



First Merchants Corporation Announces Third Quarter 2022 Earnings Per Share

October 25, 2022

MUNCIE, Ind., Oct. 25, 2022 (GLOBE NEWSWIRE) -- First Merchants Corporation (NASDAQ - FRME)

Third Quarter 2022 Highlights:

- **Net income available to common stockholders was \$63.3 million and diluted earnings per common share totaled \$1.08, compared to \$52.8 million and \$.98 in the third quarter of 2021, and \$38.5 million and \$.63 in the second quarter of 2022.**
- **Completed system integration for the acquisition of Level One Bancorp, Inc. ("Level One") during the quarter.**
- **Adjusted net income available to common stockholders¹ for the third quarter was \$65.6 million and adjusted diluted earnings per common share¹ totaled \$1.12, compared to \$46.6 million and \$.87 in the third quarter of 2021, and \$60.0 million and \$1.01 in the second quarter of 2022.**
- **Total loans grew \$290.6 million, or 10.2% annualized on a linked quarter basis, excluding the forgiveness of \$21.7 million in Paycheck Protection Program ("PPP") loans.**
- **Total deposits declined \$136.0 million, or 3.7% annualized on a linked quarter basis.**
- **Nonaccrual loans totaled \$43.5 million compared to \$46.0 million on a linked quarter basis**
- **Net interest income totaled \$140.3 million, an increase of \$11.6 million, or 9.0% on a linked quarter basis**

Mark Hardwick, Chief Executive Officer, stated, "Despite high inflation and volatility in both the bond and stock markets, our performance continues to be steady and strong. Margins are expanding, loan growth continues, and asset quality metrics remain at historical lows. We believe our balance sheet mix, allowance coverage and capital levels are well positioned for an uncertain economic environment."

Third Quarter Financial Results

First Merchants Corporation (the "Corporation") has reported third quarter 2022 net income available to common stockholders of \$63.3 million compared to \$52.8 million during the same period in 2021. Diluted earnings per common share for the period totaled \$1.08 per share compared to the third quarter of 2021 result of \$.98 per share. Current quarter results included integration costs from the acquisition of Level One and severance expense totaling \$4.0 million.

Total assets equaled \$17.7 billion as of quarter-end and loans totaled \$11.7 billion. Total loans increased \$2.6 billion during the past twelve months. The acquisition of Level One contributed \$1.6 billion of loans. Excluding acquired loans, the Corporation experienced organic loan growth of \$1.2 billion, or 13.8 percent, during the past twelve months. This was offset by the forgiveness of PPP loans of \$230.3 million. PPP loans accounted for \$11.2 million of the period end loan portfolio balance. Investments decreased \$150.7 million, or 3.4 percent, during the last twelve months and now total \$4.3 billion.

Total deposits equaled \$14.4 billion as of quarter-end and increased by \$2.1 billion over the past twelve months. The acquisition of Level One contributed \$1.9 billion in deposits resulting in \$155.3 million or 1.3% in organic deposit growth. The balance sheet growth mix resulted in an increase in the loan to deposit ratio of 7.6% over the past twelve months with the current quarter ratio ending at 80.9 percent.

The Corporation's Allowance for Credit Losses – Loans (ACL) totaled \$226.7 million as of quarter-end, or 1.94 percent of total loans, an increase of \$26.7 million over prior year due to the acquisition of Level One. Net loan recoveries for the quarter totaled \$0.4 million. No provision expense was recorded during the quarter or during the last twelve months other than CECL Day 1 expense of \$16.8 million due to the acquisition of Level One. Non-performing assets to total assets were 0.28% for the third quarter of 2022, a decrease of seven basis points compared to 0.35% in the third quarter of 2021.

Net-interest income totaling \$140.3 million for the quarter, continued to grow with an increase of \$11.6 million, or 9 percent, over prior quarter, and an increase of \$35.6 million, or 34 percent compared to the third quarter of 2021. Stated net-interest margin on a tax equivalent basis, totaling 3.55 percent, increased by 27 basis points compared to the second quarter of 2022 and 35 basis points compared to the third quarter of 2021. Net-interest margin excluding the impact of fair value accretion and PPP loans totaled 3.47%, an increase of 28 basis points compared to 3.19% for the second quarter of 2022 and an increase of 48 basis points from the third quarter of 2021. During the quarter, the yield on earning assets expanded 53 basis points from higher loan and investment portfolio yields as well as organic loan growth, offset by a 26 basis point increase in funding costs.

Non-interest income, totaling \$29.6 million for the quarter, increased \$1.3 million or 4.7% compared to the second quarter of 2022. The increase was driven by higher earnings on cash surrender value of life insurance offset by lower customer related fees and other income. Non-interest income increased \$1.1 million from the third quarter of 2021 also due to higher earnings on cash surrender value of life insurance offset by lower gains on the sale of securities and other income. The decline in other income was due to a write-down of an equity investment of \$1.9 million.

Non-interest expense totaled \$96.4 million for the quarter, a decrease of \$0.9 million from the second quarter of 2022, and an increase of \$25.0 million over the third quarter of 2021. Integration costs and severance expense totaling \$4.0 million were incurred during the quarter.

The Corporation's total risk-based capital ratio equaled 12.84 percent, common equity tier 1 capital ratio equaled 10.40 percent, and the tangible common equity ratio totaled 6.66 percent. These ratios continue to reflect the Corporation's strong capital position.

¹ See "Non-GAAP Financial Information" for reconciliation

CONFERENCE CALL

First Merchants Corporation will conduct a third quarter earnings conference call and web cast at 10:30 a.m. (ET) on Tuesday, October 25, 2022.

To access via phone, participants will need to register using the following link where they will be provided a phone number and access code:

(<https://register.vevent.com/register/BI33d38f63624949c49527aaa096d2e146>)

In order to view the webcast and presentation slides, please go to (<https://edge.media-server.com/mmc/p/988gy9uu>) during the time of the call. A replay of the webcast will be available until October 25, 2023.

