

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (Date of earliest event reported): October 28, 2020

Commission File Number 0-17071

**FIRST MERCHANTS CORPORATION**

(Exact name of registrant as specified in its charter)

Indiana	35-1544218
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

**200 East Jackson Street**  
**P.O. Box 792**  
**Muncie, IN 47305-2814**  
(Address of principal executive offices, including zip code)

**(765) 747-1500**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report)

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.125 stated value per share	FRME	Nasdaq Global Select Market

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

On Wednesday, October 28, 2020, First Merchants Corporation will conduct a third quarter 2020 earnings conference call and web cast at 2:30 p.m. (ET). A copy of the slide presentation utilized on the conference call is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.**

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Exhibits.

Exhibit 99.1 [Slide Presentation, utilized on October 28, 2020, during conference call and web cast by First Merchants Corporation.](#)

Exhibit 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

---

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

First Merchants Corporation  
(Registrant)

By: /s/ Mark K. Hardwick  
Mark K. Hardwick  
Executive Vice President,  
Chief Financial Officer and Chief Operating Officer

Dated: October 28, 2020

---

EXHIBIT INDEX

Exhibit No.   Description

99.1   [Slide presentation, utilized on October 28 2020, during conference call and web cast by First Merchants Corporation.](#)

104   Cover Page Interactive Data File (embedded within the Inline XBRL document)

3Q 2020 | Earnings Highlights | October 28, 2020



**First Merchants Corporation**

NASD

First Merchants Corporation | 200 E. Jackson St., P.O. Box 792, Muncie, IN 47305-2814 | 1.765.747.1500



# Forward Looking Stateme

This presentation contains forward-looking statements made pursuant to the safe-harbor of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, but not always, be identified by the use of words like “believe”, “continue”, “pattern”, “project”, “intend”, “anticipate”, “expect” and similar expressions or future or conditional as “will”, “would”, “should”, “could”, “might”, “can”, “may”, or similar expressions. These looking statements include, but are not limited to, statements relating to First Merchants’ intentions and expectations; statements regarding the First Merchants’ business plan or strategies; statements regarding the asset quality of First Merchants’ loan and investment and estimates of First Merchants’ risks and future costs and benefits. These forward statements are subject to significant risks, assumptions and uncertainties that may cause differ materially from those set forth in forward-looking statements, including, among other possible changes in economic and business conditions; the existence or exacerbation of geopolitical instability and uncertainty; the effects of a pandemic or other unforeseeable ability of First Merchants to integrate recent acquisitions and attract new customers; possible 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 impact on collectability of loans; fluctuations in market rates of interest; competitive factors in the industry; changes in the banking legislation or regulatory requirements of federal and state applicable to bank holding companies and banks like First Merchants’ affiliate bank; availability of earnings and excess capital sufficient for the lawful and prudent declaration of dividends; changes in market, economic, operational, liquidity, credit and interest 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 undertake an obligation to update any forward-looking statement, whether written or oral, relating to the information discussed in this presentation or press release. In addition, the company’s past results of operations do not necessarily indicate its anticipated future results.

## **NON-GAAP FINANCIAL MEASURES**

These slides contain non-GAAP financial measures. For purposes of Regulation G, a financial measure is a numerical measure of the registrant’s historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the issuer; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this regard, GAAP refers to generally accepted accounting principles in the United States. Pursuant to the requirements of Regulation G, First Merchants Corporation has provided reconciliations within the slides, as necessary, of the non-GAAP financial measure to the most directly comparable GAAP financial measure.

# Michael C. Rechin

President  
Chief Executive Officer

 First Merchants Corp

# 3<sup>rd</sup> Quarter 2020 Highlights

## Earnings

- Earnings Per Share of \$.67; Net Income of \$36.2 Million; ROA 1.06%
- Pre-Tax Pre-Provision Income of \$54.4 Million
- PTPP ROA 1.59%; PTPP ROE 11.88%
- Core Net Interest Margin Stabilized on a Linked Quarter Basis

## Assets

- Total Assets of \$13.7 Billion; Grew by 11.5% over 3Q 2019
- Total Loans of \$9.2 Billion; Grew by \$940 Million over 3Q 2019

## Deposits

- Total Deposits of \$10.9 Billion; Grew by \$1.1 Billion over 3Q 2019
- Deposit Costs Declined by 61 bps from 4Q 2019 to 36 bps

## Capital

- Tangible Common Equity to Assets of 9.57%, an increase of 26 bps
- \$23.48 TBV Per Share; 10.4% Increase over 3Q 2019
- a3 Baseline Credit Assessment from Moody's Investor Service<sup>1</sup>

<sup>1</sup>Moody's Credit Opinion – First Merchants Corporation, September 29, 2020, Baseline credit assessment reflects a bank's stand alone credit strength



# 3<sup>rd</sup> Quarter 2020 Highlights cont.

## Asset Quality

- Allowance & Fair Value Marks totaling 1.65% of Loans
- \$12.5 Million Provision; Allowance increased by 57.3% over 3Q 2019

## Liquidity

- Ample liquidity with Loan to Deposit Ratio of 84.8%
- Loan to Asset Ratio of 67.3%
- Cash and Investment Security levels remain strong at \$3.4 Billion

## COVID-19 Loan Modifications

- \$176 Million in Loan modifications or 2% of the total portfolio in deferral
- Robust process for 2<sup>nd</sup> request modifications
- Residual Covid Modifications concentrated in hospitality industry receiving focused at

## CARES Act

- SBA Paycheck Protection Program institution with more than 5,000 applications and greater than \$900 Million funded to businesses (FMB is, and has been, a preferred SBA Lender)
- Started to accept and file applications for forgiveness

