

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 28, 2021

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 Thursday, January 28, 2021, First Merchants Corporation will conduct a fourth 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
Exhibit 104

[Slide Presentation utilized on January 28, 2021, during conference call and web cast by First Merchants Corporation](#)
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/ Michele M. Kawiecki
Michele M. Kawiecki
Chief Financial Officer

Dated: January 28, 2021

EXHIBIT INDEX

| <u>Exhibit</u> | <u>Description</u> |
|----------------|--|
| Exhibit 99.1 | Slide Presentation, utilized on January 28, 2021, during conference call and web cast by First Merchants Corporation |
| Exhibit 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |



**First Merchants
Corporation**
NASDAQ: FRME

INVESTOR UPDATE
Fourth Quarter 2020

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 effects of a pandemic or other unforeseeable event; 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.

Executive Management Team



FMB:
24 Yrs

Banking:
24 Yrs

Mark Hardwick **Chief Executive Officer**

Mark K. Hardwick currently serves as the Chief Executive Officer of First Merchants Corporation and First Merchants Bank. Mark joined First Merchants in November of 1997 as Corporate Controller and was promoted to Chief Financial Officer in April of 2002. In 2016, Mark's title was expanded to include Chief Operating Officer, overseeing the leadership responsibilities for finance, operations, technology, risk, legal, and facilities corporation. Prior to joining First Merchants Corporation, Mark served as a senior accountant with BKD, LLP in Indianapolis. Mark is a graduate of Ball State University with a Master of Business Administration and Bachelor's degree in Accounting. He is also a certified accountant and a graduate of the Stonier School of Banking.



FMB:
13 Yrs

Banking:
33 Yrs

Mike Stewart **President**

Mike Stewart currently serves as President for First Merchants Corporation and First Merchants Bank overseeing the Commercial, Private and Consumer Lines of Business for the Bank. Mike joined the bank in 2008 as Chief Banking Officer. Prior to joining First Merchants, Mike spent 18 years with National City Bank having served as Chief Credit Officer of the Indiana Bank. Mike has a Master of Business Administration from Butler University and a Bachelor's degree in Finance from Millikin University.



FMB:
14 Yrs

Banking:
32 Yrs

John Martin **Chief Credit Officer**

John Martin currently serves as Executive Vice President and Chief Credit Officer of First Merchants Corporation overseeing the Commercial, Small Business and Consumer Credit functions, as well as the Mortgage Line of Business. Prior to joining First Merchants, John spent 18 years with National City Bank in various sales and senior credit roles. John is a graduate of Indiana University where he earned a Bachelor of Science in Economics. He also holds a Master of Business Administration in Finance from Case Western Reserve University.



FMB:
6 Yrs

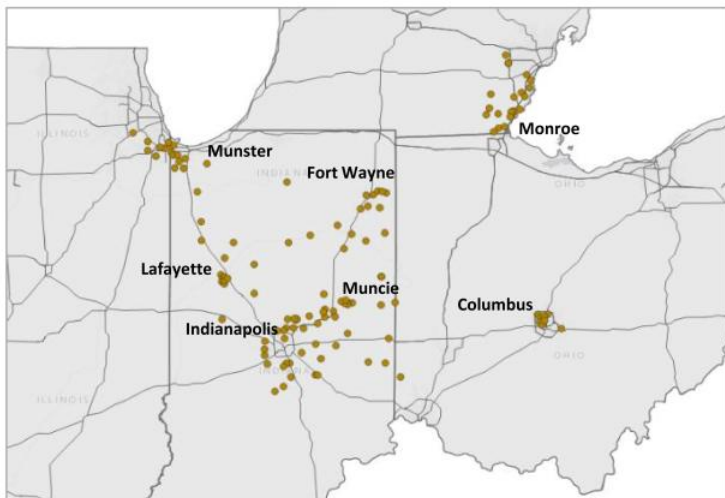
Banking:
18 Yrs

Michele Kawiecki **Chief Financial Officer**

Michele Kawiecki currently serves as Executive Vice President and Chief Financial Officer for First Merchants Corporation and First Merchants Bank. Michele joined First Merchants in 2015 as Director of Finance. Prior to joining First Merchants, Michele spent 12 years with UMB Financial Corporation in Kansas City, Missouri having served as Senior Vice President of Capital Management and Assistant Treasurer; Director of Finance Development and the Enterprise Project Management Office; and Chief Risk Officer. Prior to UMB, she worked for PriceWaterhouseCoopers as an Audit Manager. Michele earned both a Master of Science in Accounting and an Executive Master of Business Administration from the University of Missouri-Kansas City and a Bachelor's degree in Accounting from Dakota Wesleyan University.

First Merchants Corporation (NASDAQ: FRME)

Largest financial services holding company
headquartered in Central Indiana

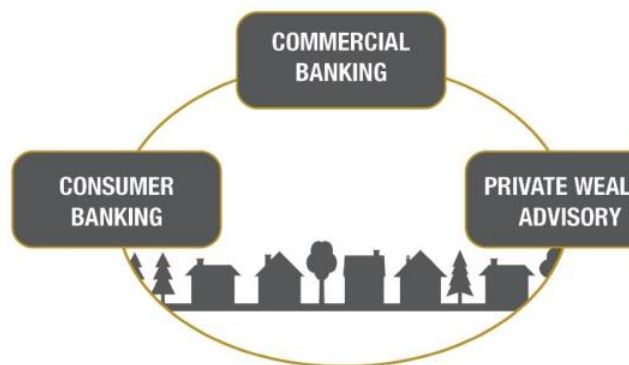


Full-Service Banking Footprint with 124 Branches
Muncie • Indianapolis • Lafayette • Fort Wayne • Munster
Columbus OH • Monroe MI

Financial Highlights as of 12/31/20

| | |
|---|--------------------------|
| \$14.1 Billion Total Assets | YTD ROAA: 1. |
| \$9.2 Billion Total Loans | YTD Return on TCE 12. |
| \$11.4 Billion Total Deposits | TCE/TA: 9. |
| \$4.3 Billion Assets Under Management | Market Cap \$ |
| | Dividend Yield: 2. |
| | Price / Tangible Book: 1 |
| | Price / 2021 Est. EPS: 1 |

Diverse & Complementary Lines of Business



Strategy & Key Lines of Business

Our Vision

To enhance the financial wellness of the diverse communities we serve

Our Mission

To be the most responsive, knowledgeable, and high-performing bank for our clients, teammates and shareholders

Commercial Banking

- ✓ Full Spectrum of Debt Capital Offerings Located in Prime Growth Markets
 - › Small Business & SBA
 - › Middle Market C&I
 - › Investment Real Estate
 - › Public Finance
 - › Structured Finance
 - › Asset Based Lending
 - › Syndications
 - › Treasury Management Services
 - › Merchant Processing Services
- ✓ Hire and Develop the Best Talent

