

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): January 30, 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 state value per share	FRME	NASDAQ

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 Thursday, January 30, 2020, First Merchants Corporation will conduct a fourth quarter 2019 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 January 30, 2020, during conference call and web cast by First Merchants Corporation.](#)

**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: January 30, 2020

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	<a href="#">Slide presentation, utilized on January 30, 2020, during conference call and web cast by First Merchants Corporation.</a>



**First Merchants  
Corporation**  
NASDAQ: FRME

# 4<sup>th</sup> Quarter Earnings Highlights

January 30, 2020

Forbes 2019  
**BEST BANKS  
IN AMERICA**

First Merchants Bank  
Ranked #2 in 2019



First Merchants Corporation } 200 E. Jackson St., P.O. Box 792, Muncie, IN 47305 } 765.747.1500

# Forward-Looking Statement

This presentation 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 forward-looking statements include, but are not limited to, statements relating to 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 economic and business conditions; the existence or exacerbation of general geopolitical instability and uncertainty; the ability of First Merchants to integrate recent acquisitions and attract new customers; 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 undertakes no obligation to update any forward-looking statement, whether written or oral, relating to the matters 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 non-GAAP 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

# 4<sup>th</sup> Quarter 2019 Highlights

- › \$47.8 Million of Net Income, or \$0.87 Per Share
- › Completed System Conversion of MBT Financial Corporation
- › Integration Expense Totaled \$1.9 Million, or \$0.03 Per Share
- › Winning Marketplace Execution Delivering Growth
  - › Organic Loan Growth of \$161 Million, a 7.8% Annualized Growth Rate
  - › Organic Non-Maturity Deposit Growth of \$154 Million, a 7.7% Annualized Growth Rate
- › Resumption of High Performance Metrics



# Full Year 2019 Performance

- › Record Net Income of \$164.5 Million, a 3.3% Increase over 2018
- › Earnings Per Share of \$3.19
- › Expanded Franchise into Michigan
- › Acquisition Expense Totaled \$13.7 Million, or \$0.21 Per Share
- › Total Assets of \$12.5 Billion; Grew by 26.0% over 2018
- › Organic Loan Growth of \$507 Million, a 7.0% Growth Rate
- › Organic Deposit Growth of \$979 Million, a 12.6% Growth Rate
- › Tangible Book Value Increased to \$21.94 Per Share, or 14.7% over Year-End 2018

# Mark K. Hardwick

Executive Vice President

Chief Financial Officer and Chief Operating Officer

# Total Assets

(\$ in Millions)	<u>2017</u>	<u>2018</u>	<u>2019</u>
1. Investments	\$1,561	\$1,633	\$2,596
2. Loans	6,758	7,229	8,468
3. Allowance	(75)	(81)	(80)
4. Goodwill & Intangibles	477	470	579
5. BOLI	224	225	288
6. Other	<u>422</u>	<u>409</u>	<u>606</u>
7. Total Assets	<u>\$9,367</u>	<u>\$9,885</u>	<u>\$12,457</u>

Annualized Asset Growth

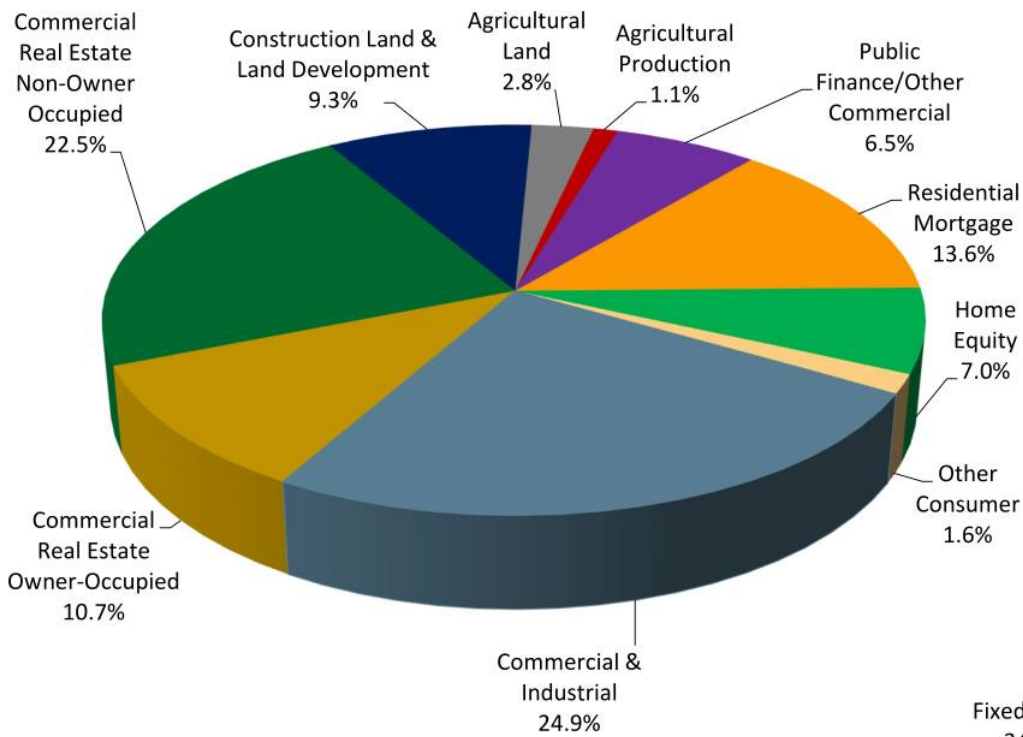
29.9%

5.5%

26.0%

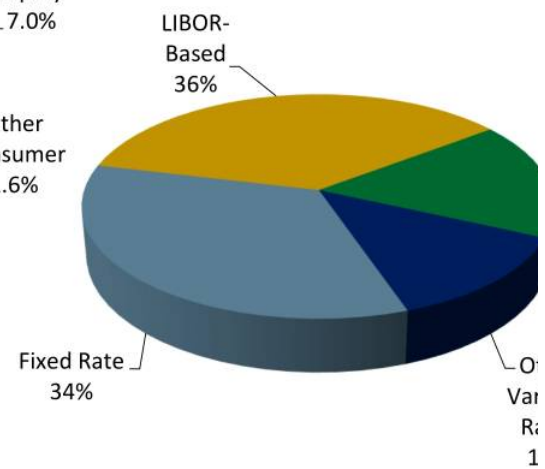
# Loan Yield and Detail

(as of December 31, 2019)