Detailed financial results are reported on the attached pages.

About First Merchants Corporation

First Merchants Corporation is a financial holding company headquartered in Muncie, Indiana. The Corporation has one full-service bank charter, First Merchants Bank. The Bank also operates as First Merchants Private Wealth Advisors (as a division of First Merchants Bank).

First Merchants Corporation's common stock is traded on the NASDAQ Global Select Market System under the symbol FRME. Quotations are carried in daily newspapers and can be found on the company's Internet web page (<http://www.firstmerchants.com>).

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Forward-Looking Statements

This release contains forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements can often, but not always, be identified by the use of words like "believe", "continue", "pattern", "estimate", "project", "intend", "anticipate", "expect" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "might", "can", "may", or similar expressions. These statements include statements of First Merchants' goals, intentions and expectations; statements regarding the First Merchants' business plan and growth strategies; statements regarding the asset quality of First Merchants' loan and investment portfolios; and estimates of First Merchants' risks and future costs and benefits. These forward-looking statements are subject to significant risks, assumptions and uncertainties that may cause results to differ materially from those set forth in forward-looking statements, including, among other things: possible changes in monetary and fiscal policies, and laws and regulations; the effects of easing restrictions on participants in the financial services industry; the cost and other effects of legal and administrative cases; possible changes in the credit worthiness of customers and the possible impairment of collectability of loans; fluctuations in market rates of interest; competitive factors in the banking industry; changes in the banking legislation or regulatory requirements of federal and state agencies applicable to bank holding companies and banks like First Merchants' affiliate bank; continued availability of earnings and excess capital sufficient for the lawful and prudent declaration of dividends; changes in market, economic, operational, liquidity, credit and interest rate risks associated with the First Merchants' business; and other risks and factors identified in each of First Merchants' filings with the Securities and Exchange Commission. First Merchants does not undertake any obligation to update any forward-looking statement, whether written or oral, relating to the matters discussed in this press release. In addition, First Merchants' past results of operations do not necessarily indicate its anticipated future results.

CONSOLIDATED BALANCE SHEETS

(Dollars In Thousands)

| | September 30, | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| ASSETS | | |
| Cash and due from banks | \$ 119,532 | \$ 169,261 |
| Interest-bearing deposits | 179,593 | 369,447 |
| Investment securities, net of allowance for credit losses of \$245,000 and \$245,000 | 4,294,768 | 4,445,516 |
| Loans held for sale | 25,394 | 5,990 |
| Loans | 11,650,002 | 9,041,576 |
| Less: Allowance for credit losses - loans | (226,702) | (199,972) |
| Net loans | 11,423,300 | 8,841,604 |
| Premises and equipment | 116,306 | 104,814 |
| Federal Home Loan Bank stock | 38,056 | 28,736 |
| Interest receivable | 71,605 | 53,079 |
| Goodwill and other intangibles | 750,713 | 572,323 |
| Cash surrender value of life insurance | 306,932 | 291,825 |
| Other real estate owned | 6,454 | 698 |
| Tax asset, deferred and receivable | 142,110 | 39,504 |
| Other assets | 244,222 | 137,928 |
| TOTAL ASSETS | \$17,718,985 | \$15,060,725 |
| LIABILITIES | | |
| Deposits: | | |
| Noninterest-bearing | \$ 3,356,651 | \$ 2,554,323 |
| Interest-bearing | 11,078,174 | 9,794,366 |
| Total Deposits | 14,434,825 | 12,348,689 |
| Borrowings: | | |
| Federal funds purchased | 185,000 | — |
| Securities sold under repurchase agreements | 194,482 | 183,589 |

| | | |
|--|---------------------|---------------------|
| Federal Home Loan Bank advances | 643,769 | 334,149 |
| Subordinated debentures and other borrowings | 151,301 | 118,558 |
| Total Borrowings | 1,174,552 | 636,296 |
| Interest payable | 4,971 | 3,736 |
| Other liabilities | 197,971 | 203,914 |
| Total Liabilities | 15,812,319 | 13,192,635 |
| STOCKHOLDERS' EQUITY | | |
| Preferred Stock, \$1,000 par value, \$1,000 liquidation value: | | |
| Authorized -- 600 cumulative shares | | |
| Issued and outstanding - 125 cumulative shares | 125 | 125 |
| Preferred Stock, Series A, no par value, \$2,500 liquidation preference: | | |
| Authorized -- 10,000 non-cumulative perpetual shares | | |
| Issued and outstanding - 10,000 non-cumulative perpetual shares | 25,000 | — |
| Common Stock, \$.125 stated value: | | |
| Authorized -- 100,000,000 shares | | |
| Issued and outstanding - 59,145,414 and 53,510,745 shares | 7,393 | 6,689 |
| Additional paid-in capital | 1,226,695 | 988,659 |
| Retained earnings | 961,542 | 832,728 |
| Accumulated other comprehensive income (loss) | (314,089) | 39,889 |
| Total Stockholders' Equity | 1,906,666 | 1,868,090 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$17,718,985 | \$15,060,725 |