# Our Franchise

**ILLINOIS**

Unemployment<sup>1</sup>

April 2020	16.4%
June 2020	14.6%
August 2020	11.0%
September 2020	10.2%

**MICHIGAN**

Unemployment<sup>1</sup>

April 2020	
June 2020	
August 2020	
September 2020	

**INDIANA**

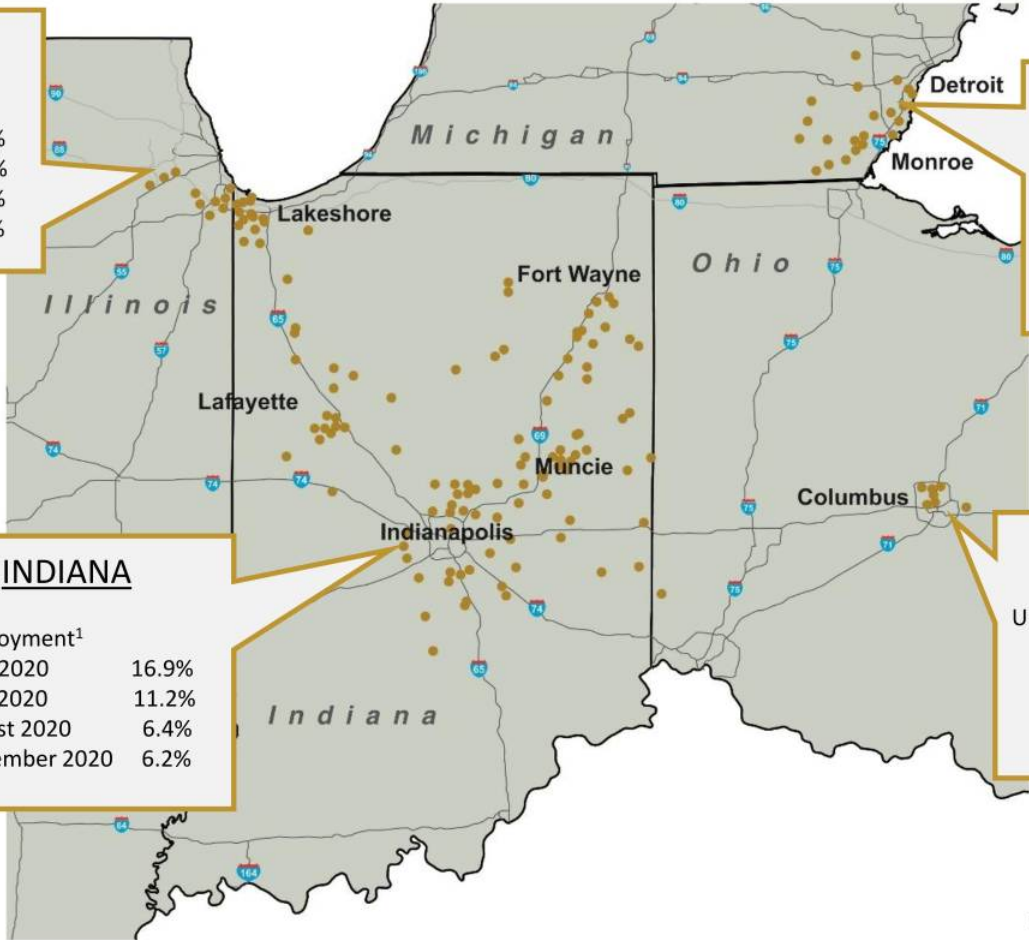
Unemployment<sup>1</sup>

April 2020	16.9%
June 2020	11.2%
August 2020	6.4%
September 2020	6.2%

**OHIO**

Unemployment<sup>1</sup>

April 2020	
June 2020	
August 2020	
September 2020	



<sup>1</sup>US Bureau of Lab

# Mark K. Hardwick

Executive Vice President

Chief Financial Officer and Chief Operating Officer

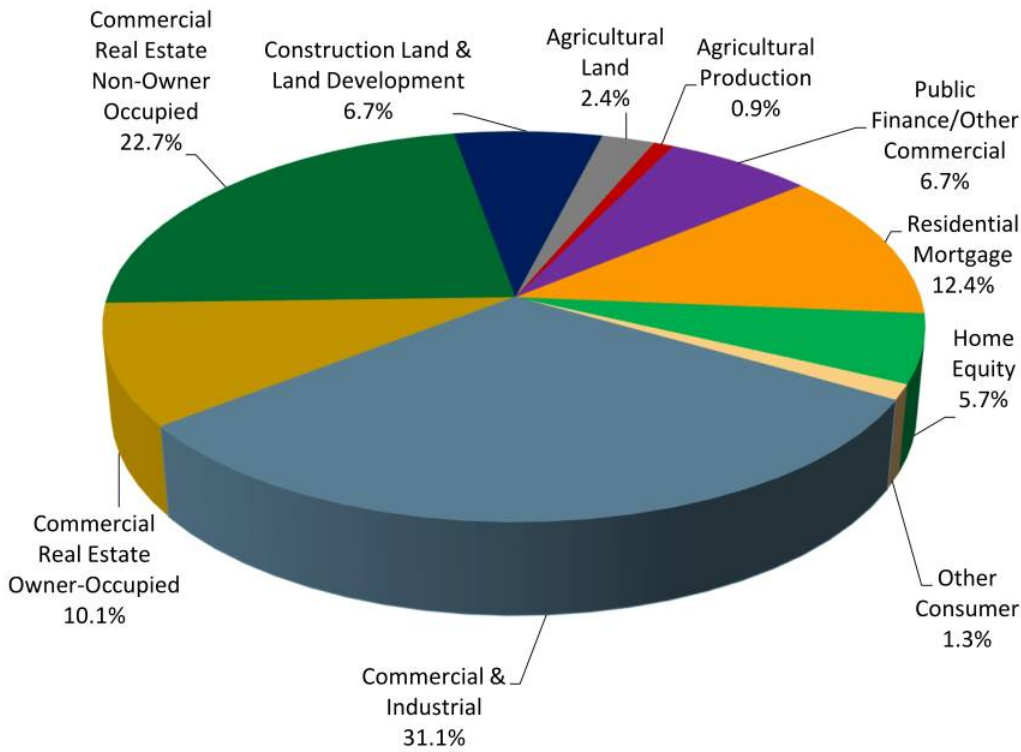
# Total Assets

(\$ in Millions)	<u>2018</u>	<u>2019</u>	<u>Q1-'20</u>	<u>Q2-'20</u>	<u>Q3-'20</u>
1. Investments	\$1,633	\$2,596	\$2,698	\$2,789	\$2,930
2. Loans	7,229	8,468	8,612	9,299 <sup>1</sup>	9,240
3. Allowance	(81)	(80)	(99)	(121)	(127)
4. Goodwill & Intangibles	470	579	577	576	570
5. BOLI	225	288	290	291	290
6. Cash & Other	<u>409</u>	<u>606</u>	<u>616</u>	<u>985</u>	<u>810</u>
7. Total Assets	<u>\$9,885</u>	<u>\$12,457</u>	<u>\$12,694</u>	<u>\$13,819</u>	<u>\$13,730</u>

<sup>1</sup> Includes SBA Paycheck Protection Program loans of \$883 million in Q2 and \$901 million in Q3

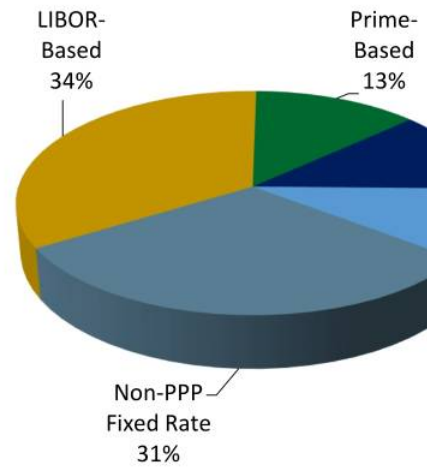
# Loan Yield and Detail

(as of September 30, 2020)



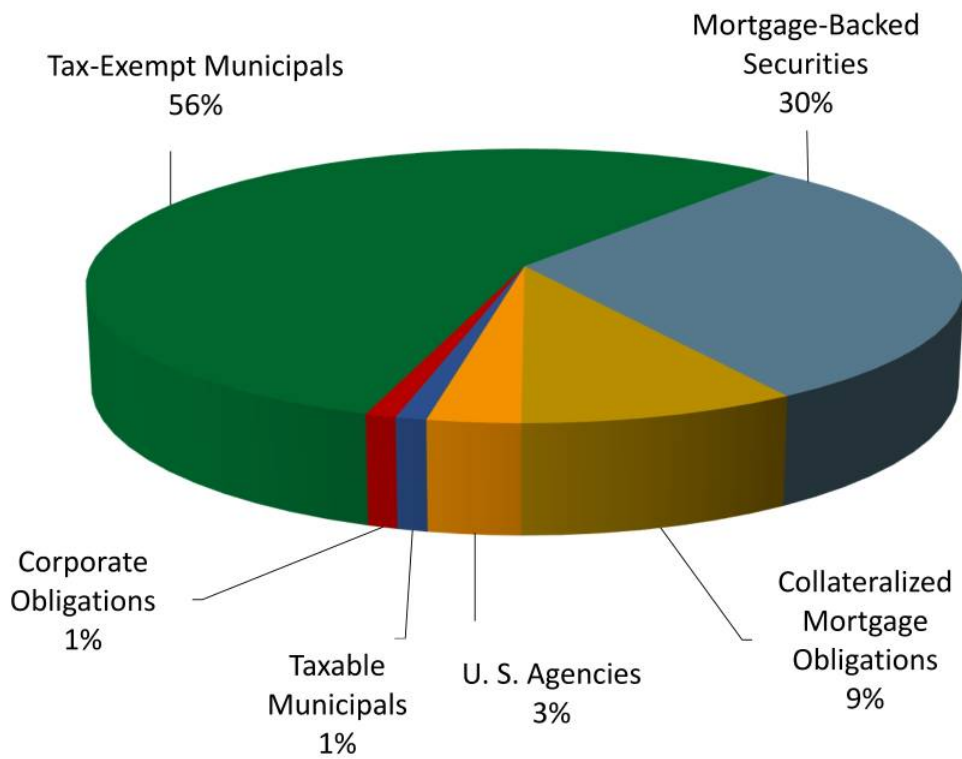
QTD Yield	=	3.9%
YTD Yield	=	4.2%
Total Loans	=	\$9.2 Bill

Variable	=	\$5.5 Bill
Fixed	=	\$3.7 Bill



# Investment Portfolio

(as of September 30, 2020)



- › \$2.9 Billion Portfolio
- › Modified duration of 4.9 year
- › Tax equivalent yield of 2.94%
- › Net unrealized gain of \$141.5
- › Realized gains on Investment

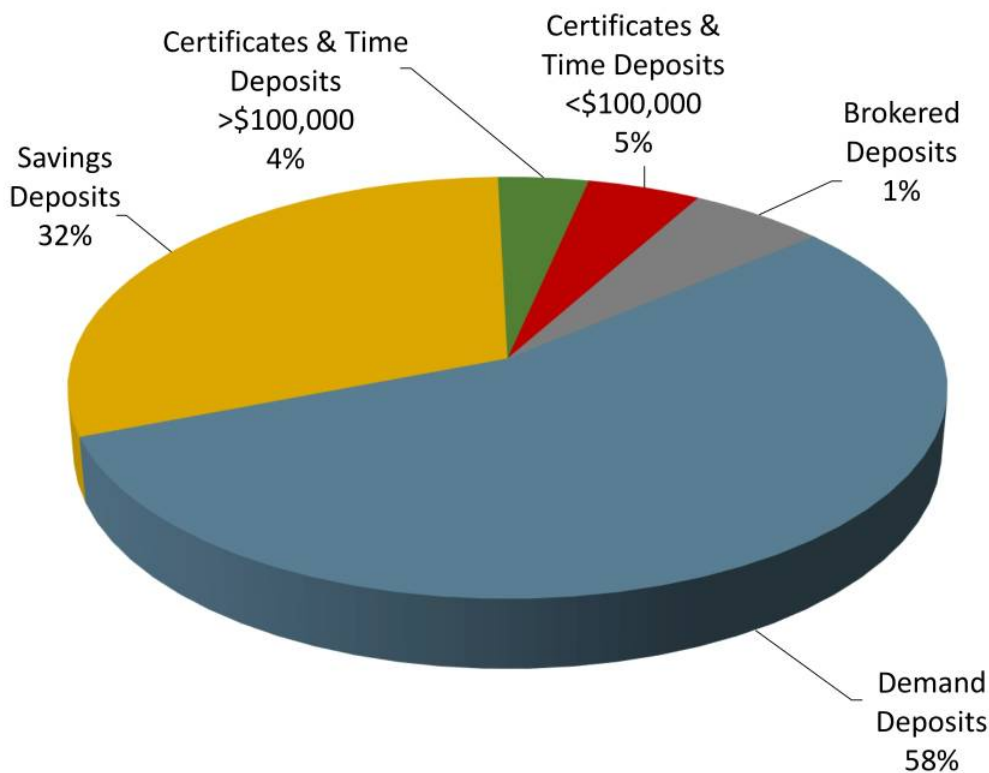
1Q 2020	\$4.6 Milli
2Q 2020	\$3.1 Milli
3Q 2020	\$1.8 Milli