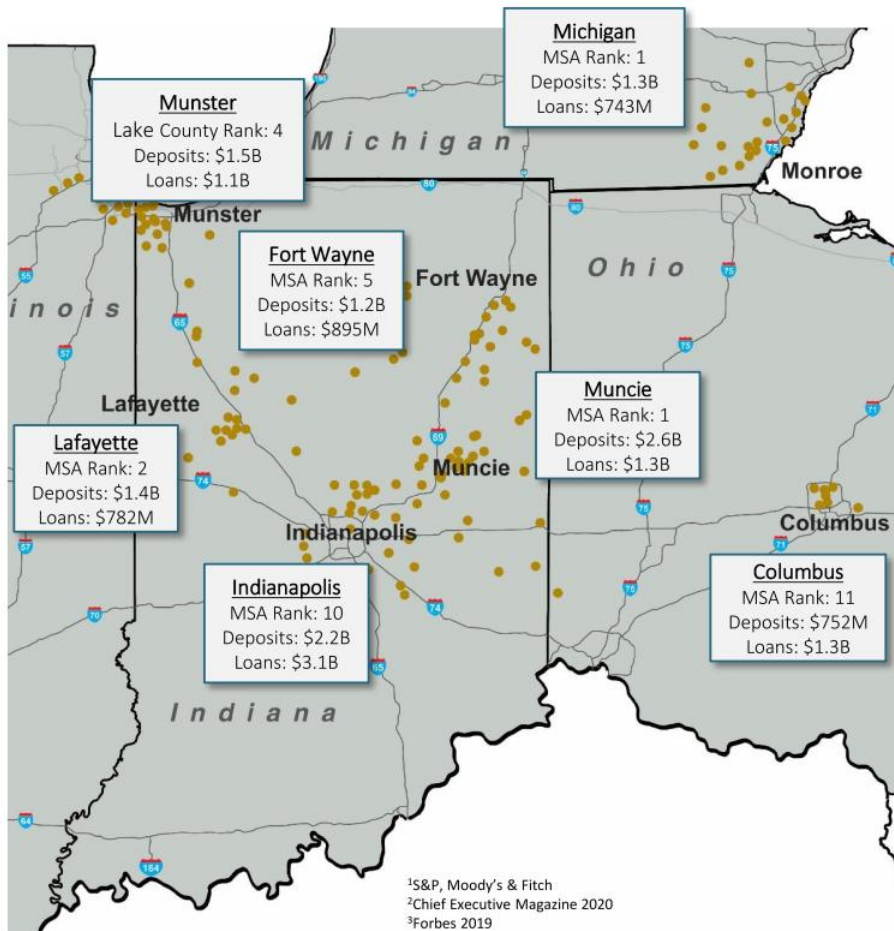
Consumer Banking

- ✓ Diverse Locations in Stable Rural and Growth Metro Markets
- ✓ Supported by:
 - › Talented Customer Service Oriented Banking Center and Call Center Professionals
 - › Competitive Digital Solutions
 - Deposit and CRM
 - Online Banking
 - Mobile Banking
 - › Full Spectrum of Consumer Lending Offerings

Private Wealth Advisory

- ✓ Comprehensive and coordinate approach to personal wealth management
- ✓ Expertise in:
 - › Investment Management
 - › Private Banking
 - › Fiduciary Estate
 - › Financial Planning
- ✓ Strengthen commercial relationships with personal services for executives/owners and retirement plan services for companies
- ✓ Partner with consumer to offer personal investment advice through First Merchants Investment Services

Attractive Markets of Operation



¹S&P, Moody's & Fitch
²Chief Executive Magazine 2020
³Forbes 2019
 Unless otherwise noted, source state govt. website
 MSA ranking data per S&P Global and is pro forma for pending transactions

Indiana

- AAA Credit Rating Since 2008¹
- #1 Ranked Manufacturing State in the N
- 1st in Midwest and 5th Nationally for Bes for Doing Business²
- 1st Nationally for Highway Accessibility
- 5th for Best Business Regulatory Climate

Ohio

- 7th Largest Economy in the Nation
- 2nd in Midwest and 9th Nationally for Bes State for Doing Business²

Michigan

- 3rd in Midwest and 13th Nationally for Be for Doing Business²
- 1st in the Nation for Automotive Manufa

Illinois

- 5th Largest Economy in the Nation and 1 Largest Worldwide

Fourth Quarter Highlights

ROA (Annualized)

1.29% ROA

1.64% PTPP ROA

Net Income & EPS

\$45.1 Million

\$0.83 Per Share

Loan Growth (Annualized)

11.2% w/o PPP

0% w/PPP

- Announced the acquisition of Hoosier Trust Company
- Received regulatory approval for a \$100 Million Share Repurchase Plan from Federal Reserve
- Opened Avondale Meadows Banking Center in Indianapolis
- Announced the consolidation of 17 banking centers and investment in new technology to support customer demands and add back-office efficiency

Year End Highlights

ROA

1.10% ROA

1.70% PTPP ROA

Net Income & EPS

\$148.6 Million

\$2.74 Per Share

Loan Growth

1.3% w/o PPP

9.2% w/PPP

- Effectively navigated COVID
- Supported our clients and communities through two rounds of Paycheck Protection Program
- Grew the Bank's total assets by \$1.6B and increased deposits by \$1.5B
- Increased the Allowance for Loan Loss by \$50M, or 63% during the year

Fourth Quarter Financial Results

(\$M except per share data)

For the Three Months Ended,

Variance
Linked
Quarter

% Variance
Linked QTR-
Annualized

12/31/19 3/31/20 6/30/20 9/30/20 12/31/20

Balance Sheet & Asset Quality

| | 12/31/19 | 3/31/20 | 6/30/20 | 9/30/20 | 12/31/20 | Variance Linked Quarter | % Variance Linked QTR- Annualized |
|--------------------------|------------|------------|------------|------------|------------|-------------------------------|---|
| 1. Total Assets | \$12,457.3 | \$12,693.5 | \$13,819.4 | \$13,737.4 | \$14,067.2 | \$329.9 | 9.6% |
| 2. Total Loans | 8,468.3 | 8,611.9 | 9,299.4 | 9,247.0 | 9,247.1 | 0.1 | 0.0% |
| 3. Investments | 2,596.1 | 2,698.0 | 2,789.4 | 2,933.3 | 3,146.8 | 213.5 | 29.1% |
| 4. Deposits | 9,840.0 | 9,870.5 | 10,966.0 | 10,906.2 | 11,361.6 | 455.5 | 16.7% |
| 5. Common Equity | 1,786.3 | 1,777.8 | 1,809.0 | 1,833.5 | 1,875.5 | 42.0 | 9.2% |
| 6. TCE Ratio | 10.16% | 9.91% | 9.31% | 9.57% | 9.65% | 0.08% | |
| 7. Total RBC Ratio | 14.29 | 13.80 | 14.18 | 14.38 | 14.36 | -0.02 | |
| 8. ALLL / Loans | 0.95 | 1.15 | 1.30 | 1.37 | 1.41 | 0.04 | |
| 9. NCOs / Avg Loans | 0.04 | 0.03 | 0.01 | 0.30 | 0.02 | -0.28 | |
| 10. NPAs + 90PD / Assets | 0.20 | 0.19 | 0.46 | 0.49 | 0.47 | -0.02 | |