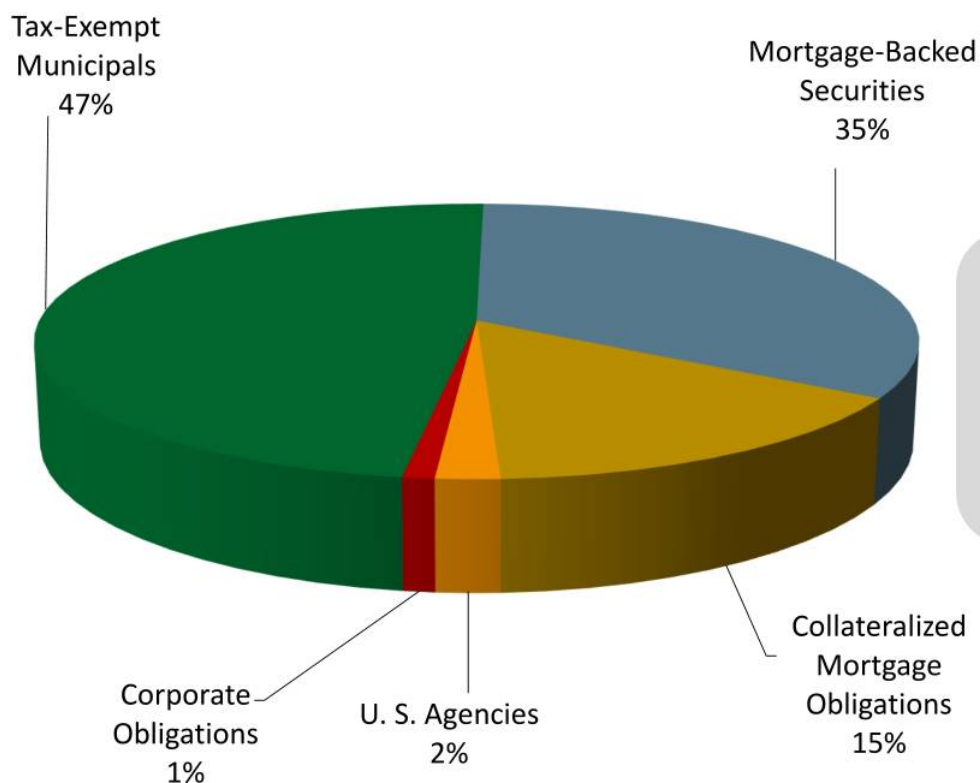
QTD Yield	=	5.19
YTD Yield	=	5.27
Total Loans	=	\$8.5 Billic

Variable	=	\$5.6 Billic
Fixed	=	\$2.9 Billic



# Investment Portfolio

(as of December 31, 2019)



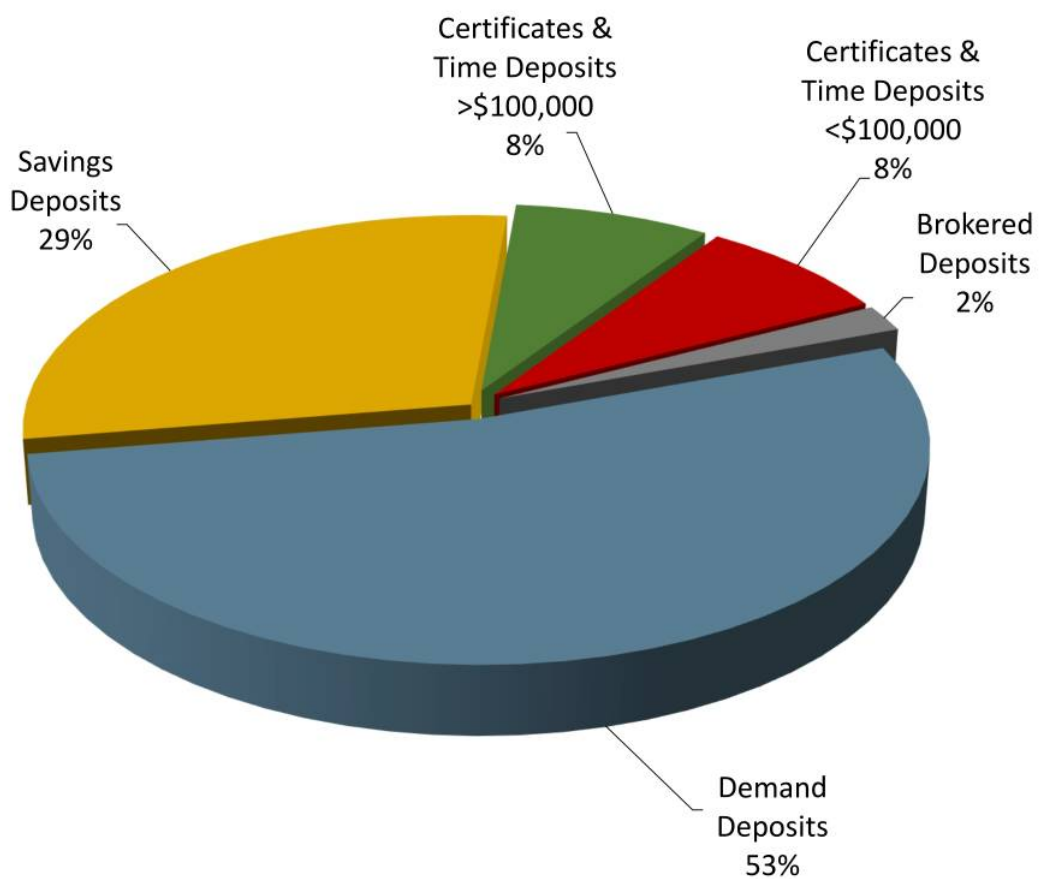
- › \$2.6 Billion Portfolio
- › Modified duration of 5.1 years
- › Tax equivalent yield of 3.23%
- › Net unrealized gain of \$71.5 Mill

# Total Liabilities and Capital

(\$ in Millions)	<u>2017</u>	<u>2018</u>	<u>2019</u>
1. Customer Non-Maturity Deposits	\$5,741	\$6,268	\$8,147
2. Customer Time Deposits	1,051	1,241	1,478
3. Brokered Deposits	<u>381</u>	<u>246</u>	<u>215</u>
Total Deposits	7,173	7,755	9,840
4. Borrowings	701	538	599
5. Other Liabilities	57	51	98
6. Hybrid Capital	133	133	134
7. Common Equity	<u>1,303</u>	<u>1,408</u>	<u>1,786</u>
8. Total Liabilities and Capital	<u>\$9,367</u>	<u>\$9,885</u>	<u>\$12,457</u>