# Total Liabilities and Capital

(\$ in Millions)	<u>2018</u>	<u>2019</u>	<u>Q1-'20</u>	<u>Q2-'20</u>	<u>Q3-'20</u>
1. Customer Non-Maturity Deposits	\$6,268	\$8,147	\$8,256	\$9,567	\$9,712
2. Customer Time Deposits	1,241	1,478	1,411	1,276	1,000
3. Brokered Deposits	<u>246</u>	<u>215</u>	<u>203</u>	<u>123</u>	<u>123</u>
Total Deposits	7,755	9,840	9,870	10,966	10,835
4. Borrowings	538	599	716	754	600
5. Other Liabilities	51	98	206	177	200
6. Hybrid Capital	133	134	124	113	100
7. Common Equity	<u>1,408</u>	<u>1,786</u>	<u>1,778</u>	<u>1,809</u>	<u>1,800</u>
8. Total Liabilities and Capital	<u>\$9,885</u>	<u>\$12,457</u>	<u>\$12,694</u>	<u>\$13,819</u>	<u>\$13,735</u>

# Deposit Detail

(as of September 30, 2020)



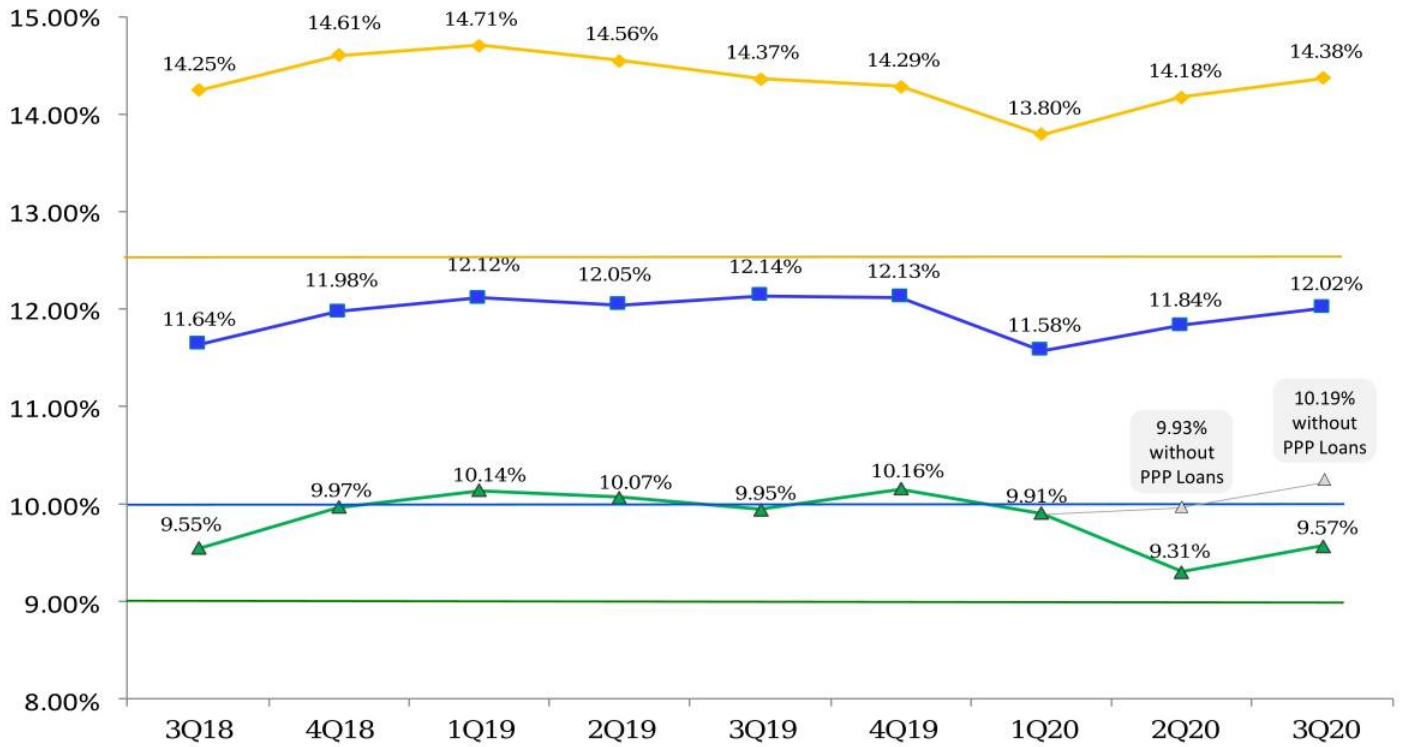
QTD Cost = 0.3  
YTD Cost = 0.5  
Total Deposits = \$10.9 Bil

4Q 2020 CD maturities tot  
\$348 Million with average  
of 1.67%



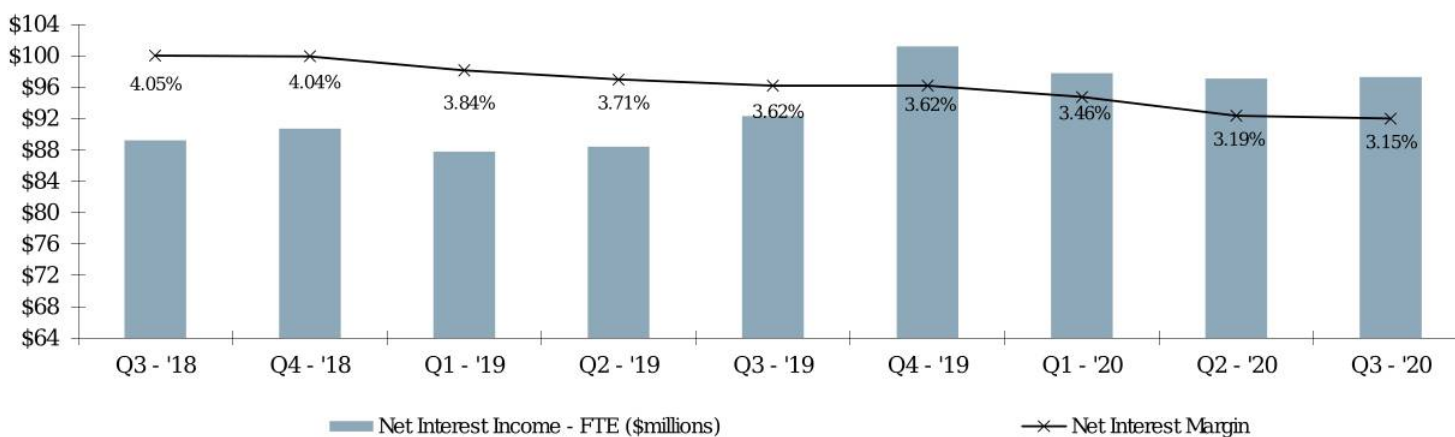
# Capital Ratios

- ◆ Total Risk-Based Capital Ratio (Target = 12.50%)
- Common Equity Tier 1 Capital Ratio (Target = 10.00%)
- ▲ Tangible Common Equity Ratio (TCE) (Target = 9.00%)



# Net Interest Margin

	Q3 - '18	Q4 - '18	Q1 - '19	Q2 - '19	Q3 - '19	Q4 - '19	Q1 - '20	Q2 - '20
Net Interest Income - FTE (\$millions)	\$ 89.2	\$ 90.7	\$ 87.8	\$ 88.4	\$ 92.3	\$ 101.2	\$ 97.8	\$ 97.1
Fair Value Accretion	\$ 3.2	\$ 3.9	\$ 2.3	\$ 2.2	\$ 2.5	\$ 5.0	\$ 3.5	\$ 3.7
Tax Equivalent Yield on Earning Assets	4.88%	4.97%	4.89%	4.86%	4.77%	4.63%	4.38%	3.72%
Interest Expense/Average Earning Assets	0.83%	0.93%	1.05%	1.15%	1.15%	1.01%	0.92%	0.53%
Net Interest Margin	4.05%	4.04%	3.84%	3.71%	3.62%	3.62%	3.46%	3.19%
Fair Value Accretion Effect	0.15%	0.17%	0.09%	0.09%	0.10%	0.18%	0.12%	0.12%



# Non-Interest Income

(\$ in Millions)	<u>2018</u>	<u>2019</u>	<u>Q1-'20</u>	<u>Q2-'20</u>	<u>Q3-</u>
1. Service Charges on Deposit Accounts	\$ 21.0	\$23.0	\$ 6.0	\$ 4.3	\$
2. Wealth Management Fees	14.9	17.6	6.0	5.6	
3. Card Payment Fees	18.0	20.2	5.9	6.1	
4. Gains on Sales of Mortgage Loans	7.0	7.9	3.4	3.7	
5. Derivative Hedge Fees	2.5	5.4	1.9	1.1	
6. Other Customer Fees	<u>1.9</u>	<u>1.7</u>	<u>0.4</u>	<u>0.3</u>	
<b>Total Customer Related Fees</b>	<b>65.3</b>	<b>75.8</b>	<b>23.6</b>	<b>21.1</b>	<b>2</b>
7. Cash Surrender Value of Life Ins	4.2	4.5	1.4	1.3	
8. Gains on Sales of Securities	4.3	4.4	4.6	3.1	
9. Other	<u>2.7</u>	<u>2.0</u>	<u>0.2</u>	<u>1.0</u>	
10. Total Non-Interest Income	<u>\$76.5</u>	<u>\$86.7</u>	<u>\$29.8</u>	<u>\$26.5</u>	<u>\$2</u>