Summary Income Statement

| | 12/31/19 | 3/31/20 | 6/30/20 | 9/30/20 | 12/31/20 | Variance Linked Quarter | % Variance Linked QTR- Annualized |
|-------------------------------|----------|---------|---------|---------|----------|-------------------------------|---|
| 11. Net Interest Income | \$97.6 | \$93.9 | \$93.0 | \$92.9 | \$102.3 | \$9.4 | 40.4% |
| 12. Provision for Loan Losses | 0.5 | 19.8 | 21.9 | 12.5 | 4.5 | (8.1) | -257.1% |
| 13. Non-interest Income | 24.2 | 29.8 | 26.5 | 26.2 | 27.5 | 1.3 | 20.2% |
| 14. Non-interest Expense | 65.2 | 66.2 | 60.0 | 64.7 | 72.5 | 7.8 | 48.4% |
| 15. Pre-tax Income | 56.1 | 37.8 | 37.6 | 41.8 | 52.8 | 10.9 | 104.7% |
| 16. Provision for Taxes | 8.3 | 3.5 | 4.6 | 5.6 | 7.6 | 2.0 | 140.8% |
| 17. Net Income | 47.8 | 34.3 | 33.0 | 36.2 | 45.2 | 9.0 | 99.0% |
| 18. ROAA | 1.53% | 1.09% | 0.97% | 1.06% | 1.29% | 0.23% | |
| 19. ROAE | 10.82 | 7.55 | 7.35 | 7.91 | 9.72 | 1.81 | |
| 20. Net Interest Margin | 3.62 | 3.46 | 3.19 | 3.15 | 3.38 | 0.23 | |
| 21. Efficiency Ratio | 51.07 | 52.17 | 47.95 | 51.40 | 55.01 | 3.61 | |

Per Share

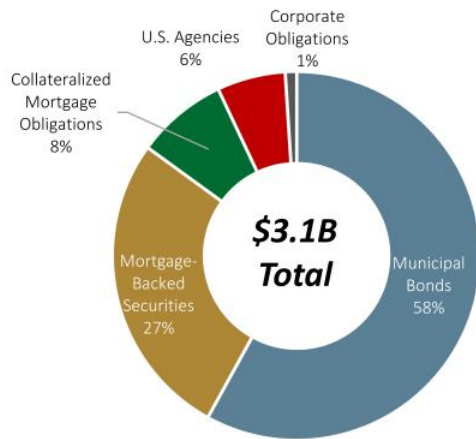
| | 12/31/19 | 3/31/20 | 6/30/20 | 9/30/20 | 12/31/20 | Variance Linked Quarter | % Variance Linked QTR- Annualized |
|-----------------------------------|----------|---------|---------|---------|----------|-------------------------------|---|
| 22. Earnings per Diluted Share | \$0.87 | \$0.62 | \$0.62 | \$0.67 | \$0.83 | \$0.16 | |
| 23. Tangible Book Value per Share | 21.94 | 22.46 | 23.04 | 23.48 | 24.27 | 0.79 | |
| 24. Dividend per Share | 0.26 | 0.26 | 0.26 | 0.26 | 0.26 | 0.00 | |
| 25. Dividend Payout Ratio | 29.9% | 41.9% | 41.9% | 38.8% | 31.3% | -7.5% | |

4Q20 Highlights

- **51.60 Efficiency Ratio** excluding branch consolidation charges of \$4.5M
- **Pre-Tax, Pre-Provision (PTPP) Earnings totaled \$57.3M**
- **Net interest income increased \$9.4M over prior quarter** which included increase of \$5.5M in PPP fees and interest income
- **ROE increased nearly 2% in Q4** compared to prior quarter

Investment Portfolio Highlights

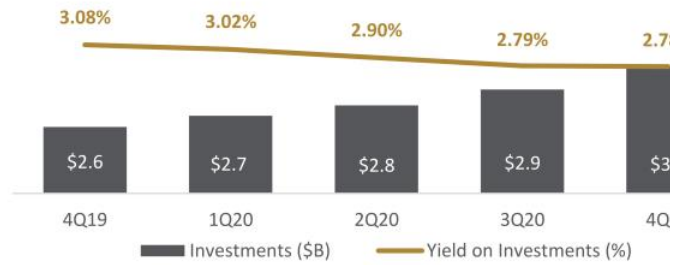
4Q20 Investment Portfolio Composition



Highlights

- Modified duration of 5.0 years
- Next 12 month roll off cash flow \$488 million / 1.78% yield
- Current purchase yield of 1.65%
- AA rated municipal bond portfolio

Yield on Investments(%) / Total Investments(\$B)



Investment Portfolio Gains

Unrealized Gains

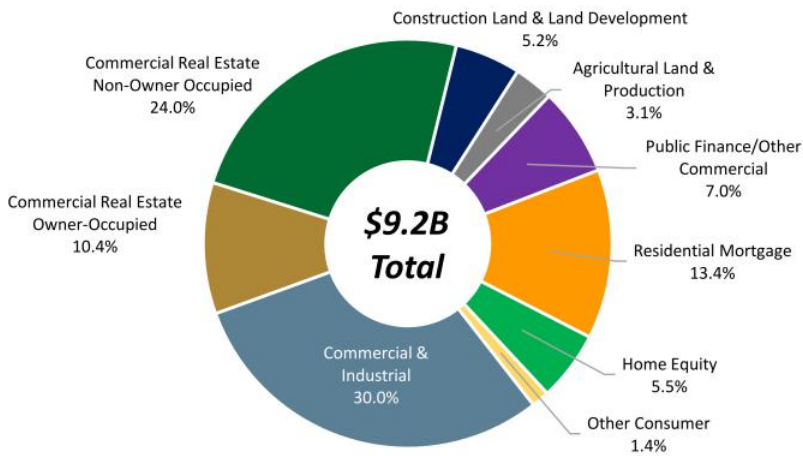
- Net unrealized Gain of \$164.5 Million

Realized Gains

- 1Q 2020 \$4.6 Million
- 2Q 2020 \$3.1 Million
- 3Q 2020 \$1.8 Million
- 4Q 2020 \$2.4 Million