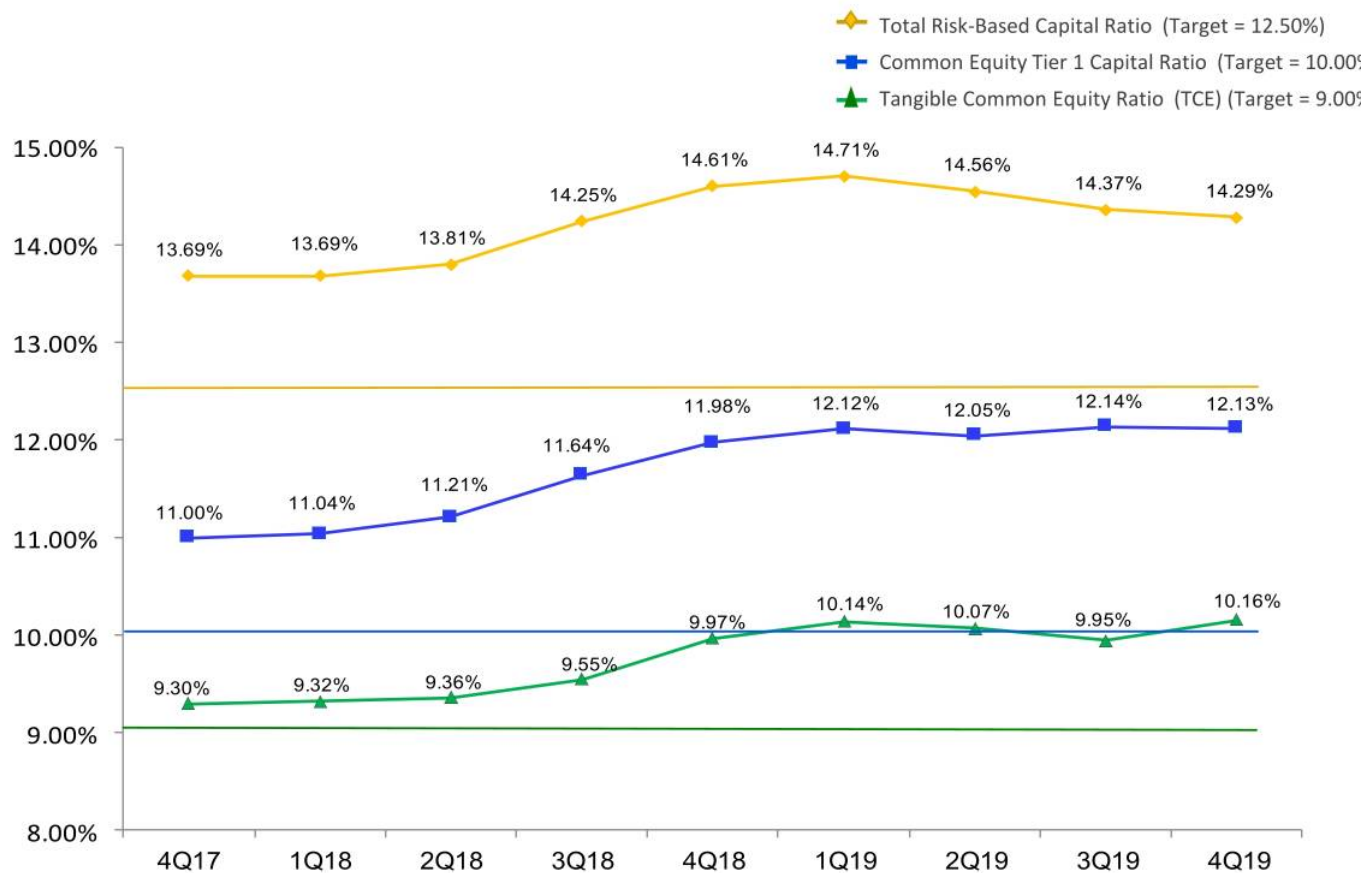
# Deposit Detail

(as of December 31, 2019)



QTD Cost	=	1.18
YTD Cost	=	1.26
Total	=	\$9.8 Billi

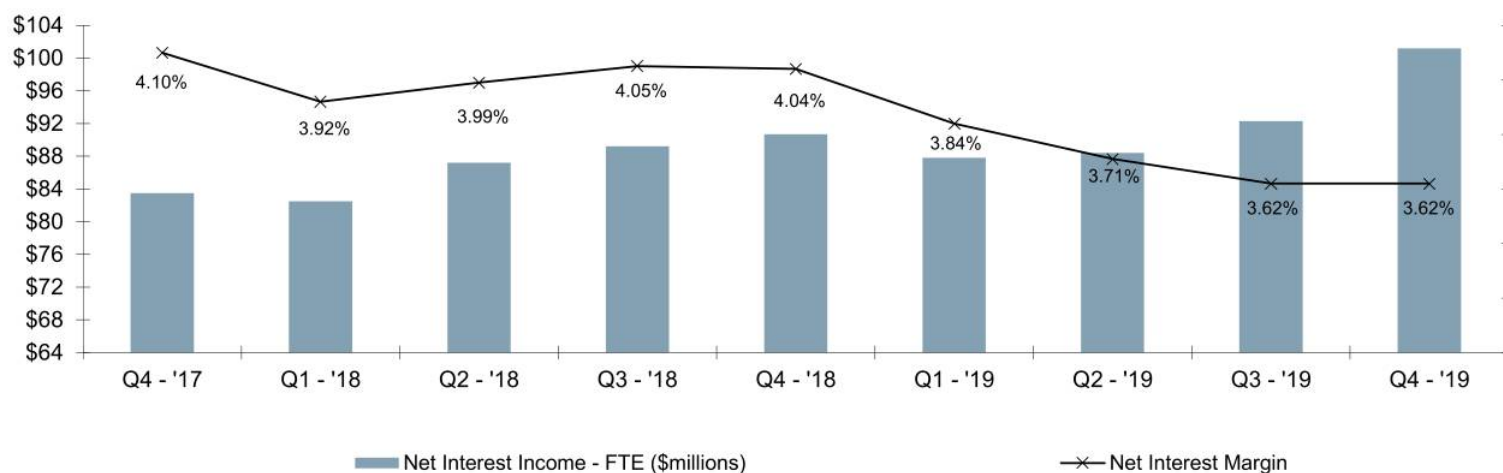
# Capital Ratios





# Net Interest Margin

	Q4 - '17	Q1 - '18	Q2 - '18	Q3 - '18	Q4 - '18	Q1 - '19	Q2 - '19	Q3 - '19	Q4 - '19
Net Interest Income - FTE (\$millions)	\$ 83.5	\$ 82.5	\$ 87.2	\$ 89.2	\$ 90.7	\$ 87.8	\$ 88.4	\$ 92.3	\$ 101.2
Fair Value Accretion	\$ 4.1	\$ 3.2	\$ 3.8	\$ 3.2	\$ 3.9	\$ 2.3	\$ 2.2	\$ 2.5	\$ 5.0
Tax Equivalent Yield on Earning Assets	4.67%	4.57%	4.74%	4.88%	4.97%	4.89%	4.86%	4.77%	4.63%
Interest Expense/Average Earning Assets	0.57%	0.65%	0.75%	0.83%	0.93%	1.05%	1.15%	1.15%	1.01%
Net Interest Margin	4.10%	3.92%	3.99%	4.05%	4.04%	3.84%	3.71%	3.62%	3.62%
Fair Value Accretion Effect	0.20%	0.15%	0.18%	0.15%	0.17%	0.09%	0.09%	0.10%	0.18%