CONSOLIDATED STATEMENTS OF INCOME

(Dollars In Thousands, Except Per Share Amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------------|------------------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| INTEREST INCOME | | | | |
| Loans receivable: | | | | |
| Taxable | \$ 128,504 | \$ 85,319 | \$ 314,366 | \$ 257,426 |
| Tax-exempt | 6,500 | 5,591 | 18,194 | 16,475 |
| Investment securities: | | | | |
| Taxable | 10,055 | 7,788 | 28,937 | 21,923 |
| Tax-exempt | 17,261 | 14,464 | 50,348 | 39,920 |
| Deposits with financial institutions | 704 | 218 | 1,544 | 461 |
| Federal Home Loan Bank stock | 314 | 168 | 635 | 434 |
| Total Interest Income | 163,338 | 113,548 | 414,024 | 336,639 |
| INTEREST EXPENSE | | | | |
| Deposits | 16,644 | 5,707 | 29,423 | 17,730 |
| Federal funds purchased | 418 | — | 494 | 4 |
| Securities sold under repurchase agreements | 372 | 77 | 595 | 239 |
| Federal Home Loan Bank advances | 3,493 | 1,389 | 6,485 | 4,283 |
| Subordinated debentures and other borrowings | 2,105 | 1,660 | 5,780 | 4,976 |
| Total Interest Expense | 23,032 | 8,833 | 42,777 | 27,232 |
| NET INTEREST INCOME | 140,306 | 104,715 | 371,247 | 309,407 |
| Provision for credit losses - loans | — | — | 16,755 | — |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES | 140,306 | 104,715 | 354,492 | 309,407 |
| NON-INTEREST INCOME | | | | |
| Service charges on deposit accounts | 7,165 | 6,249 | 21,274 | 17,109 |
| Fiduciary and wealth management fees | 7,221 | 7,352 | 22,187 | 21,284 |
| Card payment fees | 4,776 | 4,156 | 15,674 | 12,682 |
| Net gains and fees on sales of loans | 2,543 | 3,955 | 7,968 | 16,266 |
| Derivative hedge fees | 700 | 1,028 | 3,062 | 2,288 |
| Other customer fees | 501 | 393 | 1,573 | 1,129 |
| Earnings on cash surrender value of life insurance | 6,655 | 2,468 | 9,659 | 5,009 |
| Net realized gains on sales of available for sale securities | 481 | 1,756 | 1,137 | 5,316 |
| Other income (loss) | (425) | 1,144 | 1,257 | 2,393 |
| Total Non-Interest Income | 29,617 | 28,501 | 83,791 | 83,476 |
| NON-INTEREST EXPENSES | | | | |
| Salaries and employee benefits | 56,002 | 43,314 | 154,562 | 124,563 |
| Net occupancy | 6,738 | 5,576 | 19,573 | 17,682 |

| | | | | |
|--|------------------|------------------|-------------------|-------------------|
| Equipment | 5,997 | 4,529 | 17,797 | 14,407 |
| Marketing | 2,401 | 1,676 | 4,551 | 3,922 |
| Outside data processing fees | 6,827 | 4,794 | 16,071 | 13,736 |
| Printing and office supplies | 472 | 265 | 1,198 | 861 |
| Intangible asset amortization | 2,303 | 1,463 | 5,972 | 4,284 |
| FDIC assessments | 2,824 | 1,552 | 7,940 | 4,381 |
| Other real estate owned and foreclosure expenses | 328 | (91) | 626 | 821 |
| Professional and other outside services | 4,461 | 2,767 | 17,681 | 8,286 |
| Other expenses | 8,025 | 5,539 | 20,045 | 13,834 |
| Total Non-Interest Expenses | 96,378 | 71,384 | 266,016 | 206,777 |
| INCOME BEFORE INCOME TAX | 73,545 | 61,832 | 172,267 | 186,106 |
| Income tax expense | 9,793 | 9,062 | 20,938 | 28,308 |
| NET INCOME | 63,752 | 52,770 | 151,329 | 157,798 |
| Preferred stock dividends | 469 | — | 938 | — |
| NET INCOME AVAILABLE TO COMMON STOCKHOLDERS | \$ 63,283 | \$ 52,770 | \$ 150,391 | \$ 157,798 |
| Per Share Data: | | | | |
| Basic Net Income Available to Common Stockholders | \$ 1.08 | \$ 0.98 | \$ 2.63 | \$ 2.93 |
| Diluted Net Income Available to Common Stockholders | \$ 1.08 | \$ 0.98 | \$ 2.62 | \$ 2.92 |
| Cash Dividends Paid to Common Stockholders | \$ 0.32 | \$ 0.29 | \$ 0.93 | \$ 0.84 |
| Average Diluted Common Shares Outstanding (in thousands) | 59,339 | 53,960 | 57,468 | 54,093 |

FINANCIAL HIGHLIGHTS

(Dollars in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------|-------------------------------------|----------|------------------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| NET CHARGE-OFFS (RECOVERIES) | \$ (427) | \$ (197) | \$ (751) | \$ 4,731 |

AVERAGE BALANCES:

| | | | | |
|----------------------------|--------------|--------------|--------------|--------------|
| Total Assets | \$17,770,623 | \$15,006,087 | \$17,012,930 | \$14,672,596 |
| Total Loans | 11,488,203 | 9,089,648 | 10,647,950 | 9,202,327 |
| Total Earning Assets | 16,508,914 | 13,741,196 | 15,744,040 | 13,419,310 |
| Total Deposits | 14,577,532 | 12,350,336 | 14,074,696 | 12,017,335 |
| Total Stockholders' Equity | 2,018,156 | 1,889,037 | 1,977,299 | 1,858,680 |

FINANCIAL RATIOS:

| | | | | |
|---|----------|----------|----------|----------|
| Return on Average Assets | 1.43% | 1.41% | 1.19% | 1.43% |
| Return on Average Stockholders' Equity | 12.54 | 11.17 | 10.14 | 11.32 |
| Return on Average Common Stockholders' Equity | 12.70 | 11.17 | 10.23 | 11.32 |
| Average Earning Assets to Average Assets | 92.90 | 91.57 | 92.54 | 91.46 |
| Allowance for Credit Losses - Loans as % of Total Loans | 1.94 | 2.21 | 1.94 | 2.21 |
| Net Charge-offs as % of Average Loans (Annualized) | (0.01) | (0.01) | (0.01) | 0.07 |
| Average Stockholders' Equity to Average Assets | 11.36 | 12.59 | 11.62 | 12.67 |
| Tax Equivalent Yield on Average Earning Assets | 4.11 | 3.46 | 3.66 | 3.49 |
| Interest Expense/Average Earning Assets | 0.56 | 0.26 | 0.36 | 0.27 |
| Net Interest Margin (FTE) on Average Earning Assets | 3.55 | 3.20 | 3.30 | 3.22 |
| Efficiency Ratio | 53.34 | 51.18 | 54.95 | 50.10 |
| Tangible Common Book Value Per Share | \$ 19.26 | \$ 24.31 | \$ 19.26 | \$ 24.31 |