# Non-Interest Expense

(\$ in Millions)	<u>2018</u>	<u>2019</u>	<u>Q1-'20</u>	<u>Q2-'20</u>	<u>Q3-'20</u>
1. Salary & Benefits	\$131.7	\$144.0	\$39.2	\$35.7	\$39.2
2. Premises & Equipment	32.7	35.8	10.2	9.9	10.2
3. Intangible Asset Amortization	6.7	6.0	1.5	1.5	1.5
4. Professional & Other Outside Services	8.2	15.4	2.3	1.6	2.3
5. OREO/Credit-Related Expense	1.5	2.4	0.5	0.7	0.5
6. FDIC Expense	2.9	0.7	1.5	1.5	1.5
7. Outside Data Processing	13.2	16.5	4.2	2.6	3.1
8. Marketing	4.7	6.7	1.4	2.1	1.4
9. Other	<u>18.4</u>	<u>19.3</u>	<u>5.3</u>	<u>4.4</u>	<u>3.1</u>
10. Total Non-Interest Expense	<u>\$220.0</u>	<u>\$246.8</u> <sup>1</sup>	<u>\$66.1</u>	<u>\$60.0</u>	<u>\$64.8</u>

<sup>1</sup>Includes acquisition-related expenses of \$13.7 million

<sup>2</sup>Includes COVID related cleaning and PPE expenses of \$618,000 QTD and 1.1 million YTD

# Earnings

(\$ in Millions)	<u>2018</u>	<u>2019</u>	<u>Q1-'20</u>	<u>Q2-'20</u>	<u>Q3-'20</u>
1. Net Interest Income	\$ 338.8	\$356.7	\$93.9	\$93.0	\$93.0
2. Provision for Loan Losses	<u>(7.2)</u>	<u>(2.8)</u>	<u>(19.8)</u>	<u>(21.9)</u>	<u>(12.0)</u>
3. <b>Net Interest Income after Provision</b>	<b>331.6</b>	<b>353.9</b>	<b>74.1</b>	<b>71.1</b>	<b>81.0</b>
4. Non-Interest Income	76.5	86.7	29.8	26.5	26.5
5. Non-Interest Expense	<u>(220.0)</u>	<u>(246.8)</u>	<u>(66.1)</u>	<u>(60.0)</u>	<u>(64.0)</u>
6. <b>Income Before Income Taxes</b>	<b>188.1</b>	<b>193.8</b>	<b>37.8</b>	<b>37.6</b>	<b>40.5</b>
7. Income Tax Expense	<u>(29.0)</u>	<u>(29.3)</u>	<u>(3.5)</u>	<u>(4.6)</u>	<u>(5.0)</u>
8. <b>Net Income Avail. for Distribution</b>	<b><u>\$ 159.1</u></b>	<b><u>\$164.5</u></b>	<b><u>\$34.3</u></b>	<b><u>\$33.0</u></b>	<b><u>\$35.5</u></b>
9. <b>EPS</b>	<b>\$ 3.22</b>	<b>\$ 3.19<sup>1</sup></b>	<b>\$0.62</b>	<b>\$0.62</b>	<b>\$0.62</b>
10. <b>Efficiency Ratio</b>	<b>50.21%</b>	<b>52.73%<sup>2</sup></b>	<b>52.17%</b>	<b>47.95%</b>	<b>51.4%</b>

<sup>1</sup>Acquisition-related expenses reduced EPS by \$0.21

<sup>2</sup>Acquisition-related expenses increased the Efficiency Ratio by 3.04%

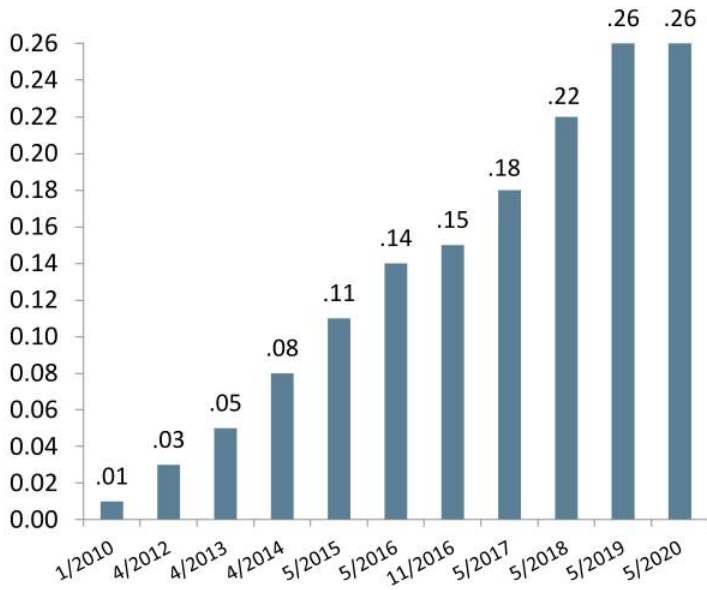
# Per Share Results

<u>2019</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Tot</u>
1. Earnings Per Share	\$ .78	\$ .83 <sup>1</sup>	\$ .71 <sup>1</sup>	\$ .87 <sup>1</sup>	\$ 3.1
2. Dividends	\$ .22	\$ .26	\$ .26	\$ .26	\$ 1.0
3. Dividend Payout Ratio	28.2%	31.3%	36.6%	29.9%	31.4
4. Tangible Book Value	\$20.07	\$21.01	\$21.26	\$21.94	
<u>2020</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Tot</u>
1. Earnings Per Share	\$ .62	\$ .62	\$ .67	–	\$ 1.9
2. Dividends	\$ .26	\$ .26	\$ .26	–	\$ .7
3. Dividend Payout Ratio	41.9%	41.9%	38.8%	–	40.8
4. Tangible Book Value	\$22.46	\$23.04	\$23.48	–	

<sup>1</sup>Acquisition-related expenses reduced EPS by \$0.01 in Q2; \$0.17 in Q3; \$0.03 in Q4; and \$0.21 for full-year 2019

# Dividends and Tangible Book Value

## Quarterly Dividends



4.49% Forward Dividend Yield

## Tangible Book Value



Compound Annual Growth Rate of 10.07%

# Michele M. Kawiecki

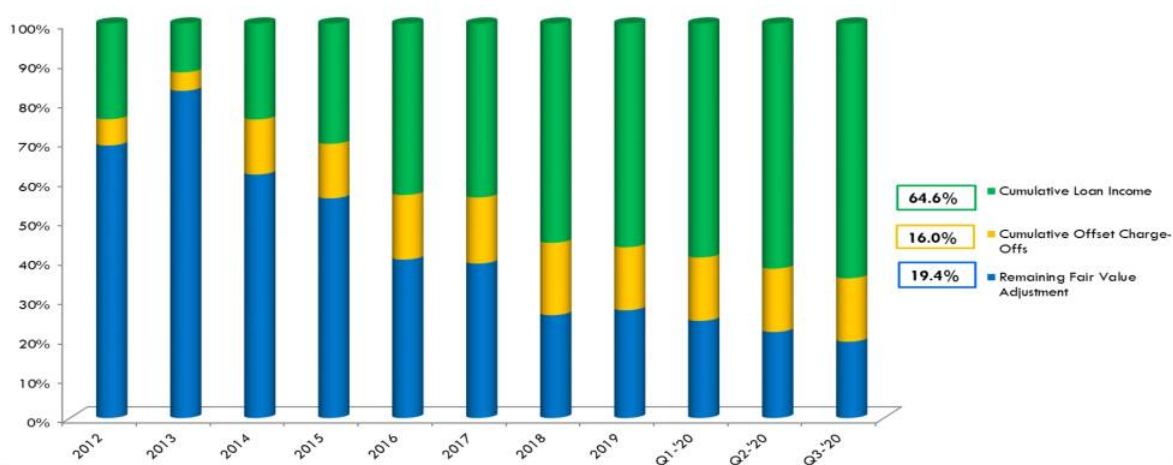
Senior Vice President

Director of Finance



# ALLL and Fair Value Summary

	<u>Q3-'19</u>	<u>Q4-'19</u>	<u>Q1-'20</u>	<u>Q2-'20</u>	<u>Q3-'20</u>
1. Beginning Allowance for Loan Losses (ALLL)	\$ 81.3	\$ 80.6	\$ 80.3	\$ 99.5	\$ 121.1
2. Less: Net Charge-offs (Recoveries)	1.3	0.8	0.6	0.2	6.9
3. Add: Provision Expense	<u>0.6</u>	<u>0.5</u>	<u>19.8</u>	<u>21.9</u>	<u>12.5</u>
4. Ending Allowance for Loan Losses (ALLL)	\$ 80.6	\$ 80.3	\$ 99.5	\$ 121.1	\$ 126.7
5. Specific Reserves	\$ 2.3	\$ 0.7	\$ 0.6	\$ 13.0	\$ 9.1
6. ALLL/Non-Accrual Loans	354.5%	503.4%	635.5%	241.7%	223.3%
7. ALLL/Non-Purchased Loans	1.16%	1.11%	1.33%	1.46%	1.52%
8. ALLL/Loans	0.97%	0.95%	1.15%	1.30%	1.37%
9. Fair Value Adjustment (FVA)	\$ 41.3	\$ 36.6	\$ 33.1	\$ 29.3	\$ 26.0
10. Total ALLL plus FVA	121.9	116.9	132.5	150.4	152.7
11. Purchased Loans plus FVA	1,410.3	1,271.2	1,155.1	1,039.4	940.4
12. FVA/Purchased Loans plus FVA	2.93%	2.88%	2.86%	2.82%	2.76%