Loan Portfolio Highlights

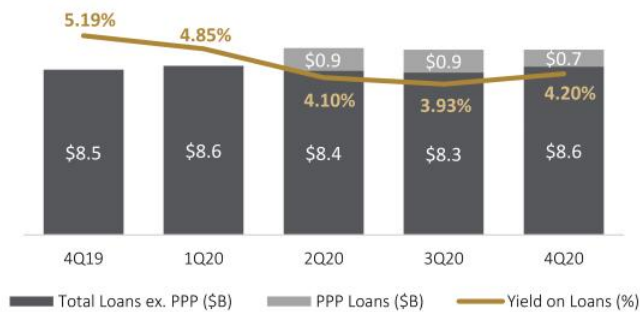
4Q20 Loan Composition



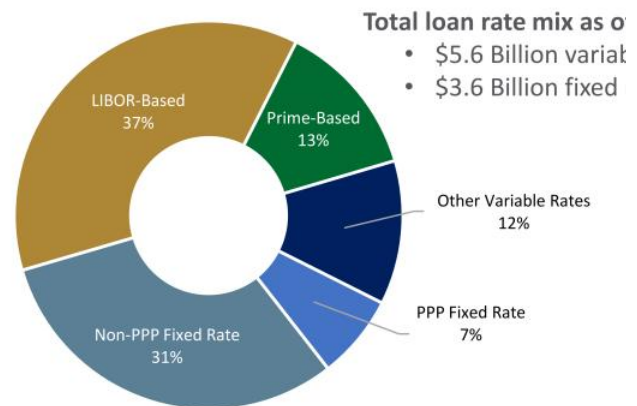
Highlights

- Portfolio composition remains ~80% Commercial oriented**
 - Composition mostly unchanged with slight reduction in C&I and construction lending over prior year, with increases in commercial real estate.
 - Contributing to a portion of the decrease in C&I construction balances was lower line utilization
- Loan yields remained strong at 4.20%, 3.96% excluding PPP loans**

Yield on Loans (%) / Total Loans (\$B)



4Q20 Portfolio by Yield Type



Allowance For Loan Losses

| | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 |
|---|----------------|----------------|-----------------|-----------------|-----------------|
| 1. Beginning Allowance for Loan Losses (ALLL) | \$ 80.6 | \$ 80.3 | \$ 99.5 | \$ 121.1 | \$ 126.7 |
| 2. Net Charge-offs | \$ (0.8) | \$ (0.6) | \$ (0.2) | \$ (6.9) | \$ (0.2) |
| 3. Provision Expense | \$ 0.5 | \$ 19.8 | \$ 21.9 | \$ 12.5 | \$ 4.2 |
| 4. Ending Allowance for Loan Losses | \$ 80.3 | \$ 99.5 | \$ 121.2 | \$ 126.7 | \$ 130.5 |
| 5. ALLL/Loans | 0.95% | 1.15% | 1.30% | 1.37% | 1.41% |
| 6. ALLL/Loans - PPP Loans | | | 1.44% | 1.52% | 1.52% |
| 7. Remaining Fair Value Adjustment | \$ 36.6 | \$ 33.1 | \$ 29.3 | \$ 26.0 | \$ 23.0 |

CECL Adoption

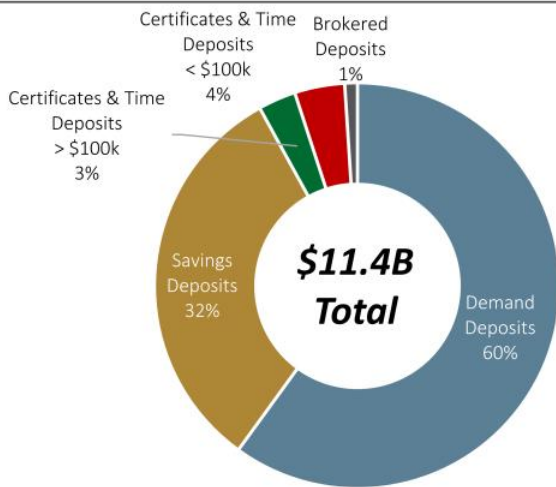
- January 1, 2021 CECL adoption elected (Allowed by the SEC through the passing of the 2021 Consolidated Appropriations Act in December)
- With this election, Day 1 adoption through equity is measured on January 1, 2021
- Reserve for unfunded commitments of \$20.5 Million will be recorded in Other Liabilities

ALLL 1/1/21

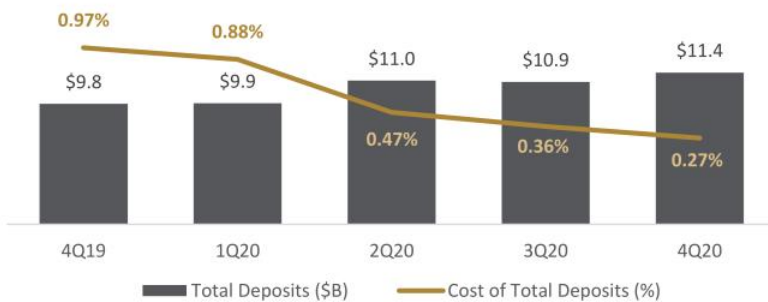


Deposit Portfolio Highlights

4Q20 Deposit Composition



Cost of Total Deposits (%) / Total Deposits (\$B)



Highlights

- **Strong core deposit base**
 - 20% non-interest bearing
 - 96% core deposits¹
 - Minimal reliance on brokered funding
- **4Q20 CD maturities totaled \$348M with average rate 1.67%**

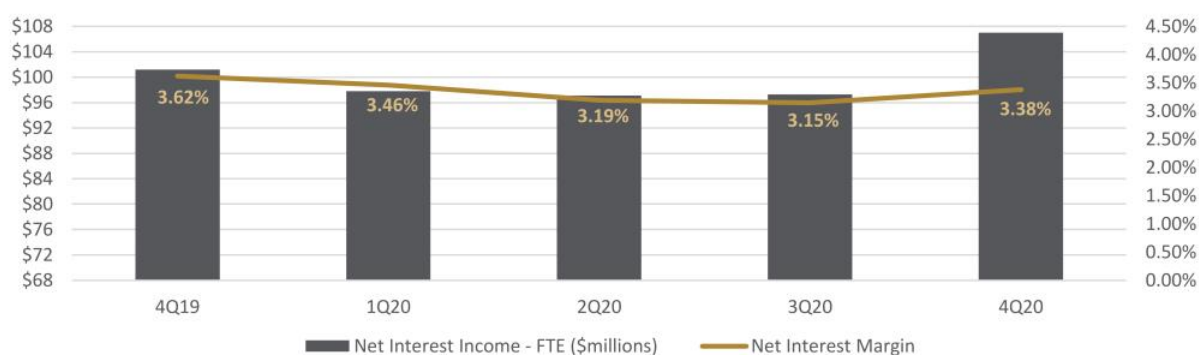
vs. Prior Periods

- **Total deposit costs declined to 0.27% for Q4**
 - Down 9 bps from 3Q20
 - Down 70 bps from 4Q19
- **Average deposits up 12% when annualized from 3Q and 22% over prior year**
 - Reflects retention of stimulus payments and consumer growth
 - Notable mix shift over 2020 from time deposit money market and non-time interest bearing accounts

¹Defined as total deposits less time deposits > :

