



First Merchants

ETHICS AND INTEGRITY POLICY

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I. INTRODUCTION & PURPOSE

First Merchants Corporation is committed to the highest possible standards of ethical, moral and legal business conduct. Employees, officers, and directors are expected to act lawfully, ethically, and professionally in the performance of their duties at all times. In line with this commitment and First Merchant's commitment to open communication, this Policy aims to provide more than one avenue for raising concerns regarding unethical accounting, internal controls, or auditing matters with the assurance that any person raising a concern will be protected from retaliation, reprisals, or victimization for reporting in good faith.

This policy shall be reviewed and approved annually by the Audit Committee and full Board.

II. PERSONS COVERED

The protection and procedures provided by this Policy are available to all First Merchants directors, officers, shareholders, and employees, including those who are part time, temporary and contract employees.

III. CONDUCT AND MATTERS COVERED

This Policy covers conduct and matters relating to any questionable accounting, internal accounting controls or auditing issues that could have an impact on First Merchants or involve serious and sensitive issues, including but not limited to:

- Fraud or deliberate error in the preparation, evaluation, review, or audit of any financial statement of the Corporation;
- Fraud or deliberate error in the recording and maintaining of financial records of the Corporation;
- Deficiencies in or noncompliance with the Corporation's internal accounting controls;
- A misrepresentation or false statement to or by a senior officer, accountant or auditor regarding a matter contained in the financial records, financial reports, or audit reports of the Corporation;
- Deviation from full and fair reporting of the Corporation's financial condition;
- Conduct in violation of federal or state criminal laws or the applicable federal, state and local statutes and regulations governing the Corporation's business;
- Actions or the failure to act that are inconsistent or contrary to the Corporation's policies, including the Code of Conduct; or
- Actions or the failure to act that otherwise amount to serious improper conduct.

Making ethical decisions is important. When faced with uncertainties about a situation, each person should ask themselves the following questions:

- Could the action involved be illegal or go against First Merchants' policies?
- Is the action inconsistent with the mission, vision and values of First Merchants?

- Does the action just seem to be the “wrong thing to do” in that situation?
- Could the reputation of First Merchants be harmed by the situation?
- Would the situation or action involved look unfavorable in the news?
- Would the community or shareholders view the situation or action involved negatively?
- Should the situation be discussed with someone else?

Answering “yes” to any one of these questions could indicate an ethics violation or concern so discuss the situation with a manager before taking any further action. Don’t hesitate to ask for direction and consult with your manager, the Chief Risk Officer, Director of Human Resources, or the Chief Audit Executive. Regular business matters or general employment related concerns can be discussed with your manager or human resources.

The procedures provided by this Policy are to be used in good faith. A person using this Policy for malicious or personal purposes may be subject to an adverse action such as disciplinary action of employees. Failure to report a serious violation of which an employee, officer or director is aware to a proper Company official or representative may itself be a violation of this policy and/or the Code of Conduct, depending on the circumstances.

IV. SAFEGUARDS

Confidentiality

An effort will be made to protect the identity of a person who comes forward with information about conduct or matters covered by this Policy. A person who makes a report should understand that the information provided may result in an investigation by internal and/or external personnel. To assure that there is a proper and complete review of the information provided, a reporting person’s identity may become known during the course of the investigation.

Anonymity

A person reporting conduct and matters covered by this Policy may elect to remain anonymous at all times after making the report. Concerns expressed anonymously will be investigated, but consideration will be given to:

- The seriousness of the concern raised;
- The credibility of the concern alone; and
- The likelihood of confirming allegations of the concern from creditable sources.

The Toll Free Ethics Hotline does not require the caller to disclose his or her identity. The Hotline is operated by an outside party and is available 24/7. The caller’s identity will be protected subject to applicable law, regulation and legal proceedings.

No Reprisals

There shall not be any retaliation or reprisals against a person using the procedures provided by this Policy to report a concern in good faith. An employee will not be discharged, demoted, suspended, threatened, harassed, or in any manner discriminated against in the terms or conditions of employment based on any lawful actions taken by such employee with respect to good faith reporting of concerns about conduct and matters covered by this Policy. “Good faith reporting” does not require that the person be right about a reported activity but does require that the person tell the truth as he or she knows it and has a reasonable idea that a violation has occurred.

Anyone who retaliates or attempts to retaliate against a person making a report will be disciplined. If a person who makes a report believes he or she has been retaliated against, the person should immediately contact Chief Audit Executive or the Toll Free Hotline.

V. REPORTING

Even if uncertain that an action is a violation, a person has an obligation to report it. The reported action will be investigated and appropriate measures will be taken as necessary. Regardless of the reporting method, confidentiality will be maintained to the fullest extent possible in accordance with the applicable law and without putting the Corporation at risk. This is not intended to allow knowingly false allegations of unethical behavior to be made against another employee; any such use of the procedures by employees, offices or directors will not be tolerated and may result in disciplinary action.

Serious concerns and sensitive issues relating to financial reporting, unethical or illegal conduct, or any other of the conduct and matters covered by this Policy should be reported in one of the following ways:

1. **Toll Free Ethics Hotline:** (877) 472-2110 (USA & Canada English speaking)
(800) 216-1288 (North America Spanish speaking)

2. **Third-party Web Service:**

Report site: <http://www.lighthouse-Services.com/incident/incident.php>

Username: firstmerchants (all one word)

Password: first

Homepage site: <http://www.lighthouse-services.com> click on submit a report

Username: firstmerchants (all one word)

Password: first

3. **Third-party E-mail Service:** reports@lighthouse-services.com
“First Merchants” should be named in the message

4. **Internal Audit:** An employee who does not require anonymity may also report a concern on conduct or matters covered by this Policy to the Chief Audit Executive or Manager, Internal Audit.

Employment-related concerns should continue to be reported through normal channels as outlined in the Employee Handbook.

VI. HOW REPORTED CONCERNS/ISSUES WILL BE HANDLED

A report of a violation, potential violation, or other misconduct made using any of the channels provided in this Policy will be reviewed and investigated. The reported incident will be provided to the Chief Audit Executive for appropriate action. The action taken upon receipt of a report will depend on the nature of the concern presented.

A. Audit Committee Notice

The Audit Committee of First Merchants Corporation Board of Directors will be advised of each and every report received and the action taken on such report.

B. Initial Inquiries

Initial inquiries will be made by the Chief Audit Executive or Manager, Internal Fraud & Conduct Risk within 5 business days of receipt to determine whether an investigation is appropriate, and if appropriate the form that it should take. Some concerns may be resolved by agreed-upon action without the need for an investigation.

C. Investigations

Appropriate resources will be made available to conduct the investigation. When an investigation is undertaken, it may be conducted internally or by an external third-party as determined appropriate. The Chairman of the Audit Committee and the Chief Audit Executive are responsible for the investigation. Confidentiality will be maintained to the extent possible while assuring a proper and complete review of the concern raised by the report. Typically, investigations shall be conducted and concluded by 20 business days of the initial inquiry.

D. Reporting Person's Role

The amount of contact between the person reporting the concern and the party doing the investigating will depend on: (i) the nature of the conduct or matter reported, (ii) the clarity of the information provided, and (iii) whether the reporting person remains accessible for follow-up on information obtained during the investigation. Further information may be sought from the reporting person at any time during the investigation.

E. Follow-up With Reporting Person

A person reporting a concern or issue will be given the opportunity to receive a follow-up response on the concern raised.

VII. RETENTION OF REPORTS

The Audit Committee will retain as part of its records each report made under this Policy for a period of at least five (5) years.