NON-PERFORMING ASSETS

(Dollars In Thousands)

| | September 30, 2022 | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 |
|---|-----------------------|------------------|-------------------|----------------------|-----------------------|
| Non-Accrual Loans | \$ 43,508 | \$ 45,970 | \$ 42,698 | \$ 43,062 | \$ 51,502 |
| Renegotiated Loans | 195 | 233 | 141 | 329 | 439 |
| Non-Performing Loans (NPL) | 43,703 | 46,203 | 42,839 | 43,391 | 51,941 |
| Other Real Estate Owned and Repossessions | 6,454 | 6,521 | 6,271 | 558 | 698 |
| Non-Performing Assets (NPA) | 50,157 | 52,724 | 49,110 | 43,949 | 52,639 |
| 90+ Days Delinquent | 764 | 592 | 2,085 | 963 | 157 |
| NPAs & 90 Day Delinquent | \$ 50,921 | \$ 53,316 | \$ 51,195 | \$ 44,912 | \$ 52,796 |

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Allowance for Credit Losses - Loans | \$ 226,702 | \$ 226,275 | \$ 195,984 | \$ 195,397 | \$ 199,972 |
| Quarterly Net Charge-offs (Recoveries) | (427) | 263 | (587) | 4,575 | (197) |
| NPAs / Actual Assets % | 0.28% | 0.30% | 0.32% | 0.28% | 0.35% |
| NPAs & 90 Day / Actual Assets % | 0.29% | 0.30% | 0.33% | 0.29% | 0.35% |
| NPAs / Actual Loans and OREO % | 0.43% | 0.46% | 0.52% | 0.47% | 0.58% |
| Allowance for Credit Losses - Loans / Actual Loans (%) | 1.94% | 1.98% | 2.09% | 2.11% | 2.21% |
| Net Charge-offs as % of Average Loans (Annualized) | (0.01)% | 0.01% | (0.03)% | 0.20% | (0.01)% |

CONSOLIDATED BALANCE SHEETS

(Dollars In Thousands)

| | September 30, 2022 | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 |
|--|-----------------------|---------------------|---------------------|----------------------|-----------------------|
| ASSETS | | | | | |
| Cash and due from banks | \$ 119,532 | \$ 212,559 | \$ 148,277 | \$ 167,146 | \$ 169,261 |
| Interest-bearing deposits | 179,593 | 136,702 | 395,262 | 474,154 | 369,447 |
| Investment securities, net of allowance for credit losses | 4,294,768 | 4,630,030 | 4,489,263 | 4,524,353 | 4,445,516 |
| Loans held for sale | 25,394 | 9,060 | 3,938 | 11,187 | 5,990 |
| Loans | 11,650,002 | 11,397,417 | 9,356,241 | 9,241,861 | 9,041,576 |
| Less: Allowance for credit losses - loans | (226,702) | (226,275) | (195,984) | (195,397) | (199,972) |
| Net loans | 11,423,300 | 11,171,142 | 9,160,257 | 9,046,464 | 8,841,604 |
| Premises and equipment | 116,306 | 117,757 | 105,883 | 105,655 | 104,814 |
| Federal Home Loan Bank stock | 38,056 | 38,111 | 26,422 | 28,736 | 28,736 |
| Interest receivable | 71,605 | 68,728 | 56,081 | 57,187 | 53,079 |
| Goodwill and other intangibles | 750,713 | 753,649 | 569,494 | 570,860 | 572,323 |
| Cash surrender value of life insurance | 306,932 | 323,013 | 291,881 | 291,041 | 291,825 |
| Other real estate owned | 6,454 | 6,521 | 6,271 | 558 | 698 |
| Tax asset, deferred and receivable | 142,110 | 114,965 | 73,422 | 35,641 | 39,504 |
| Other assets | 244,222 | 198,255 | 138,807 | 140,167 | 137,928 |
| TOTAL ASSETS | \$17,718,985 | \$17,780,492 | \$15,465,258 | \$15,453,149 | \$15,060,725 |
| LIABILITIES | | | | | |
| Deposits: | | | | | |
| Noninterest-bearing | \$ 3,356,651 | \$ 3,435,331 | \$ 2,745,235 | \$ 2,709,646 | \$ 2,554,323 |
| Interest-bearing | 11,078,174 | 11,135,538 | 10,160,718 | 10,022,931 | 9,794,366 |
| Total Deposits | 14,434,825 | 14,570,869 | 12,905,953 | 12,732,577 | 12,348,689 |
| Borrowings: | | | | | |
| Federal funds purchased | 185,000 | 100,000 | — | — | — |
| Securities sold under repurchase agreements | 194,482 | 186,468 | 169,697 | 181,577 | 183,589 |
| Federal Home Loan Bank advances | 643,769 | 598,865 | 308,960 | 334,055 | 334,149 |
| Subordinated debentures and other borrowings | 151,301 | 151,299 | 118,677 | 118,618 | 118,558 |
| Total Borrowings | 1,174,552 | 1,036,632 | 597,334 | 634,250 | 636,296 |
| Interest payable | 4,971 | 2,978 | 3,589 | 2,762 | 3,736 |
| Other liabilities | 197,971 | 192,372 | 150,749 | 170,989 | 203,914 |
| Total Liabilities | 15,812,319 | 15,802,851 | 13,657,625 | 13,540,578 | 13,192,635 |
| STOCKHOLDERS' EQUITY | | | | | |
| Preferred Stock, \$1,000 par value, \$1,000 liquidation value: | | | | | |
| Authorized -- 600 cumulative shares | | | | | |
| Issued and outstanding - 125 cumulative shares | 125 | 125 | 125 | 125 | 125 |
| Preferred Stock, Series A, no par value, \$2,500 liquidation preference: | | | | | |
| Authorized -- 10,000 non-cumulative perpetual shares | | | | | |
| Issued and outstanding - 10,000 non-cumulative perpetual shares | 25,000 | 25,000 | — | — | — |
| Common Stock, \$.125 stated value: | | | | | |
| Authorized -- 100,000,000 shares | | | | | |
| Issued and outstanding | 7,393 | 7,383 | 6,678 | 6,676 | 6,689 |
| Additional paid-in capital | 1,226,695 | 1,226,378 | 987,404 | 985,818 | 988,659 |
| Retained earnings | 961,542 | 917,311 | 897,818 | 864,839 | 832,728 |
| Accumulated other comprehensive income (loss) | (314,089) | (198,556) | (84,392) | 55,113 | 39,889 |
| Total Stockholders' Equity | 1,906,666 | 1,977,641 | 1,807,633 | 1,912,571 | 1,868,090 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$17,718,985 | \$17,780,492 | \$15,465,258 | \$15,453,149 | \$15,060,725 |