# Non-Interest Income

(\$ in Millions)	<u>2017</u>	<u>2018</u>	<u>2019</u>
1. Service Charges on Deposit Accounts	\$ 18.7	\$ 21.0	\$ 23.0
2. Wealth Management Fees	14.7	14.9	17.0
3. Card Payment Fees	16.1	18.0	20.0
4. Gains on Sales of Mortgage Loans	7.6	7.0	7.0
5. Derivative Hedge Fees	2.0	2.5	5.0
6. Other Customer Fees	1.7	1.9	1.0
7. Cash Surrender Value of Life Ins	6.6	4.2	4.0
8. Gains on Sales of Securities	2.6	4.3	4.0
9. Other	<u>1.0</u>	<u>2.7</u>	2.0
10. Total Non-Interest Income	<u>\$71.0</u>	<u>\$76.5</u>	<u>\$86.0</u>

# Non-Interest Expense

(\$ in Millions)	<u>2017</u>	<u>2018</u>	<u>2019</u>
1. Salary & Benefits	\$119.8	\$131.7	\$144.0
2. Premises & Equipment	30.1	32.7	35.0
3. Intangible Asset Amortization	5.6	6.7	6.0
4. Professional & Other Outside Services	12.8	8.2	15.0
5. OREO/Credit-Related Expense	1.9	1.5	2.0
6. FDIC Expense	2.6	2.9	0.0
7. Outside Data Processing	12.2	13.2	16.0
8. Marketing	3.7	4.7	6.0
9. Other	<u>16.9</u>	<u>18.4</u>	<u>19.0</u>
10. Total Non-Interest Expense	<u>\$205.6</u>	<u>\$220.0</u>	<u>\$246.0</u>

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

# Earnings

(\$ in Millions)	<u>2017</u>	<u>2018</u>	<u>2019</u>
1. Net Interest Income	\$ 277.3	\$ 338.8	\$ 356.1
2. Provision for Loan Losses	<u>(9.1)</u>	<u>(7.2)</u>	<u>(2.1)</u>
3. <b>Net Interest Income after Provision</b>	<b>268.2</b>	<b>331.6</b>	<b>353.9</b>
4. Non-Interest Income	71.0	76.5	86.1
5. Non-Interest Expense	<u>(205.6)</u>	<u>(220.0)</u>	<u>(246.1)</u>
6. <b>Income before Income Taxes</b>	<b>133.6</b>	<b>188.1</b>	<b>193.9</b>
7. Income Tax Expense	<u>(37.5)</u>	<u>(29.0)</u>	<u>(29.1)</u>
8. <b>Net Income Avail. for Distribution</b>	<b><u>\$ 96.1</u></b>	<b><u>\$ 159.1</u></b>	<b><u>\$164.7</u></b>
9. <b>EPS</b>	<b>\$ 2.12</b>	<b>\$ 3.22</b>	<b>\$ 3.11</b>
10. <b>Efficiency Ratio</b>	<b>54.56%</b>	<b>50.21%</b>	<b>52.7%</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%

# Quarterly Earnings

(\$ in Millions)	<u>Q1-'19</u>	<u>Q2-'19</u>	<u>Q3-'19</u>	<u>Q4-'19</u>
1. Net Interest Income	\$ 84.9	\$ 85.3	\$ 88.9	\$ 97.6
2. Provision for Loan Losses	<u>(1.2)</u>	<u>(0.5)</u>	<u>(0.6)</u>	<u>(0.5)</u>
3. <b>Net Interest Income after Provision</b>	<b>83.7</b>	<b>84.8</b>	<b>88.3</b>	<b>97.1</b>
4. Non-Interest Income	18.7	21.6	22.1	24.2
5. Non-Interest Expense	<u>(56.6)</u>	<u>(57.6)</u>	<u>(67.3)</u>	<u>(65.2)</u>
6. <b>Income before Income Taxes</b>	<b>45.8</b>	<b>48.8</b>	<b>43.1</b>	<b>56.1</b>
7. Income Tax Expense	<u>(6.9)</u>	<u>(7.7)</u>	<u>(6.3)</u>	<u>(8.3)</u>
8. <b>Net Income Avail. for Distribution</b>	<b><u>\$ 38.9</u></b>	<b><u>\$ 41.1</u></b>	<b><u>\$ 36.8</u></b>	<b><u>\$ 47.8</u></b>
9. <b>EPS</b>	<b>\$ 0.78</b>	<b>\$ 0.83<sup>1</sup></b>	<b>\$ 0.71<sup>1</sup></b>	<b>\$ 0.87<sup>1</sup></b>
10. <b>Efficiency Ratio</b>	<b>51.18%</b>	<b>51.00%<sup>2</sup></b>	<b>57.60%<sup>2</sup></b>	<b>51.07%<sup>2</sup></b>

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

<sup>2</sup>Acquisition-related expenses increased the Efficiency Ratio by 0.45% in Q2; 9.77% in Q3; and 1.49% in Q4