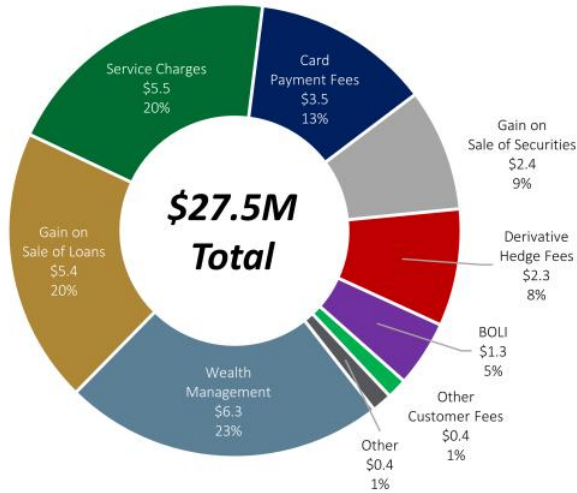
Net Interest Margin

| | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 |
|--|--------------|--------------|--------------|--------------|--------------|
| 1. Net Interest Income - FTE (\$millions) | \$101.2 | \$97.8 | \$97.1 | \$97.3 | \$107.3 |
| 2. Fair Value Accretion | \$5.0 | \$3.5 | \$3.7 | \$3.3 | \$3.3 |
| 3. PPP Loan Income | | | \$4.7 | \$6.1 | \$11.2 |
| 4. Tax Equivalent Yield on Earning Assets | 4.63% | 4.38% | 3.72% | 3.58% | 3.72% |
| 5. Interest Expense/Average Earning Assets | 1.01% | 0.92% | 0.53% | 0.43% | 0.34% |
| 6. Net Interest Margin | 3.62% | 3.46% | 3.19% | 3.15% | 3.38% |
| 7. Fair Value Accretion Effect | 0.18% | 0.12% | 0.12% | 0.10% | 0.09% |
| 8. Impact of PPP Loans | | | -0.06% | -0.07% | 0.16% |



Non-Interest Income Highlights

4Q20 Non-Interest Income Detail (\$M)



Highlights

- ~85% in Customer-related fees totaling \$23.3M for 4Q20 and \$91M for full year 2020
 - Increased 7% when annualized over Q320; 20% over prior year despite mid-year Durbin adoption
 - Record gain on sale of mortgage loans of \$18.3M for full year 2020
 - Record wealth management fee income year of \$23.7M with \$4.3B in assets under management

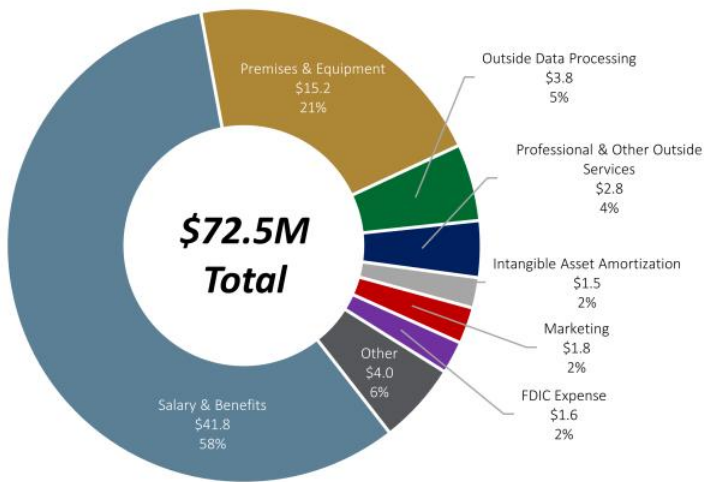
Non-Interest Income Trends (\$M)

Fee Income / Revenue



Non-Interest Expense Highlights

4Q20 Non-Interest Expense Detail



Highlights

- 4Q20 expenses include \$4.5M of branch consolidation charges and increases in incentives
- Incurred \$1.5M in 2020 for COVID related costs for cleaning and PPE

Non-Interest Expense Trends (\$M)

Efficiency Ratio



Capital Ratios

Tangible Common Equity Ratio



Common Equity Tier 1 Ratio



Total Risk-Based Capital Ratio



2020 Financial Results

(\$M except per share data)

| | For the Twelve Months Ended December 31, | | | Variance YOY | % Variance YOY |
|--|--|------------|------------|-----------------|-------------------|
| | 2018 | 2019 | 2020 | | |
| Balance Sheet & Asset Quality | | | | | |
| 1. Total Assets | \$9,884.7 | \$12,457.3 | \$14,067.2 | \$1,610.0 | 12.9% |
| 2. Total Loans | 7,229.2 | 8,468.3 | 9,247.1 | 778.8 | 9.2% |
| 3. Investments | 1,632.6 | 2,596.1 | 3,146.8 | 550.7 | 21.2% |
| 4. Deposits | 7,754.6 | 9,840.0 | 11,361.6 | 1,521.7 | 15.5% |
| 5. Common Equity | 1,408.1 | 1,786.3 | 1,875.5 | 89.2 | 5.0% |
| 6. TCE Ratio | 9.97% | 10.16% | 9.65% | -0.51% | |
| 7. Total RBC Ratio | 14.61 | 14.29 | 14.36 | 0.07 | |
| 8. ALLL / Loans | 1.11 | 0.95 | 1.41 | 0.46 | |
| 9. NCOs / Avg Loans | 0.02 | 0.04 | 0.09 | 0.05 | |
| 10. NPAs + 90PD / Assets | 0.32 | 0.20 | 0.47 | 0.27 | |
| Summary Income Statement | | | | | |
| 11. Net Interest Income | \$338.9 | \$356.7 | \$382.1 | \$25.5 | 7.1% |
| 12. Provision for Loan Losses | 7.2 | 2.8 | 58.7 | 55.9 | 1995.5% |
| 13. Non-interest Income | 76.5 | 86.7 | 109.9 | 23.2 | 26.8% |
| 14. Non-interest Expense | 220.0 | 246.8 | 263.4 | 16.6 | 6.7% |
| 15. Pre-tax Income | 188.1 | 193.8 | 170.0 | (23.8) | -12.3% |
| 16. Provision for Taxes | 29.0 | 29.3 | 21.4 | (8.0) | -27.1% |
| 17. Net Income | 159.1 | 164.5 | 148.6 | (15.9) | -9.6% |
| 18. ROAA | 1.64% | 1.48% | 1.10% | -0.38% | |
| 19. ROAE | 11.84 | 10.48 | 8.14 | -2.34 | |
| 20. Net Interest Margin | 4.00 | 3.69 | 3.29 | -0.40 | |
| 21. Efficiency Ratio | 50.21 | 52.73 | 51.71 | -1.02 | |
| Per Share | | | | | |
| 22. Earnings per Diluted Share | \$3.22 | \$3.19 | \$2.74 | (\$0.45) | |
| 23. Tangible Book Value per Share | 19.12 | 21.94 | 24.27 | 2.33 | |
| 24. Dividend per Share | 0.84 | 1.00 | 1.04 | 0.04 | |
| 25. Dividend Payout Ratio | 26.1% | 31.3% | 38.0% | 6.6% | |

2020 Highlights

- **50.80 Efficiency Ratio** excluding 2020 branch consolidation charge of \$4.5M
- **Pre-Tax, Pre-Provision (PTPP) Earnings totaled \$228.5M**
- **Net income increased \$25.5M** prior year which included \$22 PPP fees and interest income
- **Tangible book value per share increased 11%** over prior year