CONSOLIDATED STATEMENTS OF INCOME

(Dollars In Thousands, Except Per Share Amounts)

| | September 30, 2022 | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 |
|--|-----------------------|------------------|-------------------|----------------------|-----------------------|
| INTEREST INCOME | | | | | |
| Loans receivable: | | | | | |
| Taxable | \$ 128,504 | \$ 106,787 | \$ 79,075 | \$ 80,583 | \$ 85,319 |
| Tax-exempt | 6,500 | 5,990 | 5,704 | 5,635 | 5,591 |
| Investment securities: | | | | | |
| Taxable | 10,055 | 10,372 | 8,510 | 8,028 | 7,788 |
| Tax-exempt | 17,261 | 17,212 | 15,875 | 15,411 | 14,464 |
| Deposits with financial institutions | 704 | 610 | 230 | 173 | 218 |
| Federal Home Loan Bank stock | 314 | 175 | 146 | 163 | 168 |
| Total Interest Income | 163,338 | 141,146 | 109,540 | 109,993 | 113,548 |
| INTEREST EXPENSE | | | | | |
| Deposits | 16,644 | 8,485 | 4,294 | 5,589 | 5,707 |
| Federal funds purchased | 418 | 76 | — | 1 | — |
| Securities sold under repurchase agreements | 372 | 134 | 89 | 75 | 77 |
| Federal Home Loan Bank advances | 3,493 | 1,774 | 1,218 | 1,389 | 1,389 |
| Subordinated debentures and other borrowings | 2,105 | 2,016 | 1,659 | 1,666 | 1,660 |
| Total Interest Expense | 23,032 | 12,485 | 7,260 | 8,720 | 8,833 |
| NET INTEREST INCOME | 140,306 | 128,661 | 102,280 | 101,273 | 104,715 |
| Provision for credit losses - loans | — | 16,755 | — | — | — |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES | 140,306 | 111,906 | 102,280 | 101,273 | 104,715 |
| NON-INTEREST INCOME | | | | | |
| Service charges on deposit accounts | 7,165 | 7,690 | 6,419 | 6,462 | 6,249 |
| Fiduciary and wealth management fees | 7,221 | 7,634 | 7,332 | 7,078 | 7,352 |
| Card payment fees | 4,776 | 5,175 | 5,723 | 3,937 | 4,156 |
| Net gains and fees on sales of loans | 2,543 | 3,226 | 2,199 | 3,423 | 3,955 |
| Derivative hedge fees | 700 | 1,444 | 918 | 1,562 | 1,028 |
| Other customer fees | 501 | 662 | 410 | 361 | 393 |
| Earnings on cash surrender value of life insurance | 6,655 | 1,308 | 1,696 | 2,051 | 2,468 |
| Net realized gains on sales of available for sale securities | 481 | 90 | 566 | 358 | 1,756 |
| Other income (loss) | (425) | 1,048 | 634 | 615 | 1,144 |
| Total Non-Interest Income | 29,617 | 28,277 | 25,897 | 25,847 | 28,501 |
| NON-INTEREST EXPENSES | | | | | |
| Salaries and employee benefits | 56,002 | 56,041 | 42,519 | 42,432 | 43,314 |
| Net occupancy | 6,738 | 6,648 | 6,187 | 5,644 | 5,576 |
| Equipment | 5,997 | 6,720 | 5,080 | 4,994 | 4,529 |
| Marketing | 2,401 | 1,414 | 736 | 1,840 | 1,676 |
| Outside data processing fees | 6,827 | 4,881 | 4,363 | 4,581 | 4,794 |
| Printing and office supplies | 472 | 381 | 345 | 356 | 265 |
| Intangible asset amortization | 2,303 | 2,303 | 1,366 | 1,463 | 1,463 |
| FDIC assessments | 2,824 | 2,924 | 2,192 | 1,862 | 1,552 |
| Other real estate owned and foreclosure expenses | 328 | (266) | 564 | 171 | (91) |
| Professional and other outside services | 4,461 | 10,267 | 2,953 | 3,627 | 2,767 |
| Other expenses | 8,025 | 6,000 | 6,020 | 5,466 | 5,539 |
| Total Non-Interest Expenses | 96,378 | 97,313 | 72,325 | 72,436 | 71,384 |
| INCOME BEFORE INCOME TAX | 73,545 | 42,870 | 55,852 | 54,684 | 61,832 |
| Income tax expense | 9,793 | 3,879 | 7,266 | 6,951 | 9,062 |
| NET INCOME | 63,752 | 38,991 | 48,586 | 47,733 | 52,770 |
| Preferred stock dividends | 469 | 469 | — | — | — |
| NET INCOME AVAILABLE TO COMMON STOCKHOLDERS | \$ 63,283 | \$ 38,522 | \$ 48,586 | \$ 47,733 | \$ 52,770 |
| Per Share Data: | | | | | |
| Basic Net Income Available to Common Stockholders | \$ 1.08 | \$ 0.64 | \$ 0.91 | \$ 0.89 | \$ 0.98 |
| Diluted Net Income Available to Common Stockholders | \$ 1.08 | \$ 0.63 | \$ 0.91 | \$ 0.89 | \$ 0.98 |
| Cash Dividends Paid to Common Stockholders | \$ 0.32 | \$ 0.32 | \$ 0.29 | \$ 0.29 | \$ 0.29 |
| Average Diluted Common Shares Outstanding (in thousands) | 59,339 | 59,308 | 53,616 | 53,660 | 53,960 |
| FINANCIAL RATIOS: | | | | | |