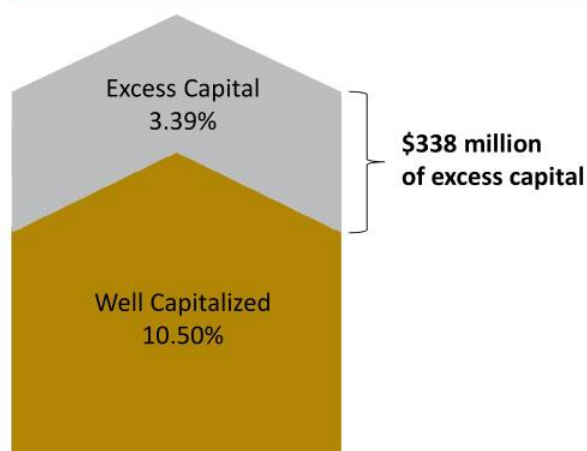


# Loan Loss Coverage & Capital Strength

	ALLL	ALLL/Loans	ALLL/Loans - PPP Loan
Allowance for Loan Losses - 6/30/20	\$121.1	1.30%	1.44%
Q3-'20 increase in ALLL	\$ 5.6		
<b>Allowance for Loan Losses - 9/30/20</b>	<b>\$126.7</b>	<b>1.37%</b>	<b>1.52%</b>
CECL Day 1 Adoption Impact*	\$ 52.2		
<b>Allowance for Loan Losses with CECL Day 1 Impact</b>	<b>\$178.9</b>	<b>1.93%</b>	<b>2.14%</b>

\*CECL has not been adopted and is included for illustrative purposes only. The impact assumes retrospective measurement back to January 1, 2020 and reflects the range disclosed in the 12/31/19 Form 10-K. Adoption impact would also include \$18.5 million in reserve for unfunded commitments recorded in Other Liabilities.

**Total Risk Based Capital Ratio with CECL Adoption**  
13.89% (Stated – 14.38%)



Post-CECL allowance + excess capital provides over \$500 million in reserves without considering future earnings or remaining fair value marks of \$26 million

# John J. Martin

Executive Vice President  
Chief Credit Officer

# Loan Portfolio

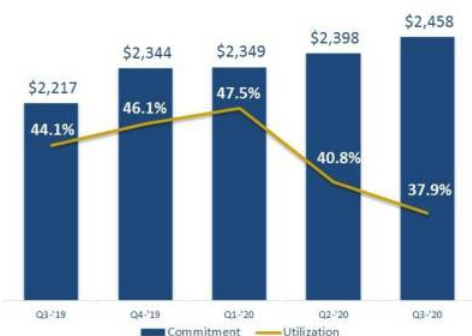
## Portfolio Trending – Q3-'20

(\$ in Millions)	2018	2019	Q1-'20	Q2-'20	Q3-'20	Change
						Linked Qu
						\$
1. Commercial & Industrial	\$ 1,498	\$ 1,802	\$ 1,858	\$ 2,576	\$ 2,539	\$ (37)
2. Sponsor Finance	233	312	345	326	340	14
3. CRE Owner Occupied	725	910	921	915	928	13
4. Construction, Land and Land Development	546	787	644	640	622	(18)
5. CRE Non-Owner Occupied	1,861	1,899	2,114	2,098	2,099	1
6. Agricultural Production	92	94	87	94	83	(11)
7. Agricultural Land	242	240	229	223	218	(5)
8. Public Finance/Other Commercial	433	547	587	625	616	(9)
9. <b>Total Commercial Loans</b>	<b>5,630</b>	<b>6,591</b>	<b>6,785</b>	<b>7,497</b>	<b>7,445</b>	<b>(52)</b>
10. Residential Mortgage	970	1,149	1,127	1,146	1,147	1
11. Home Equity	528	589	570	532	527	(5)
12. Other Consumer	101	139	130	124	128	4
13. <b>Total Residential Mortgage and Consumer Loans</b>	<b>1,599</b>	<b>1,877</b>	<b>1,827</b>	<b>1,802</b>	<b>1,802</b>	<b>0</b>
14. <b>Total Loans</b>	<b>\$ 7,229</b>	<b>\$ 8,468</b>	<b>\$ 8,612</b>	<b>\$ 9,299</b>	<b>\$ 9,247</b>	<b>\$ (52)</b>
Construction Concentration <sup>1</sup>	50%	62%	49%	47%	44%	
Investment RE Concentration <sup>1</sup>	221%	212%	208%	200%	194%	

<sup>1</sup>As a % of Risk Based Capital

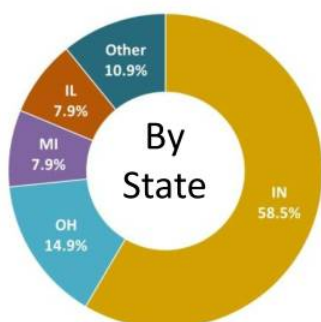
# Loan Portfolio

## C & I Line Utilization



- Commitments up \$60MM in Q3; \$109MM YTD
- C & I utilization declined in Q3 reducing balances by \$46 MM; \$185MM YTD

## Geography



## COVID-19 Modifications<sup>1</sup> by Loan Type

\$176 million, 1.9% of loans, have COVID-19 Mod in Def

(\$ in Millions)	\$ 1st	\$ 2nd	In Def
	Mod	Mod	\$
Commercial & Industrial	\$ 150	\$ 12	\$ 2
Sponsor Finance	6	6	
CRE Owner Occupied	246	5	1
Construction & Land Development	30	1	
CRE Non-Owner Occupied	456	80	11
Agriculture	1	1	
Residential Mortgage	80	11	
Home Equity	7	-	
Other Consumer	3	-	
<b>Total Loans</b>	<b>\$ 979</b>	<b>\$ 116</b>	<b>\$ 17</b>

<sup>1</sup> 1<sup>st</sup> Mod refers to loans with 1 Covid Mod. 2<sup>nd</sup> Mod refers to loans with a 2<sup>nd</sup> Mod.  
<sup>2</sup> In Deferral is where the last extended payment due date is Q3 or in future.

# COVID-19 Loan Modifications by Industry

## Loan Balances by Industry

(\$ in Millions)

Segments based on NAICS Code	Q3 - '20	% of Total Loans	1st Mod	2nd Mod	In Deferral Q3	
					\$	#
Manufacturing	\$ 795	8.6%	\$ 67	\$ 5	\$ 12	10
Public Administration	556	6.0%	2	-	-	-
Other Administrative Services	382	4.1%	27	4	2	6
Agriculture	361	3.9%	1	1	1	3
Wholesale Trade	321	3.5%	34	4	9	9
Retail Trade	302	3.3%	50	-	1	3
Senior Living	290	3.1%	2	14	-	-
Construction	238	2.6%	8	-	-	1
Professional Service	233	2.5%	10	-	3	3
Hotels	198	2.1%	118	52	92	15
Medical	187	2.0%	27	-	-	-
Finance & Insurance	182	2.0%	1	-	-	-
Specialty Trade	170	1.8%	4	-	-	2
Restaurant & Food Services	150	1.6%	39	-	-	2
Other Service	148	1.6%	18	2	2	5
Transportation & Warehouse	147	1.6%	14	-	1	3
Religious Organizations	111	1.2%	10	-	-	3
Dental	104	1.1%	58	-	-	3
Private Banking/Private Household	92	1.0%	4	-	1	2
Mining & Utilities	44	0.5%	-	-	-	-
Veterinary	29	0.4%	6	-	-	-
<b>Total Commercial Portfolio by NAICS</b>	<b>5,040</b>	<b>54.5%</b>	<b>500</b>	<b>82</b>	<b>124</b>	<b>70</b>
Lessors of Real Estate NAICS	2,405	26.0%	389	23	44	28
Mortgage and Consumer Loans	<u>1,802</u>	<u>19.5%</u>	<u>90</u>	<u>11</u>	<u>8</u>	<u>81</u>
<b>Total Loans</b>	<b>9,247</b>	<b>100.0%</b>	<b>\$979</b>	<b>\$116</b>	<b>\$ 176</b>	<b>179</b>

## Balance / Covid Mod In Deferral



# Residential Mortgage & Consumer

## Residential Mortgage and Consumer Modifications – Q3-'20

(\$ in Millions)

	<b>Q3 - '20</b>	<b>% Total Loans</b>	<b>1st Mod</b>	<b>2nd Mod</b>	<b>In Deferral Q3</b>	
					<b>\$</b>	<b>#</b>
Residential Mortgage	\$ 1,147	12.4%	\$ 80	\$ 11	\$ 7	50
Home Equity	527	5.7%	7	-	1	11
Other Consumer	128	1.4%	3	-	-	20
Total	\$ 1,802	19.5%	\$ 90	\$ 11	\$ 8	81

## Residential Mortgage Gain On Sale

- › Gain On Sale up 56.8% over Q2 to \$5.8 million
- › Offering extended locks with minimal impact on gain sale economics
- › Taking 15 year fixed rate fully salable on balance sheet at yield favorable to comparable MBS
- › Placing 7/1 and 10/1 jumbo mortgages on balance sheet.