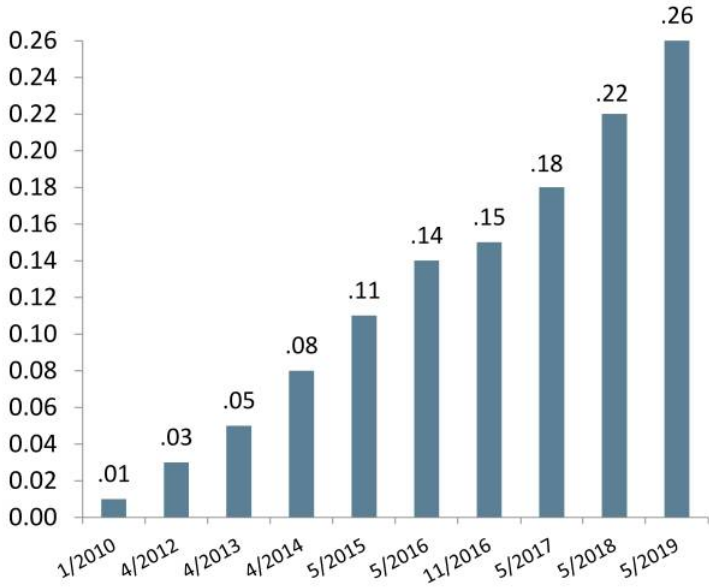
# Per Share Results

<b><u>2018</u></b>	<b><u>Q1</u></b>	<b><u>Q2</u></b>	<b><u>Q3</u></b>	<b><u>Q4</u></b>	<b><u>Total</u></b>
1. Earnings Per Share	\$ .74	\$ .80	\$ .83	\$ .85	\$ 3.22
2. Dividends	\$ .18	\$ .22	\$ .22	\$ .22	\$ .84
3. Tangible Book Value	\$17.14	\$17.71	\$18.16	\$19.12	
<b><u>2019</u></b>	<b><u>Q1</u></b>	<b><u>Q2</u></b>	<b><u>Q3</u></b>	<b><u>Q4</u></b>	<b><u>Total</u></b>
1. Earnings Per Share	\$ .78	\$ .83 <sup>1</sup>	\$ .71 <sup>1</sup>	\$ .87 <sup>1</sup>	\$ 3.19
2. Dividends	\$ .22	\$ .26	\$ .26	\$ .26	\$ 1.00
3. Tangible Book Value	\$20.07	\$21.01	\$21.26	\$21.94	

<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

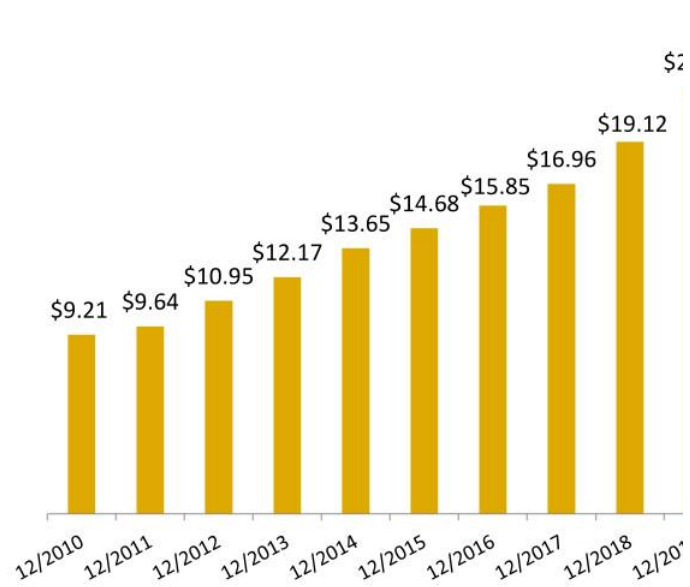
# Dividends and Tangible Book Value

## Quarterly Dividends



2.50% Forward Dividend Yield  
Equals 31.4% Dividend Payout Ratio

## Tangible Book Value



Compound Annual Growth Rate of 10.13%

# John J. Martin

Executive Vice President

Chief Credit Officer



# Loan Portfolio Trends

(\$ in Millions)	2017	2018	Q3-'19	2019	Change Linked Quarter		Change 2019 Over 2017	
					\$	%	\$	%
1. Commercial & Industrial	\$ 1,494	\$ 1,727	\$ 2,034	\$ 2,110	\$ 76	3.7%	\$ 383	22.3%
2. CRE Owner Occupied	700	725	892	910	18	2.0%	185	25.0%
3. Construction, Land and Land Development	612	546	670	787	117	17.5%	241	44.3%
4. CRE Non-Owner Occupied	1,618	1,865	2,012	1,903	(109)	(5.4%)	38	2.3%
5. Agricultural Production	122	92	91	94	3	3.3%	2	1.6%
6. Agricultural Land	244	242	240	240	-	0.0%	(2)	(0.8%)
7. Public Finance/Other Commercial	<u>397</u>	<u>433</u>	<u>472</u>	<u>547</u>	<u>75</u>	15.9%	<u>114</u>	26.2%
8. <b>Total Commercial Loans</b>	<b>5,187</b>	<b>5,630</b>	<b>6,411</b>	<b>6,591</b>	<b>180</b>	<b>2.8%</b>	<b>961</b>	<b>17.1%</b>
9. Residential Mortgage	970	970	1,161	1,149	(12)	(1.0%)	179	18.4%
10. Home Equity	514	528	601	589	(12)	(2.0%)	61	11.8%
11. Other Consumer	<u>87</u>	<u>101</u>	<u>134</u>	<u>139</u>	<u>5</u>	3.7%	<u>38</u>	37.1%
12. <b>Total Residential Mortgage and Consumer Loans</b>	<b>1,571</b>	<b>1,599</b>	<b>1,896</b>	<b>1,877</b>	<b>(19)</b>	<b>(1.0%)</b>	<b>278</b>	<b>17.7%</b>
13. <b>Total Loans</b>	<b>\$ 6,758</b>	<b>\$ 7,229</b>	<b>\$ 8,307</b>	<b>\$ 8,468</b>	<b>\$ 161</b>	<b>1.9%</b>	<b>\$ 1,239</b>	<b>17.1%</b>
Construction Concentration <sup>1</sup>	60%	50%	54%	62%				
Investment RE Concentration <sup>1</sup>	219%	221%	216%	212%				

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

# Asset Quality Summary

(\$ in Millions)

	<u>2017</u>	<u>2018</u>	<u>Q3-'19</u>	<u>2019</u>	Change Linked Quarter		Change 2019 Over 2018	
					<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
1. Non-Accrual Loans	\$ 28.7	\$ 26.1	\$ 22.7	\$ 16.0	\$ (6.7)	(29.5%)	\$ (10.1)	(38.7%)
2. Other Real Estate	10.4	2.2	7.1	7.5	0.4	5.6%	5.3	240.9%
3. Renegotiated Loans	1.0	1.1	0.6	0.8	0.2	33.3%	(0.3)	(27.3%)
4. 90+ Days Delinquent Loans	0.9	1.9	0.1	0.1	-	0.0%	(1.8)	(94.7%)
<b>5. Total NPAs &amp; 90+ Days Delinquent</b>	<b>\$ 41.0</b>	<b>\$ 31.3</b>	<b>\$ 30.5</b>	<b>\$ 24.4</b>	<b>\$ (6.1)</b>	<b>(20.0%)</b>	<b>\$ (6.9)</b>	<b>(22.0%)</b>
6. Total NPAs & 90+ Days/Loans & ORE	0.6%	0.4%	0.4%	0.3%				
<b>7. Classified Loans</b>	<b>\$142.8</b>	<b>\$167.4</b>	<b>\$181.8</b>	<b>\$ 200.1</b>	<b>\$ 18.3</b>	<b>10.1%</b>	<b>\$ 32.7</b>	<b>19.6%</b>
<b>8. Classified Loans/Total Loans</b>	<b>2.1%</b>	<b>2.3%</b>	<b>2.2%</b>	<b>2.4%</b>				