| | | | | | |
|---|----------|----------|----------|----------|----------|
| Return on Average Assets | 1.43% | 0.88% | 1.26% | 1.25% | 1.41% |
| Return on Average Stockholders' Equity | 12.54 | 7.62 | 10.28 | 10.10 | 11.17 |
| Return on Average Common Stockholders' Equity | 12.70 | 7.72 | 10.28 | 10.10 | 11.17 |
| Average Earning Assets to Average Assets | 92.90 | 92.45 | 92.23 | 91.86 | 91.57 |
| Allowance for Credit Losses - Loans as % of Total Loans | 1.94 | 1.98 | 2.09 | 2.11 | 2.21 |
| Net Charge-offs (Recoveries) as % of Average Loans (Annualized) | (0.01) | 0.01 | (0.03) | 0.20 | (0.01) |
| Average Stockholders' Equity to Average Assets | 11.36 | 11.37 | 12.23 | 12.36 | 12.59 |
| Tax Equivalent Yield on Average Earning Assets | 4.11 | 3.58 | 3.23 | 3.29 | 3.46 |
| Interest Expense/Average Earning Assets | 0.56 | 0.30 | 0.20 | 0.25 | 0.26 |
| Net Interest Margin (FTE) on Average Earning Assets | 3.55 | 3.28 | 3.03 | 3.04 | 3.20 |
| Efficiency Ratio | 53.34 | 58.45 | 52.79 | 53.49 | 51.18 |
| Tangible Common Book Value Per Share | \$ 19.26 | \$ 20.45 | \$ 23.26 | \$ 25.21 | \$ 24.31 |

LOANS

| (Dollars In Thousands) | September 30, 2022 | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 |
|--|-----------------------|---------------------|---------------------|----------------------|--------------------------|
| Commercial and industrial loans | \$ 3,330,529 | \$ 3,297,477 | \$ 2,826,660 | \$ 2,714,565 | \$ 2,573,615 |
| Agricultural land, production and other loans to farmers | 221,954 | 214,904 | 209,077 | 246,442 | 240,686 |
| Real estate loans: | | | | | |
| Construction | 828,923 | 745,983 | 552,975 | 523,066 | 521,889 |
| Commercial real estate, non-owner occupied | 2,299,272 | 2,423,185 | 2,073,197 | 2,135,459 | 2,150,387 |
| Commercial real estate, owner occupied | 1,268,567 | 1,264,563 | 974,521 | 986,720 | 952,441 |
| Residential | 1,990,668 | 1,813,297 | 1,226,695 | 1,159,127 | 1,154,373 |
| Home equity | 621,619 | 586,108 | 512,641 | 523,754 | 531,307 |
| Individuals' loans for household and other personal expenditures | 173,225 | 157,264 | 147,593 | 146,092 | 135,093 |
| Public finance and other commercial loans | 915,245 | 894,636 | 832,882 | 806,636 | 781,785 |
| Loans | 11,650,002 | 11,397,417 | 9,356,241 | 9,241,861 | 9,041,576 |
| Allowance for credit losses - loans | (226,702) | (226,275) | (195,984) | (195,397) | (199,972) |
| NET LOANS | \$11,423,300 | \$11,171,142 | \$ 9,160,257 | \$ 9,046,464 | \$ 8,841,604 |

DEPOSITS

| (Dollars In Thousands) | September 30, 2022 | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 |
|---|--------------------------|----------------------|----------------------|----------------------|--------------------------|
| Demand deposits | \$ 8,534,950 | \$ 8,785,889 | \$ 7,806,033 | \$ 7,704,190 | \$ 7,317,399 |
| Savings deposits | 5,054,490 | 4,875,880 | 4,444,417 | 4,334,802 | 4,301,483 |
| Certificates and other time deposits of \$100,000 or more | 443,588 | 436,942 | 252,033 | 273,379 | 283,396 |
| Other certificates and time deposits | 381,365 | 446,973 | 380,293 | 389,752 | 404,010 |
| Brokered deposits | 20,432 | 25,185 | 23,177 | 30,454 | 42,401 |
| TOTAL DEPOSITS | \$ 14,434,825 | \$ 14,570,869 | \$ 12,905,953 | \$ 12,732,577 | \$ 12,348,689 |

CONSOLIDATED AVERAGE BALANCE SHEET AND NET INTEREST MARGIN ANALYSIS

(Dollars in Thousands)

| | For the Three Months Ended | | | | | |
|---------------------------------------|----------------------------|---------------------------------|-----------------|--------------------|---------------------------------|-----------------|
| | September 30, 2022 | | | September 30, 2021 | | |
| | Average Balance | Interest Income / Expense | Average Rate | Average Balance | Interest Income / Expense | Average Rate |
| Assets: | | | | | | |
| Interest-bearing deposits | \$ 190,434 | \$ 704 | 1.48% | \$ 539,377 | \$ 218 | 0.16% |
| Federal Home Loan Bank stock | 38,089 | 314 | 3.30 | 28,736 | 168 | 2.34 |
| Investment Securities: ⁽¹⁾ | | | | | | |
| Taxable | 2,091,608 | 10,055 | 1.92 | 1,843,026 | 7,788 | 1.69 |
| Tax-Exempt ⁽²⁾ | 2,700,580 | 21,849 | 3.24 | 2,240,409 | 18,309 | 3.27 |
| Total Investment Securities | 4,792,188 | 31,904 | 2.66 | 4,083,435 | 26,097 | 2.56 |
| Loans held for sale | 20,039 | 266 | 5.74 | 17,426 | 158 | 3.63 |