# Sponsor and Leveraged Lending

## Sponsor Finance

- › 44 Borrowers, \$340 million outstanding
- › Private Equity Firms in the Midwest and Southeast acquiring companies with less than \$10 million in EBITDA.
- › Senior Secured, Amortizing Term Loans and Revolving Lines of Credit

## Leveraged Loans

- › 64 Borrowers, \$485 million outstanding
- › Borrowers where:
  - Greater than 3X Senior Funded Debt/EI
  - Greater than 4X Total Funded Debt/EBI

## Sponsor and Total Leveraged Balances Q3 – '20

(\$ in Millions)

	Q3 '20	% of Total Loans	Other C&I <sup>1</sup>	Leveraged				
				Leveraged	% of Total Loans	1st Mod	2nd Mod	In Defer \$
Sponsor Finance C&I	\$ 340	3.7%	\$ 99	\$ 241	2.6%	\$ 6	\$ 6	\$ 6
Regional Commercial C&I	2,282	24.7%	2,160	122	1.3%	4	4	4
Shared National Credits	257	2.8%	135	122	1.3%	-	-	-
Total Sponsor, C&I and SNC	\$ 2,879	31.1%	\$ 2,394	\$ 485	5.2%	\$ 10	\$ 10	\$ 10

<sup>1</sup> Total balances with borrowers not meeting leveraged definition



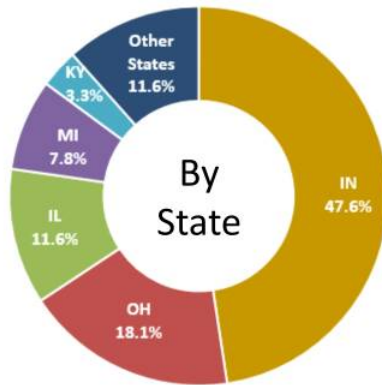
# Investment Real Estate

## IRE Portfolio – Q3-'20

(\$ in Millions)

<u>Investment Real Estate</u>	<u>Q3 - '20</u>	<u>% of Total Loans</u>	<u>Average Loan Size</u>	<u>1st Mod</u>	<u>2nd Mod</u>	<u>In Deferral Q3</u>	
						<u>\$</u>	<u>#</u>
Multi-family	\$ 719	7.8%	\$ 1.4	\$102	\$ 3	\$ 8	6
Commercial Real Estate	<u>1,380</u>	<u>14.9%</u>	1.1	<u>354</u>	<u>77</u>	<u>107</u>	<u>30</u>
	\$ 2,099	22.7%	\$ 1.2	\$456	\$ 80	\$115	36

### Loans by Geography



### Loans by Top Metros

<u>Metro Areas</u>	<u>Q3 '20</u>	<u>% Total Inv. RE</u>	<u>1st Mod</u>	<u>2nd Mod</u>	<u>In Def \$</u>
Indianapolis, IN	\$ 351	16.7%	\$ 77	\$ 3	\$ 10
Chicago, IL	187	8.9%	48	0	2
Columbus, OH	185	8.8%	15	24	0
Lafayette, IN	162	7.7%	23	1	4
Northwest Indiana	152	7.2%	23	2	2
Fort Wayne, IN	134	6.4%	41	0	19
Detroit, MI	79	3.8%	41	2	3

# COVID-19 Sensitive Industries

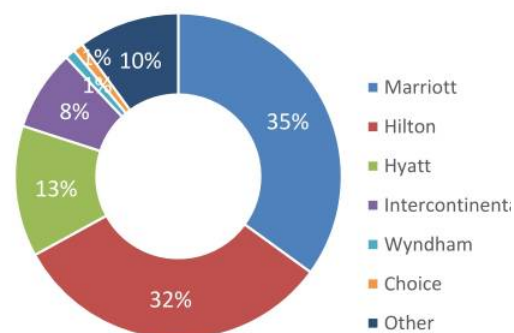
## Hospitality

(\$ in Millions)	% Total		# Loans	Average loan size	1st Mod	2nd Mod	In Deferra \$
	Q3 '20	Loans					
Hospitality (includes hotel/motel and other accomodations)	\$ 198	2.1%	145	\$ 1.4	\$ 118	\$ 52	\$ 92

## Highlights

- › Hotels: 109 loans to 72 borrowers totaling \$186 million
  - Includes 46 PPP loans totaling \$4 million where 19 borrowers are PPP loan only
- › Loan stage (\$):
  - 80% stabilized, 14% stabilizing, 4% construction, and 2% PPP
- › 26 loans totaling \$172 million with a balance  $\geq$  \$1 million
  - Weighted Average (WA) Loan to Value of ~55%
  - WA occupancy of ~46% (24 hotels reporting)
  - WA breakeven occupancy of ~56% (18 hotels reporting)

## Hotel Brands



# COVID-19 Sensitive Industries

## Retail

(\$ in Millions)

	Q3 '20	% Total Loans	# Loans	Average loan size	1st Mod	2nd Mod	In Deferral Q3 \$	Q4 #
Retail - real estate secured	\$ 451	4.9%	719	\$ 0.6	\$183	\$ 5	\$ 17	1
Retail Trade	142	1.5%	1,426	0.1	4	-	-	-
Total	\$ 593	6.4%	2,145	\$ 0.3	\$187	\$ 5	\$ 17	1

### › RE secured includes:

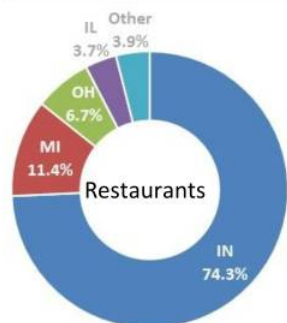
- \$246 million lessors of retail RE
- \$48 million automotive dealerships
- \$25 million tire and automotive parts retailers
- \$42 million gas stations
- \$90 million other retail RE for businesses in 65 different industries such as furniture stores, grocery stores, and building materials.

### › Retail trade includes:

- \$61 million in automotive dealers
- \$14 million in automotive parts
- \$16 million in building material dealers
- \$5 million in grocery stores
- \$5 million jewelry, luggage and leather goods stores
- \$4 million lawn and garden equipment
- \$4 million in book and music

# COVID-19 Sensitive Industries

## Restaurants and Food Service

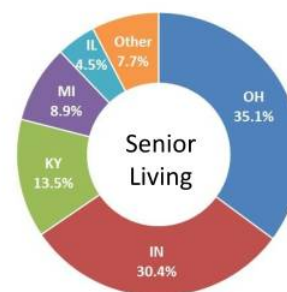


(\$ in Millions)

Real Estate Secured  
Non Real Estate Secured  
Total

Q3 '20	% Total Loans	# Loans	Average Loan Size	1st Mod	2nd Mod	In Deferral
\$ 103	1.1%	231	\$ 0.4	\$ 46	\$ 1	\$ 3
94	1.0%	579	0.2	9	-	1
\$ 197	2.1%	810	\$ 0.2	\$ 55	\$ 1	\$ 4

## Senior Living



(\$ In Millions)

Skilled Nursing Facilities  
Assisted Living Facilities & other  
Total

Q3 '20	% Total Loans	# Loans	Average Loan Size	1st Mod	2nd Mod	In Deferral
\$ 166	1.8%	28	\$ 5.9	\$ -	\$ -	\$ -
125	1.4%	44	2.8	2	14	-
\$ 291	3.2%	72	\$ 4.0	\$ 2	\$ 14	\$ -

# Asset Quality Summary

## Asset Quality – Q3-'20

(\$ in Millions)	2018	2019	Q1-'20	Q2-'20	Q3-'20	Change
						Linked Qual
						\$
1. Non-Accrual Loans	\$ 26.1	\$ 16.0	\$ 15.6	\$ 50.1	\$ 56.7	\$ 6.6
2. Other Real Estate	2.2	7.5	8.0	7.4	7.0	(0.4)
3. Renegotiated Loans	1.1	0.8	0.7	1.1	2.7	1.6
4. 90+ Days Delinquent Loans	1.9	0.1	0.3	5.0	1.3	(3.7)
<b>5. Total NPAs &amp; 90+ Days Delinquent</b>	<b>\$ 31.3</b>	<b>\$ 24.4</b>	<b>\$ 24.6</b>	<b>\$ 63.6</b>	<b>\$ 67.7</b>	<b>\$ 4.1</b>
6. Total NPAs & 90+ Days/Loans & ORE	0.4%	0.3%	0.3%	0.7%	0.7%	
<b>7. Classified Loans</b>	<b>\$167.4</b>	<b>\$200.1</b>	<b>\$207.0</b>	<b>\$239.6</b>	<b>\$252.8</b>	<b>\$ 13.2</b>
<b>8. Classified Loans/Total Loans</b>	<b>2.3%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.6%</b>	<b>2.7%</b>	