Loan Portfolio

Loan Portfolio Trends (\$M)

| | 4Q19 | 3Q20 | 4Q20 |
|--|---------------------|---------------------|---------------------|
| 1. Commercial & Industrial | \$ 1,802 | \$ 2,539 | \$ 2,429 |
| 2. Sponsor Finance | 312 | 340 | 351 |
| 3. CRE Owner Occupied | 910 | 928 | 955 |
| 4. Construction/Land/Land Dev. | 787 | 622 | 485 |
| 5. CRE Non-Owner Occupied | 1,899 | 2,099 | 2,221 |
| 6. Agricultural | 334 | 301 | 282 |
| 7. Public Finance/Other Commercial | <u>547</u> | <u>616</u> | <u>648</u> |
| 8. Total Commercial Loans | 6,591 | 7,445 | 7,371 |
| 9. Residential Mortgage | 1,149 | 1,147 | 1,236 |
| 10. Home Equity | 589 | 527 | 508 |
| 11. Other Consumer | <u>139</u> | <u>128</u> | <u>132</u> |
| 12. Total Resid. Mortgage & Consumer | <u>1,877</u> | <u>1,802</u> | <u>1,876</u> |
| 13. Total Loans | \$ 8,468 | \$ 9,247 | \$ 9,247 |
| 14. Paycheck Protection Program Loans¹ | \$ - | \$ 901 | \$ 667 |

¹Included in C&I and Sponsor above

Highlights

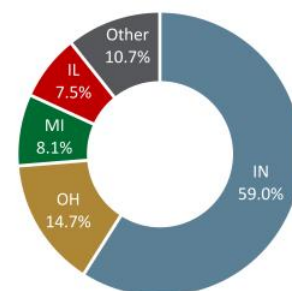
vs. Prior Quarter

- **Total loans grew \$234 Million excluding PPP forgiveness:**
 - \$109 Million C&I
 - \$26 Million Sponsor
 - \$89 Million Residential Mortgages
 - \$32 Million Public Finance

vs. Prior Year

- **\$779 Million loan growth for 2020**
C&I loan growth:
 - \$667 Million PPP loan
 - \$101 Million Public Finance

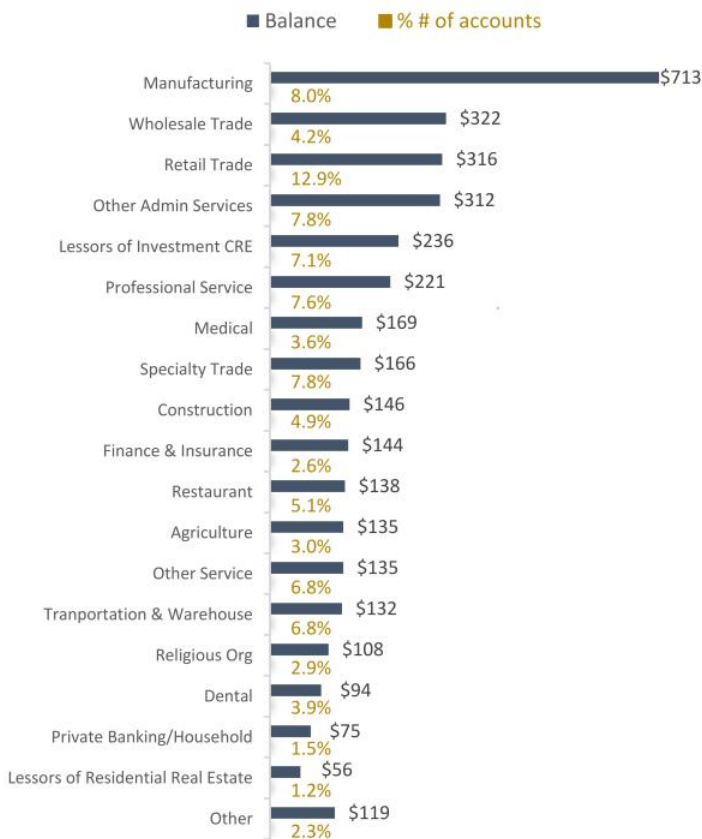
Geography



- **Portfolio geograph concentrated in footprint**

C & I Loan Portfolio

C & I Distribution (NAICS) (\$M)



Highlights

- **Diversified C&I portfolio totaling \$3.7 Billion**
 - Granularity illustrated by a C&I portfolio that is 71% of commercial accounts and only 51% of commercial loan balances
- **Line commitments increased \$337 Million** in 2020 while C&I balances declined \$68 Million due to a drop in utilization shown below

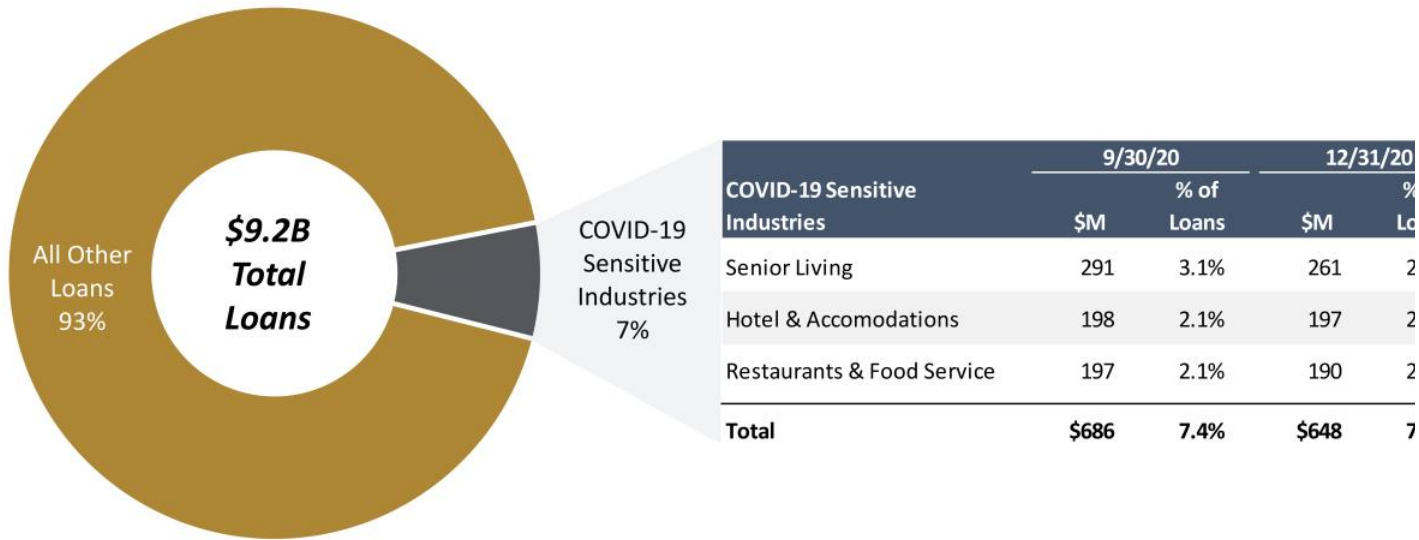
C & I Commitments & Line Utilization



Limited Exposure to COVID-19 Sensitive Industries

While we expect nearly every industry to have some impact from COVID-19, we have identified three industries that have been the most affected.