Loans: ⁽³⁾

| | | | | | | |
|---------------------------|----------------------|---------|-------|----------------------|---------|-------|
| Commercial | 8,177,895 | 103,227 | 5.05 | 6,745,303 | 70,442 | 4.18 |
| Real Estate Mortgage | 1,666,173 | 14,701 | 3.53 | 886,469 | 8,142 | 3.67 |
| Installment | 813,112 | 10,310 | 5.07 | 690,093 | 6,576 | 3.81 |
| Tax-Exempt ⁽²⁾ | 810,984 | 8,228 | 4.06 | 750,357 | 7,078 | 3.77 |
| Total Loans | 11,488,203 | 136,732 | 4.76 | 9,089,648 | 92,396 | 4.07 |
| Total Earning Assets | 16,508,914 | 169,654 | 4.11% | 13,741,196 | 118,879 | 3.46% |
| Total Non-Earning Assets | 1,261,709 | | | 1,264,891 | | |
| Total Assets | \$ 17,770,623 | | | \$ 15,006,087 | | |

Liabilities:

Interest-bearing deposits:

| | | | | | | |
|--------------------------------------|--------------|----------|-------|--------------|----------|-------|
| Interest-bearing deposits | \$ 5,184,087 | \$ 8,723 | 0.67% | \$ 4,799,624 | \$ 3,606 | 0.30% |
| Money market deposits | 3,096,423 | 5,390 | 0.70 | 2,459,205 | 764 | 0.12 |
| Savings deposits | 1,978,596 | 1,538 | 0.31 | 1,788,281 | 486 | 0.11 |
| Certificates and other time deposits | 857,033 | 993 | 0.46 | 758,565 | 851 | 0.45 |
| Total Interest-bearing Deposits | 11,116,139 | 16,644 | 0.60 | 9,805,675 | 5,707 | 0.23 |
| Borrowings | 1,013,893 | 6,388 | 2.52 | 619,768 | 3,126 | 2.02 |
| Total Interest-bearing Liabilities | 12,130,032 | 23,032 | 0.76 | 10,425,443 | 8,833 | 0.34 |

Noninterest-bearing deposits

| | | | | | | |
|------------------------------|------------|--|--|------------|--|--|
| Noninterest-bearing deposits | 3,461,393 | | | 2,544,661 | | |
| Other liabilities | 161,042 | | | 146,946 | | |
| Total Liabilities | 15,752,467 | | | 13,117,050 | | |

| | | | | | | |
|---|----------------------|---------------|--|----------------------|--------------|--|
| Stockholders' Equity | 2,018,156 | | | 1,889,037 | | |
| Total Liabilities and Stockholders' Equity | \$ 17,770,623 | 23,032 | | \$ 15,006,087 | 8,833 | |

| | | | | | | |
|---|-------------------|--|-------|-------------------|--|-------|
| Net Interest Income (FTE) | \$ 146,622 | | | \$ 110,046 | | |
| Net Interest Spread (FTE) ⁽⁴⁾ | | | 3.35% | | | 3.12% |

Net Interest Margin (FTE):

| | | | | |
|---|--|--------------|--|--------------|
| Interest Income (FTE) / Average Earning Assets | | 4.11% | | 3.46% |
| Interest Expense / Average Earning Assets | | 0.56% | | 0.26% |
| Net Interest Margin (FTE) ⁽⁵⁾ | | 3.55% | | 3.20% |

⁽¹⁾ Average balance of securities is computed based on the average of the historical amortized cost balances without the effects of the fair value adjustments. Annualized amounts are computed using a 30/360 day basis.

⁽²⁾ Tax-exempt securities and loans are presented on a fully taxable equivalent basis, using a marginal tax rate of 21 percent for 2022 and 2021. These totals equal \$6,316 and \$5,331 for the three months ended September 30, 2022 and 2021, respectively.

⁽³⁾ Non accruing loans have been included in the average balances.

⁽⁴⁾ Net Interest Spread (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average interest-bearing liabilities.

⁽⁵⁾ Net Interest Margin (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average earning assets.

CONSOLIDATED AVERAGE BALANCE SHEET AND NET INTEREST MARGIN ANALYSIS

(Dollars in Thousands)

| | For the Nine Months Ended | | | | | |
|---------------------------------------|---------------------------|---------------------------|--------------|--------------------|---------------------------|--------------|
| | September 30, 2022 | | | September 30, 2021 | | |
| | Average Balance | Interest Income / Expense | Average Rate | Average Balance | Interest Income / Expense | Average Rate |
| Assets: | | | | | | |
| Interest-bearing deposits | \$ 333,818 | \$ 1,544 | 0.62% | \$ 509,153 | \$ 461 | 0.12% |
| Federal Home Loan Bank stock | 34,742 | 635 | 2.44 | 28,736 | 434 | 2.01 |
| Investment Securities: ⁽¹⁾ | | | | | | |
| Taxable | 2,079,983 | 28,937 | 1.85 | 1,689,697 | 21,923 | 1.73 |
| Tax-Exempt ⁽²⁾ | 2,647,547 | 63,732 | 3.21 | 1,989,397 | 50,532 | 3.39 |
| Total Investment Securities | 4,727,530 | 92,669 | 2.61 | 3,679,094 | 72,455 | 2.63 |
| Loans held for sale | 19,020 | 622 | 4.36 | 19,360 | 551 | 3.79 |