# Non-Performing Asset Reconciliation

(\$ in Millions)

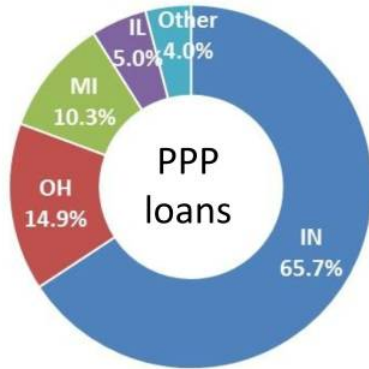
	<u>Q4-'19</u>	<u>Q1-'20</u>	<u>Q2-'20</u>	<u>Q3-'20</u>
1. <b>Beginning Balance NPAs &amp; 90+ Days Delinquent</b>	<b>\$ 30.5</b>	<b>\$ 24.4</b>	<b>\$ 24.6</b>	<b>\$ 63.6</b>
<u>Non-Accrual</u>				
2. Add: New Non-Accruals	2.3	2.8	35.6	20.8
3. Less: To Accrual/Payoff/Renegotiated	(6.9)	(1.2)	(0.6)	(6.8)
4. Less: To OREO	(0.8)	(0.7)	-	-
5. Less: Charge-offs	<u>(1.3)</u>	<u>(1.3)</u>	<u>(0.5)</u>	<u>(7.4)</u>
6. <b>Increase / (Decrease): Non-Accrual Loans</b>	<b>(6.7)</b>	<b>(0.4)</b>	<b>34.5</b>	<b>6.6</b>
<u>Other Real Estate Owned (ORE)</u>				
7. Add: New ORE Properties	0.8	0.7	-	-
8. Less: ORE Sold	(0.3)	(0.2)	(0.3)	(0.3)
9. Less: ORE Losses (write-downs)	<u>(0.1)</u>	<u>-</u>	<u>(0.3)</u>	<u>(0.1)</u>
10. <b>Increase / (Decrease): ORE</b>	<b>0.4</b>	<b>0.5</b>	<b>(0.6)</b>	<b>(0.4)</b>
11. <b>Increase / (Decrease): 90+ Days Delinquent</b>	<b>-</b>	<b>0.2</b>	<b>4.7</b>	<b>(3.7)</b>
12. <b>Increase / (Decrease): Renegotiated Loans</b>	<b><u>0.2</u></b>	<b><u>(0.1)</u></b>	<b><u>0.4</u></b>	<b><u>1.6</u></b>
13. <b>Total NPAs &amp; 90+ Days Delinquent Change</b>	<b><u>(6.1)</u></b>	<b><u>0.2</u></b>	<b><u>39.0</u></b>	<b><u>4.1</u></b>
14. <b>Ending Balance NPAs &amp; 90+ Days Delinquent</b>	<b>\$ 24.4</b>	<b>\$ 24.6</b>	<b>\$ 63.6</b>	<b>\$ 67.7</b>

# Payroll Protection Loans

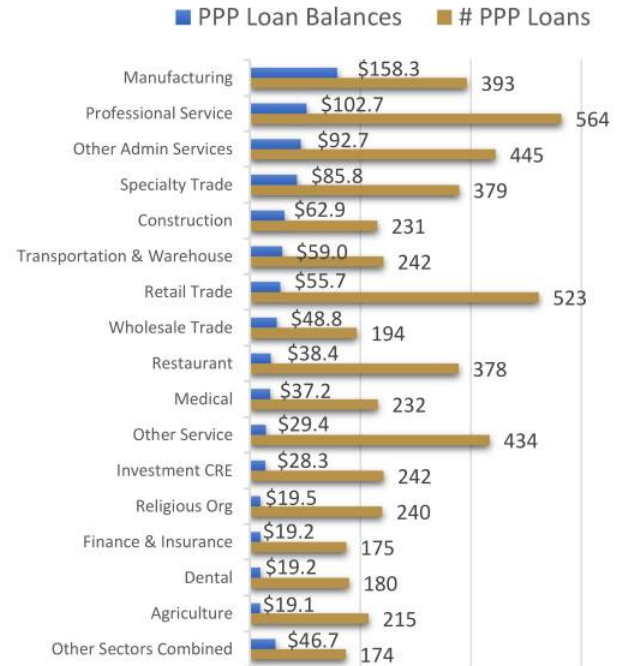
## Payroll Protection Summary

- \$922.9 million in loans to 5,241 borrowers
- \$30.2 million in fees on PPP loans, \$3.8 amortized this quarter and \$23.5 million remaining
- 2,682 loans  $\leq$  \$50,000 total \$54 million
- Accepting and filing applications for forgiveness

## Geographic



## Payroll Protection Distribution



# Credit Response to COVID-19

## Loan Portfolio

- Proactively engaging customers to chart path forward
- Maintaining existing underwriting standards while recognizing the impact of pandemic
- Opportunistic portfolio growth to well positioned borrowers

## Asset Quality

- Beginning credit cycle with stronger credit profile and enhanced processes
- Net Charge-offs of \$6.9 million or .30% of average loans (annualized), .11% YTD
- Focus remains on deferrals in Hospitality portfolio and Senior Living workouts

## Approach

- Retained 100% of PPP loans with forgiveness processing underway
- \$94 million, 154 applications, filed for forgiveness as of October 26, 2020
- Quarterly portfolio reviews on targeted asset classes (Hospitality and Senior)
- Experienced workout staff with special asset process in tact from last recession



# Michael C. Rechin

---

President  
Chief Executive Officer

 First Merchants Corp

# First Merchants... Well positioned for the future...

## Looking Forward...

- › Succession Planning Yields Continuity and Growth
  - › Mark Hardwick – Chief Executive Officer
  - › Mike Stewart - President
  - › Michele Kawiecki – Chief Financial Officer
- › Industry Leading Performance
  - › Return on Assets and Efficiency Ratios
  - › Pre-Tax Pre-Provision Earnings strength of \$54.4 Million
- › Capital Preservation and Strength
  - › TCE of 10.19% excluding effect of PPP Loans
  - › Diversified loan portfolio, long-term consistent asset quality and underwriting
  - › Allowance for Loan Losses & Fair Value Marks total approximately 1.65% of loans
- › Initiatives
  - › Corporate Social Responsibility investment fortifies our communities staying power
  - › Accelerate our delivery channel change



**FIRST MERCHANTS BANK NAMED BEST BANK IN INDIANA**



**First Merchants Bank Ranked Top 5 in Indiana 2018, 2019 and 2020**

*“Compelling value proposition”*



First Merchants Corporation common stock is traded on the NASDAQ Global Select Market under the symbol FRME

Additional information can be found at  
[www.firstmerchants.com](http://www.firstmerchants.com)

Investor Inquiries:  
Nicole Weaver, Investor Relations  
765.521.7619  
[nweaver@firstmerchants.com](mailto:nweaver@firstmerchants.com)

# Appendix

# Appendix – Non-GAAP Reconciliation

## CAPITAL RATIOS (dollars in thousands):

	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
<b>Total Risk-Based Capital Ratio</b>								
Total Stockholders' Equity (GAAP)	1,361,426	1,408,260	1,455,848	1,501,636	1,749,012	1,786,437	1,777,960	1,809,095
Adjust for Accumulated Other Comprehensive (Income) Loss <sup>1</sup>	35,409	21,422	1,595	(14,602)	(25,648)	(27,874)	(53,656)	(63,845)
Less: Preferred Stock	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)
Add: Qualifying Capital Securities	66,086	66,141	66,197	66,252	66,308	66,363	56,419	46,248
Less: Tier 1 Capital Deductions	-	-	-	-	-	-	-	-
Less: Disallowed Goodwill and Intangible Assets	(464,658)	(463,525)	(462,202)	(460,885)	(570,098)	(569,468)	(568,442)	(567,246)
Less: Disallowed Deferred Tax Assets	(1,111)	-	(4,037)	(2,587)	(3,460)	-	-	-
Total Tier 1 Capital (Regulatory)	\$ 997,027	\$ 1,032,173	\$ 1,057,276	\$ 1,089,689	\$ 1,215,989	\$ 1,255,333	\$ 1,212,156	\$ 1,224,127
Qualifying Subordinated Debentures	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Allowance for Loan Losses includible in Tier 2 Capital	78,406	80,552	80,902	81,274	80,571	80,284	99,454	121,119
Total Risk-Based Capital (Regulatory)	\$ 1,140,433	\$ 1,177,725	\$ 1,203,178	\$ 1,235,963	\$ 1,361,560	\$ 1,400,617	\$ 1,376,610	\$ 1,410,246
Net Risk-Weighted Assets (Regulatory)	\$ 8,001,191	\$ 8,060,882	\$ 8,176,677	\$ 8,491,188	\$ 9,474,126	\$ 9,799,329	\$ 9,978,462	\$ 9,946,087
<b>Total Risk-Based Capital Ratio (Regulatory)</b>	<b>14.25%</b>	<b>14.61%</b>	<b>14.71%</b>	<b>14.56%</b>	<b>14.37%</b>	<b>14.29%</b>	<b>13.80%</b>	<b>14.18%</b>
<b>Common Equity Tier 1 Capital Ratio</b>								
Total Tier 1 Capital (Regulatory)	\$ 997,027	\$ 1,032,173	\$ 1,057,276	\$ 1,089,689	\$ 1,215,989	\$ 1,255,333	\$ 1,212,156	\$ 1,224,127
Less: Qualified Capital Securities	(66,086)	(66,141)	(66,197)	(66,252)	(66,308)	(66,363)	(56,419)	(46,248)
Add: Additional Tier 1 Capital Deductions	-	-	-	-	-	-	-	-
Common Equity Tier 1 Capital (Regulatory)	\$ 930,941	\$ 966,032	\$ 991,079	\$ 1,023,437	\$ 1,149,681	\$ 1,188,970	\$ 1,155,737	\$ 1,177,879
Net Risk-Weighted Assets (Regulatory)	\$ 8,001,191	\$ 8,060,882	\$ 8,176,677	\$ 8,491,188	\$ 9,474,126	\$ 9,799,329	\$ 9,978,462	\$ 9,946,087
<b>Common Equity Tier 1 Capital Ratio (Regulatory)</b>	<b>11.64%</b>	<b>11.98%</b>	<b>12.12%</b>	<b>12.05%</b>	<b>12.14%</b>	<b>12.13%</b>	<b>11.58%</b>	<b>11.84%</b>

<sup>1</sup> Includes net unrealized gains or losses on securities available for sale, net gains or losses on cash flow hedges, and amounts resulting from the application of the applicable accounting guidance for defined benefit and other postretirement plans.