Total Loan Portfolio as of 12/31/20



COVID-19 Hospitality and Accommodations

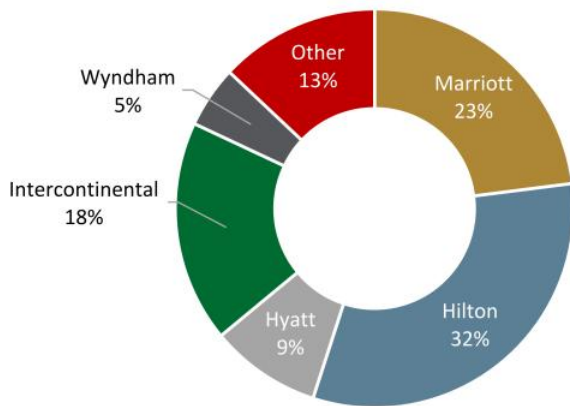
Hospitality Highlights

- **129 accounts to 92 borrowers totaling \$197 Million**
 - 28 borrowers \$1 Million or greater
- **13 loans totaling \$83 Million with a COVID related modification in deferral at year-end**
- **All loans current and accruing**

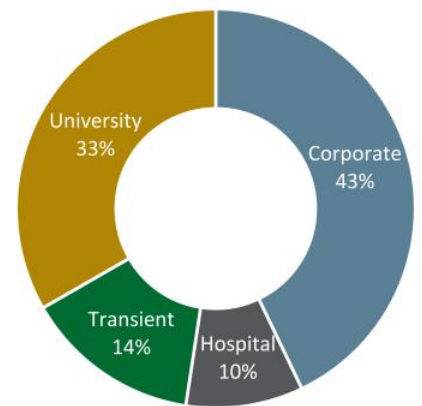
Hotel Highlights

- **Hotels: 102 loans to 69 borrowers totaling \$188 Million**
 - 26 borrowers \$1 Million or greater totaling \$175 Million
 - Weighted Average (WA) occupancy of 50.4% (22 hotels reporting)
 - WA original loan to value of 57.4% (25 hotels reporting)
- **Loan Stage Prior to COVID: 83% stabilized and 17% r from construction to stabilization**

Hotel Portfolio Brands

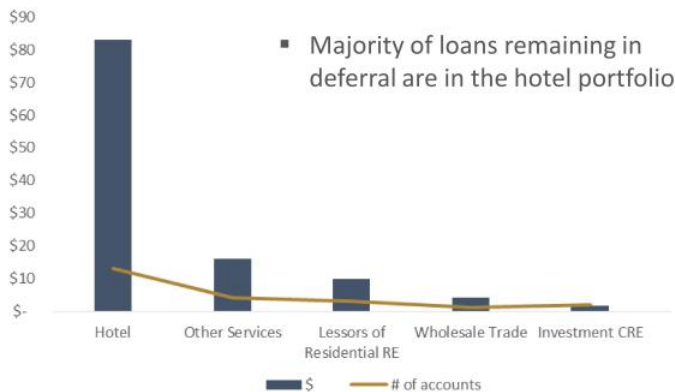


Hotel Portfolio Demand Drivers



COVID-19 Modifications and PPP

4Q20 Top Sectors with Mods in Deferral (\$M)



COVID-19 Mods by Portfolio (\$M)

COVID-19 Modifications in deferral are 1.30% of total loans.

| In Deferral | 3Q20 | | 4Q20 | |
|----------------------------------|---------------|------------|---------------|-----------|
| | \$ | # | \$ | # |
| Commercial & Industrial | \$ 24 | 32 | \$ 18 | 14 |
| Sponsor Finance | 6 | 1 | - | - |
| CRE Owner Occupied | 18 | 22 | 2 | 6 |
| Construction, Land and Land Dev. | 3 | 1 | 21 | 5 |
| CRE Non-Owner Occupied | 115 | 36 | 76 | 12 |
| Agricultural | 2 | 6 | - | - |
| Residential Mortgage | 7 | 50 | 2 | 20 |
| Home Equity | 1 | 11 | - | 4 |
| Other Consumer | 0 | 20 | 1 | 26 |
| Total Loans | \$ 176 | 179 | \$ 120 | 87 |

Paycheck Protection Program

- Participating in the Economic Aid Act Paycheck Protection Program and currently accepting applications for first and second draw loans
 - \$667 Million in PPP loan balances remaining at year-end
 - 82% of loans are \$150,000 or less
 - 4Q fee income earned of \$9.5 Million with \$12.5 Million remaining
 - \$240 Million of PPP loans have been forgiven at year-end
 - Additional \$194 Million, were submitted for forgiveness and pending at year-end with the SBA

Asset Quality

Asset Quality Trends (\$M)

| | 4Q19 | 3Q20 | 4Q20 |
|---------------------------------|------------|------------|------------|
| 1. Non-Accrual Loans | \$ 16.0 | \$ 56.7 | \$ 61.5 |
| 2. Other Real Estate | 7.5 | 7.0 | 0.9 |
| 3. 90PD Loans | 0.1 | 1.3 | 0.8 |
| 4. Renegotiated Loans | <u>0.8</u> | <u>2.7</u> | <u>3.2</u> |
| 5. NPAs + 90PD | \$ 24.4 | \$ 67.7 | \$ 66.4 |
| 6. NPAs + 90PD/Loans + ORE | 0.29% | 0.73% | 0.72% |
| 7. Classified Loans | \$ 200.1 | \$ 252.8 | \$ 250.0 |
| 8. Classified Loans/Total Loans | 2.4% | 2.7% | 2.7% |
| 9. Net Charge-offs | \$ 3.1 | \$ 6.9 | \$ 8.3 |
| 10. NCO/Avg. Loans (Annualized) | 0.04% | 0.30% | 0.09% |

Highlights

vs. Prior Quarter

- NPAs + 90PD decreased \$1.3 in 4Q with **sale of \$5.9 million in Other Real Estate Owned**
- Non-accrual loans increased \$4.8 Million
- Classified loans decreased \$2.8 Million
- Net charge-offs in 4Q of \$0.6 Million, **down from \$6.9 Million in 3Q**

vs. Prior Year

- Non-accrual loans increased by \$45.5 Million
 - 5 Senior living facilities loans to nonaccrual in 2020 totaling \$43.7 Million
- Classified Loans increased by \$50 Million in 2020
 - Top industries- grain wholesale, senior living and waste collection
 - Top four sectors of Classified Loans total \$148 M including Manufacturing, Senior Living, Agriculture and Other Services
- Net Charge-offs of \$8.3 Million or **0.09% of Average Loans**