Loans: ⁽³⁾

| | | | | | | |
|---|----------------------|---------------|-------|----------------------|---------------|-------|
| Commercial | 7,731,591 | 253,770 | 4.38 | 6,857,968 | 210,502 | 4.09 |
| Real Estate Mortgage | 1,350,969 | 35,199 | 3.47 | 924,652 | 26,917 | 3.88 |
| Installment | 765,960 | 24,775 | 4.31 | 674,696 | 19,456 | 3.84 |
| Tax-Exempt ⁽²⁾ | 780,410 | 23,030 | 3.93 | 725,651 | 20,854 | 3.83 |
| Total Loans | 10,647,950 | 337,396 | 4.22 | 9,202,327 | 278,280 | 4.03 |
| Total Earning Assets | 15,744,040 | 432,244 | 3.66% | 13,419,310 | 351,630 | 3.49% |
| Total Non-Earning Assets | 1,268,890 | | | 1,253,286 | | |
| Total Assets | \$ 17,012,930 | | | \$ 14,672,596 | | |
| Liabilities: | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Interest-bearing deposits | \$ 5,195,249 | \$ 15,699 | 0.40% | \$ 4,721,267 | \$ 10,875 | 0.31% |
| Money market deposits | 2,880,603 | 8,392 | 0.39 | 2,295,589 | 2,395 | 0.14 |
| Savings deposits | 1,937,761 | 2,895 | 0.20 | 1,730,149 | 1,424 | 0.11 |
| Certificates and other time deposits | 828,158 | 2,437 | 0.39 | 809,721 | 3,036 | 0.50 |
| Total Interest-bearing Deposits | 10,841,771 | 29,423 | 0.36 | 9,556,726 | 17,730 | 0.25 |
| Borrowings | 817,894 | 13,354 | 2.18 | 646,326 | 9,502 | 1.96 |
| Total Interest-bearing Liabilities | 11,659,665 | 42,777 | 0.49 | 10,203,052 | 27,232 | 0.36 |
| Noninterest-bearing deposits | 3,232,925 | | | 2,460,609 | | |
| Other liabilities | 143,041 | | | 150,255 | | |
| Total Liabilities | 15,035,631 | | | 12,813,916 | | |
| Stockholders' Equity | 1,977,299 | | | 1,858,680 | | |
| Total Liabilities and Stockholders' Equity | \$ 17,012,930 | 42,777 | | \$ 14,672,596 | 27,232 | |
| Net Interest Income (FTE) | \$ 389,467 | | | \$ 324,398 | | |
| Net Interest Spread (FTE) ⁽⁴⁾ | | | 3.17% | | | 3.13% |
| Net Interest Margin (FTE): | | | | | | |
| Interest Income (FTE) / Average Earning Assets | | | 3.66% | | | 3.49% |
| Interest Expense / Average Earning Assets | | | 0.36% | | | 0.27% |
| Net Interest Margin (FTE) ⁽⁵⁾ | | | 3.30% | | | 3.22% |

(1) Average balance of securities is computed based on the average of the historical amortized cost balances without the effects of the fair value adjustments. Annualized amounts are computed using a 30/360 day basis.

(2) Tax-exempt securities and loans are presented on a fully taxable equivalent basis, using a marginal tax rate of 21 percent for 2022 and 2021. These totals equal \$18,220 and \$14,991 for the nine months ended September 30, 2022 and 2021, respectively.

(3) Non accruing loans have been included in the average balances.

(4) Net Interest Spread (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average interest-bearing liabilities.

(5) Net Interest Margin (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average earning assets.

ADJUSTED EPS EXCLUDING PAYCHECK PROTECTION PROGRAM ("PPP") AND ACQUISITION-RELATED EXPENSES - NON-GAAP

(Dollars In Thousands, Except Per Share Amounts)

| | Three Months Ended | | | | Nine Months Ended | | |
|--|--------------------|------------------|------------------|-------------------|--------------------|--------------------|--------------------|
| | September 30, 2022 | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| Net Income Available to Common Stockholders - GAAP | \$ 63,283 | \$ 38,522 | \$ 48,586 | \$ 47,733 | \$ 52,770 | \$ 150,391 | \$ 157,798 |
| Adjustments: | | | | | | | |
| PPP loan income | (323) | (891) | (1,884) | (3,721) | (8,211) | (3,098) | (27,179) |
| Acquisition-related expenses | 3,417 | 12,549 | 152 | — | — | 16,118 | — |
| Acquisition-related provision expense | — | 16,755 | — | — | — | 16,755 | — |
| Tax on adjustment | (759) | (6,967) | 425 | 912 | 2,013 | (7,301) | 6,664 |
| Adjusted Net Income Available to Common Stockholders - Non-GAAP | \$ 65,618 | \$ 59,968 | \$ 47,279 | \$ 44,924 | \$ 46,572 | \$ 172,865 | \$ 137,283 |

| | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Average Diluted Common Shares Outstanding (in thousands) | 59,339 | 59,308 | 53,616 | 53,660 | 53,960 | 57,468 | 54,093 |
| Diluted Earnings Per Common Share - GAAP | \$ 1.08 | \$ 0.63 | \$ 0.91 | \$ 0.89 | \$ 0.98 | \$ 2.62 | \$ 2.92 |
| Adjustments: | | | | | | | |
| PPP loan income | — | (0.01) | (0.04) | (0.07) | (0.15) | (0.05) | (0.50) |
| Acquisition-related expenses | 0.05 | 0.22 | — | — | — | 0.27 | — |
| Acquisition-related provision expense | — | 0.30 | — | — | — | 0.30 | — |
| Tax on adjustment | (0.01) | -0.13 | 0.01 | 0.02 | 0.04 | (0.13) | 0.12 |
| Adjusted Diluted Earnings Per Common Share - Non-GAAP | <u>\$ 1.12</u> | <u>\$ 1.01</u> | <u>\$ 0.88</u> | <u>\$ 0.84</u> | <u>\$ 0.87</u> | <u>\$ 3.01</u> | <u>\$ 2.54</u> |

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Source: First Merchants Corporation