# Appendix – Non-GAAP Reconciliation

## TANGIBLE COMMON EQUITY RATIO (dollars in thousands):

	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Total Stockholders' Equity (GAAP)	\$ 1,361,426	\$ 1,408,260	\$ 1,455,848	\$ 1,501,636	\$ 1,749,012	\$ 1,786,437	\$ 1,777,960	\$ 1,809,095
Less: Preferred Stock	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)
Less: Intangible Assets	(471,409)	(469,784)	(468,256)	(466,736)	(579,751)	(578,881)	(577,366)	(575,855)
Tangible Common Equity (non-GAAP)	\$ 889,892	\$ 938,351	\$ 987,467	\$ 1,034,775	\$ 1,169,136	\$ 1,207,431	\$ 1,200,469	\$ 1,233,115
Total Assets (GAAP)	\$ 9,787,282	\$ 9,884,716	\$ 10,210,925	\$ 10,737,857	\$ 12,325,061	\$ 12,457,254	\$ 12,693,518	\$ 13,819,378
Less: Intangible Assets	(471,409)	(469,784)	(468,256)	(466,736)	(579,751)	(578,881)	(577,366)	(575,855)
Tangible Assets (non-GAAP)	\$ 9,315,873	\$ 9,414,932	\$ 9,742,669	\$ 10,271,121	\$ 11,745,310	\$ 11,878,373	\$ 12,116,152	\$ 13,243,523
Tangible Common Equity Ratio (non-GAAP)	9.55%	9.97%	10.14%	10.07%	9.95%	10.16%	9.91%	9.31%

## TANGIBLE COMMON EQUITY PER SHARE (dollars in thousands):

	4Q10	4Q11	4Q12	4Q13	4Q14	4Q15	4Q16
Total Stockholders' Equity (GAAP)	\$ 454,408	\$ 514,467	\$ 552,236	\$ 634,923	\$ 726,827	\$ 850,509	\$ 901,657
Less: Preferred Stock	(67,880)	(90,783)	(90,908)	(125)	(125)	(125)	(125)
Less: Intangible Assets	(154,019)	(150,471)	(149,529)	(202,767)	(218,755)	(259,764)	(258,866)
Tax Benefit	2,907	2,224	2,249	4,973	6,085	6,278	5,930
Tangible Common Equity, Net of Tax (non-GAAP)	\$ 235,416	\$ 275,437	\$ 314,048	\$ 437,004	\$ 514,032	\$ 596,898	\$ 648,596
Shares Outstanding	25,574,251	28,559,707	28,692,616	35,921,761	37,669,948	40,664,258	40,912,697
Tangible Common Equity per Share (non-GAAP)	\$ 9.21	\$ 9.64	\$ 10.95	\$ 12.17	\$ 13.65	\$ 14.68	\$ 15.85

	4Q17	1Q18	2Q18	3Q18	3Q19	3Q20
Total Stockholders' Equity (GAAP)	\$ 1,303,463	\$ 1,313,073	\$ 1,340,328	\$ 1,361,426	\$ 1,749,012	\$ 1,833,656
Less: Preferred Stock	(125)	(125)	(125)	(125)	(125)	(125)
Less: Intangible Assets	(476,503)	(474,777)	(473,059)	(471,409)	(579,751)	(574,369)
Tax Benefit	6,788	6,043	5,690	5,351	7,627	6,292
Tangible Common Equity, Net of Tax (non-GAAP)	\$ 833,623	\$ 844,214	\$ 872,834	\$ 895,243	\$ 1,176,763	\$ 1,265,454
Shares Outstanding	49,158,238	49,243,096	49,280,188	49,304,542	55,345,672	53,891,733
Tangible Common Equity per Share (non-GAAP)	\$ 16.96	\$ 17.14	\$ 17.71	\$ 18.16	\$ 21.26	\$ 23.48

# Appendix – Non-GAAP Reconciliation

## EFFICIENCY RATIO (dollars in thousands):

	2018	2019	1Q20	2Q20	3Q20
Non Interest Expense (GAAP)	\$ 219,951	\$ 246,763	\$ 66,171	\$ 59,989	\$ 64,709
Less: Intangible Asset Amortization	(6,719)	(5,994)	(1,514)	(1,511)	(1,486)
Less: OREO and Foreclosure Expenses	(1,470)	(2,428)	(505)	(684)	(717)
Adjusted Non Interest Expense (non-GAAP)	211,762	238,341	64,152	57,794	62,506
Net Interest Income (GAAP)	338,857	356,660	93,877	93,018	92,921
Plus: Fully Taxable Equivalent Adjustment	10,732	13,085	3,894	4,088	4,340
Net Interest Income on a Fully Taxable Equivalent Basis (non-GAAP)	349,589	369,745	97,771	97,106	97,261
Non Interest Income (GAAP)	76,459	86,688	29,799	26,481	26,163
Less: Investment Securities Gains (Losses)	(4,269)	(4,415)	(4,612)	(3,068)	(1,817)
Adjusted Non Interest Income (non-GAAP)	72,190	82,273	25,187	23,413	24,346
Adjusted Revenue (non-GAAP)	421,779	452,018	122,958	120,519	121,607
<b>Efficiency Ratio (non-GAAP)</b>	<b>50.21%</b>	<b>52.73%</b>	<b>52.17%</b>	<b>47.95%</b>	<b>51.40%</b>

## FORWARD DIVIDEND YIELD

	3Q20
Most recent quarter's dividend per share	\$ 0.26
Most recent quarter's dividend per share - Annualized	\$ 1.04
Stock Price at 9/30/20	\$ 23.16
<b>Forward Dividend Yield</b>	<b>4.49%</b>

# Appendix – Non-GAAP Reconciliation

## CONSTRUCTION AND INVESTMENT REAL ESTATE CONCENTRATIONS (dollars in thousands):

	2018	2019	1Q20	2Q20	3Q20
<b>Total Risk-Based Capital (Subsidiary Bank Only)</b>					
Total Stockholders' Equity (GAAP)	\$ 1,456,220	\$ 1,787,006	\$ 1,850,513	\$ 1,882,807	\$ 1,908,858
Adjust for Accumulated Other Comprehensive (Income) Loss <sup>1</sup>	19,031	(30,495)	(56,807)	(66,941)	(68,423)
Less: Preferred Stock	(125)	(125)	(125)	(125)	(125)
Less: Tier 1 Capital Deductions	-	-	-	-	-
Less: Disallowed Goodwill and Intangible Assets	(463,076)	(569,021)	(567,994)	(566,799)	(565,624)
Less: Disallowed Deferred Tax Assets	-	-	-	-	-
Total Tier 1 Capital (Regulatory)	1,012,050	1,187,365	1,225,587	1,248,942	1,274,686
Allowance for Loan Losses includible in Tier 2 Capital	80,552	80,284	99,454	121,119	125,428
Total Risk-Based Capital (Regulatory)	\$ 1,092,602	\$ 1,267,649	\$ 1,325,041	\$ 1,370,061	\$ 1,400,114
Construction, Land and Land Development Loans	\$ 545,729	\$ 787,568	\$ 643,674	\$ 640,560	\$ 622,084
<b>Concentration as a % of the Bank's Risk-Based Capital</b>	<b>50%</b>	<b>62%</b>	<b>49%</b>	<b>47%</b>	<b>44%</b>
Construction, Land and Land Development Loans	\$ 545,729	\$ 787,568	\$ 643,674	\$ 640,560	\$ 622,084
Investment Real Estate Loans	1,865,544	1,902,692	2,118,148	2,097,767	2,098,589
Total Construction and Investment RE Loans	\$ 2,411,273	\$ 2,690,260	\$ 2,761,822	\$ 2,738,327	\$ 2,720,673
<b>Concentration as a % of the Bank's Risk-Based Capital</b>	<b>221%</b>	<b>212%</b>	<b>208%</b>	<b>200%</b>	<b>194%</b>

<sup>1</sup> Includes net unrealized gains or losses on securities available for sale, net gains or losses on cash flow hedges, and amounts resulting from the application of the applicable accounting guidance for defined benefit and other postretirement plans.