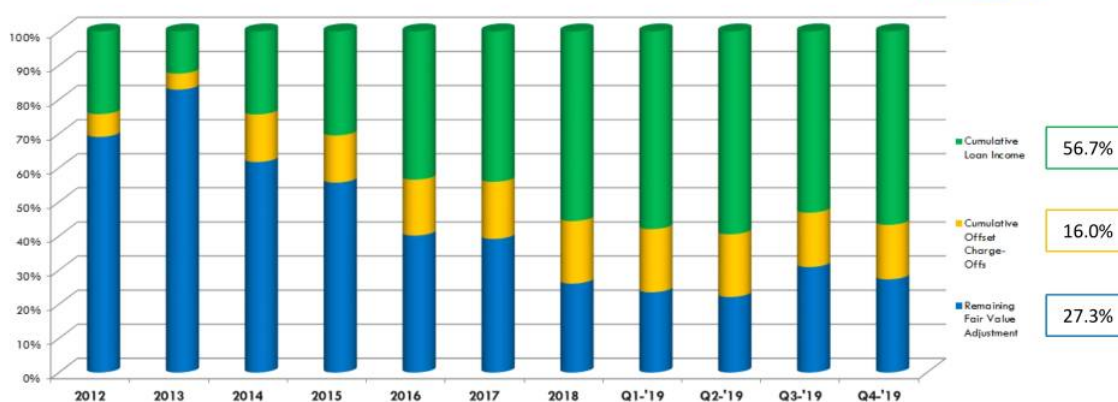
# Non-Performing Asset Reconciliation

(\$ in Millions)

	<u>2017</u>	<u>2018</u>	<u>2019</u>
1. <b>Beginning Balance NPAs &amp; 90+ Days Delinquent</b>	\$ 43.8	\$ 41.0	\$ 31.3
<u>Non-Accrual</u>			
2. Add: New Non-Accruals	30.1	24.2	16.7
3. Less: To Accrual/Payoff/Renegotiated	(18.3)	(18.2)	(12.8)
4. Less: To OREO	(8.1)	(0.6)	(7.4)
5. Less: Charge-offs	<u>(5.0)</u>	<u>(8.0)</u>	<u>(6.6)</u>
6. <b>Increase / (Decrease): Non-Accrual Loans</b>	<b>(1.3)</b>	<b>(2.6)</b>	<b>(10.1)</b>
<u>Other Real Estate Owned (ORE)</u>			
7. Add: New ORE Properties	8.1	0.6	7.5
8. Less: ORE Sold	(5.6)	(8.2)	(1.4)
9. Less: ORE Losses (write-downs)	<u>(1.1)</u>	<u>(0.6)</u>	<u>(0.8)</u>
10. <b>Increase / (Decrease): ORE</b>	<b>1.4</b>	<b>(8.2)</b>	<b>5.3</b>
11. <b>Increase / (Decrease): 90+ Days Delinquent</b>	<b>0.8</b>	<b>1.0</b>	<b>(1.8)</b>
12. <b>Increase / (Decrease): Renegotiated Loans</b>	<b>(3.7)</b>	<b>0.1</b>	<b>(0.3)</b>
13. <b>Total NPAs &amp; 90+ Days Delinquent Change</b>	<b>(2.8)</b>	<b>(9.7)</b>	<b>(6.9)</b>
14. <b>Ending Balance NPAs &amp; 90+ Days Delinquent</b>	\$ 41.0	\$ 31.3	\$ 24.4

# ALLL and Fair Value Summary

(\$ in Millions)	Q1-'19	Q2-'19	Q3-'19	Q4-'19
1. Beginning Allowance for Loan Losses (ALLL)	\$ 80.6	\$ 80.9	\$ 81.3	\$ 80.6
2. Less: Net Charge-offs (Recoveries)	0.9	0.1	1.3	0.8
3. Add: Provision Expense	<u>1.2</u>	<u>0.5</u>	<u>0.6</u>	<u>0.5</u>
4. Ending Allowance for Loan Losses (ALLL)	\$ 80.9	\$ 81.3	\$ 80.6	\$ 80.3
5. Specific Reserves	\$ 1.6	\$ 2.3	\$ 2.3	\$ 0.7
6. ALLL/Non-Accrual Loans	289.5%	317.0%	354.5%	503.4%
7. ALLL/Non-Purchased Loans	1.24%	1.19%	1.16%	1.11%
8. ALLL/Loans	1.11%	1.08%	0.97%	0.95%
9. Fair Value Adjustment (FVA)	\$ 27.8	\$ 25.6	\$ 41.3	\$ 36.6
10. Total ALLL plus FVA	108.7	106.8	121.9	116.9
11. Purchased Loans plus FVA	809.9	732.5	1,410.3	1,271.2
12. FVA/Purchased Loans plus FVA	3.43%	3.49%	2.93%	2.88%



# Portfolio Summary

- › Continued improving Non-Performing Asset trends both quarterly and year-over-year.
- › Solid quarterly loan growth with strength in C& I, Construction and Public Finance.
- › Michigan portfolio performing similar to anticipated by due diligence.  
Close match of asset types and asset quality to the existing portfolio.
- › CECL work complete while auditors and model validators continuing completion of their work.
- › Allowance for Credit Losses expected to increase between 55-65% from current Allowance of \$80.3 Million as of 12/31/19 with an anticipated reserve of approximately \$18 Million in Other Liabilities for unfunded commitments.

# Michael C. Rechin

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President  
Chief Executive Officer

# Looking Forward...

- › Establish First Merchants Brand in Michigan Market
  - › Leadership
  - › Relationship Management and Growth
- › Expand Community Lending Model throughout our Primary Metro Markets
- › Grow Net Interest Income, Continue Pricing Discipline
- › Evolving Digital Delivery Investment Strategy
- › Top 5 Ranking *Forbes Magazine America's Best Banks...* Three Years Running



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)

