for the period totaled \$.78 per share, an increase of 5.4 percent, compared to the first quarter of 2018 result of \$.74 per share.

Total assets equaled \$10.2 billion as of quarter-end and loans totaled \$7.3 billion. The Corporation's loan portfolio increased by \$397 million, or 5.7 percent, during the past twelve months. Investments increased \$319 million, or 20.7 percent, during the same period and now total \$1.9 billion. Total deposits equaled \$8.0 billion as of quarter-end and increased by \$720 million, or 9.8 percent, while borrowings, totaling \$615 million, declined during the period by \$161 million, or 20.8 percent. As a result, the loan-to-deposit ratio now totals 90.7 percent and loan-to-asset ratio totals 71.5 percent. Additionally, the Corporation's total risk-based capital ratio equaled 14.71 percent, common equity tier 1 capital ratio equaled 12.12 percent, and the tangible common equity ratio totaled 10.14 percent.

Michael C. Rechin, President and Chief Executive Officer, stated, "We are excited to begin 2019 with a solid quarter of operating results. Our focus on the marketplace produced strong deposit growth and liquidity for our balance sheet. The loan pipeline continues to reflect an expanding Midwest economy with healthy asset quality throughout the portfolio. Our primary financial ratios and related key performance indicators continue to reflect the results of a high performing company."

Rechin continued, "We now have shareholder, Indiana Department of Financial Institutions and the Federal Deposit Insurance Corporation approvals in hand regarding our merger with Monroe Bank & Trust. We continue to anticipate our holding company's approval from the Federal Reserve Bank and a legal closing in the current quarter. Our integration activities and re-branding efforts are planned for the third quarter."



First Merchants Bank
Ranked #2 in 2019

Analyst Comments

Stephens – April 2019 Equal-Weight

Loan and deposit growth increased mid-to-high single digits in 1Q19 with total assets finally breaking above \$10 bil. The scale provided by the pending merger with MBT Financial allows the company to cross this asset threshold. Purchase accretion fell off last quarter with the reported NIM down 20bps. The core NIM is expected to expand in 2Q19 and MBT should create additional accretion. We see steady growth in pre-tax, pre-provision revenue in the coming quarters with the ROA expected to be a very healthy 1.65% in 2020. Our rating is Equal-Weight and we see some risk around selling pressure from MBT holders after the deal closes this quarter.

FIG Partners – April 2019 Market-Perform

We continue to have a positive bias on the FRME story given its solid growth outlook and profitability profile; however, we remain Market Perform due to valuation as the risk reward dynamics are balanced. The pending acquisition of MBTF (slated to close in late 2Q19) adds to our positive bias on the shares as it bolts on a high-quality deposit franchise, increases lending capacity given its low Loan-to-Deposit ratio and it expands their footprint into some attractive Michigan markets which positions FRME for continued growth. Capital flexibility persists post MBTF deal; TCE of ~9% expanding to > 10% by year end 2019 aided by strong profitability; which offers upside to EPS and the shares. Management is open to additional M&A though nothing appears imminent with the near-term focus on closing/integration MBTF.

Raymond James – April 2019 Outperform

We reiterate our **Outperform** rating on FRME shares following its release of 1Q financial results. We reduced EPS estimates following an EPS miss in 1Q as we substantially lowered our NIM forecast and modestly lowered fee income forecasts; however, this was partially offset by forecasts for stronger balance sheet growth, lower credit costs and an improved expense base. As a result of strong profitability metrics, a strong credit culture and our bullish expectation for its move into Michigan via its pending acquisition of MBT, we believe shares should narrow the

First Quarter 2019 Highlights

- Earnings Per Share of \$.78, a 5.4% Increase over 1Q2018
- \$38.8 Million of Net Income, a 5.8% Increase over 1Q2018
- Total Assets of \$10.2 Billion; Grew by 7.8% over 1Q2018
- Organic Loan & Deposit Growth of 5.7% and 9.8%, respectively, over 1Q2018
- 1.54% Return on Average Assets
- 10.86% Return on Average Equity
- 51.18% Efficiency Ratio

2019 First Quarter Statistics

Asset Size	\$10.2 billion
Deposits	\$8.0 billion
Loans	\$7.3 billion
Private Wealth	\$3 billion
Customers	233,598
Banking Centers	115
ATMs	136
NASDAQ Symbol	FRME

Capital Position

	2019 1Q FMC	"Well- Capitalized" Requirements
Total Risk-Based Capital Ratio	14.71%	10%
Tier 1 Risk-Based Capital Ratio	12.93%	6%
Leverage Ratio	11.00%	5%
TCE/TCA	10.14%	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