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# Appendix

# Appendix – Non-GAAP Reconciliation

## CAPITAL RATIOS (dollars in thousands):

	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	
<b>Total Risk-Based Capital Ratio</b>									
Total Stockholders' Equity (GAAP)	1,303,463	1,313,073	1,340,328	1,361,426	1,408,260	1,455,848	1,501,636	1,749,012	1,78
Adjust for Accumulated Other Comprehensive (Income) Loss	3,534	21,725	24,868	35,409	21,422	1,595	(14,602)	(25,648)	(2)
Less: Preferred Stock	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)
Add: Qualifying Capital Securities	65,919	65,975	66,030	66,086	66,141	66,197	66,252	66,308	6
Less: Tier 1 Capital Deductions	-	-	-	-	-	-	-	-	-
Less: Disallowed Goodwill and Intangible Assets	(464,066)	(467,518)	(466,063)	(464,658)	(463,525)	(462,202)	(460,885)	(570,098)	(56)
Less: Disallowed Deferred Tax Assets	-	(2,594)	(2,104)	(1,111)	-	(4,037)	(2,587)	(3,460)	
Total Tier 1 Capital (Regulatory)	\$ 908,725	\$ 930,536	\$ 962,934	\$ 997,027	\$ 1,032,173	\$ 1,057,276	\$ 1,089,689	\$ 1,215,989	\$ 1,25
Qualifying Subordinated Debentures	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	6
Allowance for Loan Losses includible in Tier 2 Capital	75,032	76,420	77,543	78,406	80,552	80,902	81,274	80,571	8
Total Risk-Based Capital (Regulatory)	\$ 1,048,757	\$ 1,071,956	\$ 1,105,477	\$ 1,140,433	\$ 1,177,725	\$ 1,203,178	\$ 1,235,963	\$ 1,361,560	\$ 1,40
Net Risk-Weighted Assets (Regulatory)	\$ 7,660,604	\$ 7,831,727	\$ 8,002,666	\$ 8,001,191	\$ 8,060,882	\$ 8,176,677	\$ 8,491,188	\$ 9,474,126	\$ 9,79
<b>Total Risk-Based Capital Ratio (Regulatory)</b>	<b>13.69%</b>	<b>13.69%</b>	<b>13.81%</b>	<b>14.25%</b>	<b>14.61%</b>	<b>14.71%</b>	<b>14.56%</b>	<b>14.37%</b>	<b>1</b>
<b>Common Equity Tier 1 Capital Ratio</b>									
Total Tier 1 Capital (Regulatory)	\$ 908,725	\$ 930,536	\$ 962,934	\$ 997,027	\$ 1,032,173	\$ 1,057,276	\$ 1,089,689	\$ 1,215,989	\$ 1,25
Less: Qualified Capital Securities	(65,919)	(65,975)	(66,030)	(66,086)	(66,141)	(66,197)	(66,252)	(66,308)	(6)
Add: Additional Tier 1 Capital Deductions	-	-	-	-	-	-	-	-	-
Common Equity Tier 1 Capital (Regulatory)	\$ 842,806	\$ 864,561	\$ 896,904	\$ 930,941	\$ 966,032	\$ 991,079	\$ 1,023,437	\$ 1,149,681	\$ 1,18
Net Risk-Weighted Assets (Regulatory)	\$ 7,660,604	\$ 7,831,727	\$ 8,002,666	\$ 8,001,191	\$ 8,060,882	\$ 8,176,677	\$ 8,491,188	\$ 9,474,126	\$ 9,79
<b>Common Equity Tier 1 Capital Ratio (Regulatory)</b>	<b>11.00%</b>	<b>11.04%</b>	<b>11.21%</b>	<b>11.64%</b>	<b>11.98%</b>	<b>12.12%</b>	<b>12.05%</b>	<b>12.14%</b>	<b>1</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):

	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Total Stockholders' Equity (GAAP)	\$ 1,303,463	\$ 1,313,073	\$ 1,340,328	\$ 1,361,426	\$ 1,408,260	\$ 1,455,848	\$ 1,501,636	\$ 1,749,012
Less: Preferred Stock	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)
Less: Intangible Assets	(476,503)	(474,777)	(473,059)	(471,409)	(469,784)	(468,256)	(466,736)	(579,751)
<b>Tangible Common Equity (non-GAAP)</b>	<b>\$ 826,835</b>	<b>\$ 838,171</b>	<b>\$ 867,144</b>	<b>\$ 889,892</b>	<b>\$ 938,351</b>	<b>\$ 987,467</b>	<b>\$ 1,034,775</b>	<b>\$ 1,169,136</b>
Total Assets (GAAP)	\$ 9,367,478	\$ 9,472,796	\$ 9,734,715	\$ 9,787,282	\$ 9,884,716	\$ 10,210,925	\$ 10,737,857	\$ 12,325,061
Less: Intangible Assets	(476,503)	(474,777)	(473,059)	(471,409)	(469,784)	(468,256)	(466,736)	(579,751)
<b>Tangible Assets (non-GAAP)</b>	<b>\$ 8,890,975</b>	<b>\$ 8,998,019</b>	<b>\$ 9,261,656</b>	<b>\$ 9,315,873</b>	<b>\$ 9,414,932</b>	<b>\$ 9,742,669</b>	<b>\$ 10,271,121</b>	<b>\$ 11,745,310</b>
<b>Tangible Common Equity Ratio (non-GAAP)</b>	<b>9.30%</b>	<b>9.32%</b>	<b>9.36%</b>	<b>9.55%</b>	<b>9.97%</b>	<b>10.14%</b>	<b>10.07%</b>	<b>9.95%</b>

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

	4Q10	4Q11	4Q12	4Q13	4Q14	4Q15	4Q16	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Total Stockholders' Equity (GAAP)	\$ 454,408	\$ 514,467	\$ 552,236	\$ 634,923	\$ 726,827	\$ 850,509	\$ 901,657	\$ 1,303,463	\$ 1,313,073	\$ 1,340,328	\$ 1,361,426	\$ 1,408,260	\$ 1,455,848	\$ 1,501,636	\$ 1,749,012
Less: Preferred Stock	(67,880)	(90,783)	(90,908)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)
Less: Intangible Assets	(154,019)	(150,471)	(149,529)	(202,767)	(218,755)	(259,764)	(258,866)	(476,503)	(474,777)	(473,059)	(471,409)	(469,784)	(468,256)	(466,736)	(579,751)
Tax Benefit	2,907	2,224	2,249	4,973	6,085	6,278	5,930	6,788	6,043	5,690	5,351	5,017	4,703	4,391	7,627
<b>Tangible Common Equity, Net of Tax (non-GAAP)</b>	<b>\$ 235,416</b>	<b>\$ 275,437</b>	<b>\$ 314,048</b>	<b>\$ 437,004</b>	<b>\$ 514,032</b>	<b>\$ 596,898</b>	<b>\$ 648,596</b>	<b>\$ 833,623</b>	<b>\$ 844,214</b>	<b>\$ 872,834</b>	<b>\$ 895,243</b>	<b>\$ 943,368</b>	<b>\$ 992,170</b>	<b>\$ 1,039,166</b>	<b>\$ 1,176,763</b>
Shares Outstanding	25,574,251	28,559,707	28,692,616	35,921,761	37,669,948	40,664,258	40,912,697	49,158,238	49,243,096	49,280,188	49,304,542	49,349,800	49,428,468	49,456,594	55,345,672
<b>Tangible Common Equity per Share (non-GAAP)</b>	<b>\$ 9.21</b>	<b>\$ 9.64</b>	<b>\$ 10.95</b>	<b>\$ 12.17</b>	<b>\$ 13.65</b>	<b>\$ 14.68</b>	<b>\$ 15.85</b>	<b>\$ 16.96</b>	<b>\$ 17.14</b>	<b>\$ 17.71</b>	<b>\$ 18.16</b>	<b>\$ 19.12</b>	<b>\$ 20.07</b>	<b>\$ 21.01</b>	<b>\$ 21.26</b>

# Appendix – Non-GAAP Reconciliation

## EFFICIENCY RATIO (dollars in thousands):

	2017	2018	1Q19	2Q19	3Q19	4Q19	2019
Non Interest Expense (GAAP)	\$ 205,556	\$ 219,951	\$ 56,621	\$ 57,587	\$ 67,354	\$ 65,201	\$ 246,763
Less: Intangible Asset Amortization	(5,647)	(6,719)	(1,528)	(1,520)	(1,356)	(1,590)	(5,994)
Less: OREO and Foreclosure Expenses	(1,903)	(1,470)	(1,165)	(903)	(294)	(66)	(2,428)
Adjusted Non Interest Expense (non-GAAP)	198,006	211,762	53,928	55,164	65,704	63,545	238,341
Net Interest Income (GAAP)	277,284	338,857	84,866	85,278	88,932	97,584	356,660
Plus: Fully Taxable Equivalent Adjustment	17,270	10,732	2,930	3,109	3,412	3,633	13,085
Net Interest Income on a Fully Taxable Equivalent Basis (non-GAAP)	294,554	349,589	87,796	88,387	92,344	101,217	369,745
Non Interest Income (GAAP)	71,009	76,459	18,713	21,614	22,116	24,245	86,688
Less: Investment Securities Gains (Losses)	(2,631)	(4,269)	(1,140)	(1,843)	(393)	(1,039)	(4,415)
Adjusted Non Interest Income (non-GAAP)	68,378	72,190	17,573	19,771	21,723	23,206	82,273
Adjusted Revenue (non-GAAP)	362,932	421,779	105,369	108,158	114,067	124,423	452,018
<b>Efficiency Ratio (non-GAAP)</b>	<b>54.56%</b>	<b>50.21%</b>	<b>51.18%</b>	<b>51.00%</b>	<b>57.60%</b>	<b>51.07%</b>	<b>52.73%</b>

## FORWARD DIVIDEND YIELD

	4Q19
Most recent quarter's dividend per share	\$ 0.26
Most recent quarter's dividend per share - Annualized	\$ 1.04
Stock Price at 12/31/19	\$ 41.59
<b>Forward Dividend Yield</b>	<b>2.50%</b>

## DIVIDEND PAYOUT RATIO

	2019 YTD
Dividends per share	\$ 1.00
Earnings Per Share	\$ 3.19
<b>Dividend Payout Ratio</b>	<b>31.4%</b>

# Appendix – Non-GAAP Reconciliation

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

	2017	2018	3Q19	2019
<b>Total Risk-Based Capital (Subsidiary Bank Only)</b>				
Total Stockholders' Equity (GAAP)	\$ 1,404,303	\$ 1,456,220	\$ 1,764,062	\$ 1,787,006
Adjust for Accumulated Other Comprehensive (Income) Loss <sup>1</sup>	763	19,031	(28,403)	(30,495)
Less: Preferred Stock	(125)	(125)	(125)	(125)
Less: Tier 1 Capital Deductions	-	-	-	-
Less: Disallowed Goodwill and Intangible Assets	(463,618)	(463,076)	(569,648)	(569,021)
Less: Disallowed Deferred Tax Assets	-	-	(2,917)	-
Total Tier 1 Capital (Regulatory)	941,323	1,012,050	1,162,969	1,187,365
Allowance for Loan Losses includible in Tier 2 Capital	75,032	80,552	80,571	80,284
<b>Total Risk-Based Capital (Regulatory)</b>	<b>\$ 1,016,355</b>	<b>\$ 1,092,602</b>	<b>\$ 1,243,540</b>	<b>\$ 1,267,649</b>
Construction, Land and Land Development Loans	\$ 612,219	\$ 545,729	\$ 670,138	\$ 787,568
<b>Concentration as a % of the Bank's Risk-Based Capital</b>	<b>60%</b>	<b>50%</b>	<b>54%</b>	<b>62%</b>
Construction, Land and Land Development Loans	\$ 612,219	\$ 545,729	\$ 670,138	\$ 787,568
Investment Real Estate Loans	1,617,943	1,865,544	2,012,430	1,902,692
Total Construction and Investment RE Loans	\$ 2,230,162	\$ 2,411,273	\$ 2,682,568	\$ 2,690,260
<b>Concentration as a % of the Bank's Risk-Based Capital</b>	<b>219%</b>	<b>221%</b>	<b>216%</b>	<b>212%</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.

## ALLOWANCE AS A PERCENTAGE OF NON-PURCHASED LOANS (dollars in thousands):

	1Q19	2Q19	3Q19	4Q19
Loans Held for Sale (GAAP)	\$ 3,330	\$ 5,854	\$ 7,910	\$ 9,037
Loans (GAAP)	7,299,320	7,511,370	8,299,260	8,459,310
Total Loans	7,302,650	7,517,224	8,307,170	8,468,347
Less: Purchased Loans	(782,114)	(706,916)	(1,369,064)	(1,234,616)
<b>Non-Purchased Loans (non-GAAP)</b>	<b>\$ 6,520,536</b>	<b>\$ 6,810,308</b>	<b>\$ 6,938,106</b>	<b>\$ 7,233,731</b>
Allowance for Loan Losses (GAAP)	\$ 80,902	\$ 81,274	\$ 80,571	\$ 80,284
Fair Value Adjustment (FVA) (GAAP)	27,768	25,545	41,265	36,622
<b>Allowance plus FVA (non-GAAP)</b>	<b>\$ 108,670</b>	<b>\$ 106,819</b>	<b>\$ 121,836</b>	<b>\$ 116,906</b>
Purchased Loans (GAAP)	\$ 782,114	\$ 706,916	\$ 1,369,064	\$ 1,234,616
Fair Value Adjustment (FVA) (GAAP)	27,768	25,545	41,265	36,622
<b>Purchased Loans plus FVA (non-GAAP)</b>	<b>\$ 809,882</b>	<b>\$ 732,461</b>	<b>\$ 1,410,329</b>	<b>\$ 1,271,238</b>
<b>Allowance as a Percentage of Non-Purchased Loans (non-GAAP)</b>	<b>1.24%</b>	<b>1.19%</b>	<b>1.16%</b>	<b>1.11%</b>
<b>FVA as a Percentage of Purchased Loans plus FVA (non-GAAP)</b>	<b>3.43%</b>	<b>3.49%</b>	<b>2.93%</b>	<b>2.88%</b>