Non-Performing Assets

Non-Performing Assets Roll Forward (\$M)

| | 4Q20 | 2020 |
|---|--------------|---------------|
| 1. Beginning Balance NPAs + 90PD | \$ 67.7 | \$ 24.4 |
| <u>Non-Accrual</u> | | |
| 2. Add: New Non-Accruals | 16.4 | 75.6 |
| 3. Less: To Accrual/Payoff/Renegotiated | (10.3) | (18.9) |
| 4. Less: To OREO | - | (0.7) |
| 5. Less: Charge-offs | <u>(1.3)</u> | <u>(10.5)</u> |
| 6. Non-Accrual Loans Change | 4.8 | 45.5 |
| <u>Other Real Estate Owned (ORE)</u> | | |
| 7. Add: New ORE Properties | - | 0.7 |
| 8. Less: ORE Sold | (6.0) | (6.8) |
| 9. Less: ORE Losses (write-downs) | <u>(0.1)</u> | <u>(0.5)</u> |
| 10. ORE Change | (6.1) | (6.6) |
| 11. 90PD Change | (0.5) | 0.7 |
| 12. Renegotiated Loans Change | 0.5 | 2.4 |
| 13. NPAs + 90PD Change | (1.3) | 42.0 |
| 14. Ending Balance NPAs + 90PD | \$ 66.4 | \$ 66.4 |

Highlights

4th Quarter

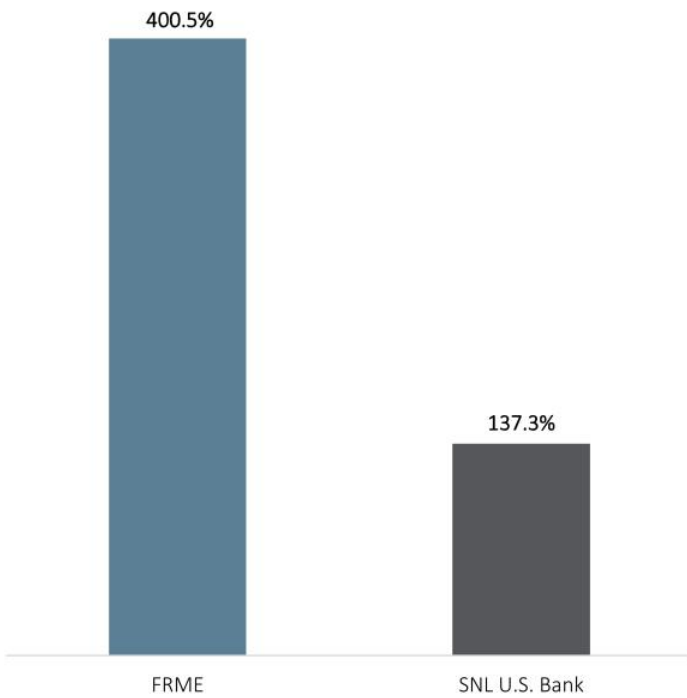
- **\$16.4 Million in new non-accruals**
 - \$13 Million loan to a senior living facility moved to non-accrual
- **\$1.3 Million of gross charge-offs in 4Q2020**

2020

- **\$75.6 Million in new non-accruals during 2020**
 - \$44 Million in senior living
 - \$14 Million in wholesale trade
- **Gross charge-offs of \$10.5 Million were offset by recoveries of \$2.2 Million**

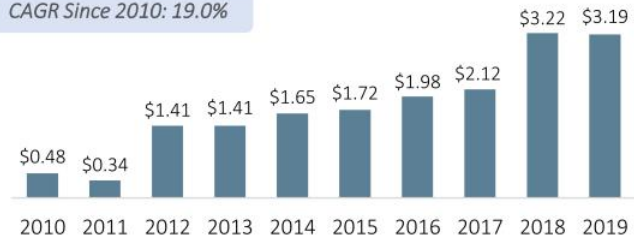
Track Record of Shareholder Value

10-Year Total Return (12/31/10 – 12/31/20)



Earnings per Share

CAGR Since 2010: 19.0%



Tangible Book Value per Share

CAGR Since 2010: 10.2%



Dividends per Share

CAGR Since 2010: 38.5%

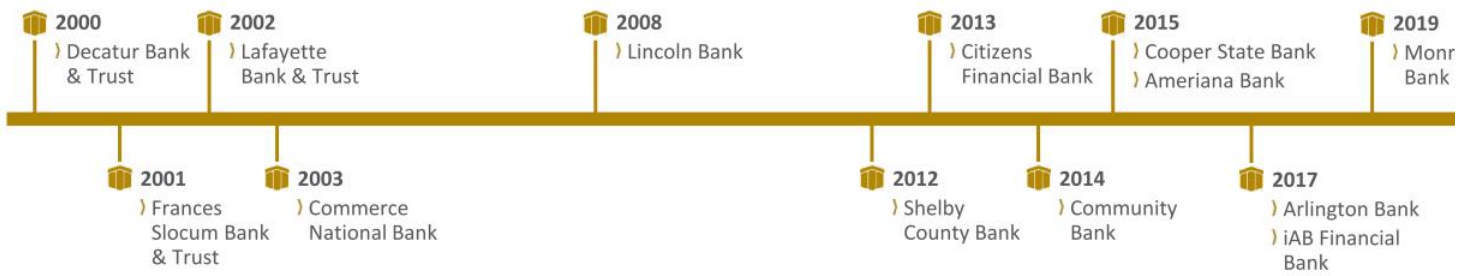


History of Organic and Whole Bank Acquisition Growth

Total Assets (\$B)

Growth Through Acquisition

- ✓ Experienced Acquirer
- ✓ Expanded in Current High-Growth Markets
- ✓ Extended into Additional High-Growth Markets
- ✓ Added to Franchise with Stable Deposit Gathering Markets



Vision for the Future

- People:**
- Enhance our culture through the power of collaboration, accountability and effective teams
 - Source, recruit, onboard and engage a diverse and inclusive workforce with a commitment to career pathing and market level compensation
- Process:**
- Communicate our Corporate Social Responsibility strategy and success
 - Uphold a corporate governance system inclusive of enterprise risk management to ensure safety, soundness and sustainability
 - Ensure that acquisitions continue as a core competency
- Customer:**
- Implement organic revenue-generating disciplines that attract new business, deliver whole bank and achieve industry leading levels of retention
 - Commit to the digital transformation of the bank across all lines of business to enhance and automate the client experience
 - Broaden our revenue streams across various lines of businesses, products, clients and geographies
- Financial:**
- Maintain top-quartile financial performance while investing in all parts of the business
 - Manage & cultivate a changing shareholder base

APPENDIX

Non-GAAP

| | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------|
| Total Risk-Based Capital Ratio (dollars in thousands) | | | | | | | | | |
| Total Stockholders' Equity (GAAP) | 1,408,260 | 1,455,848 | 1,501,636 | 1,749,012 | 1,786,437 | 1,777,960 | 1,809,095 | 1,833,656 | \$ 1 |
| Adjust for Accumulated Other Comprehensive (Income) Loss | 21,422 | 1,595 | (14,602) | (25,648) | (27,874) | (53,656) | (63,845) | (65,468) | |
| Less: Preferred Stock | (125) | (125) | (125) | (125) | (125) | (125) | (125) | (125) | |
| Add: Qualifying Capital Securities | 66,141 | 66,197 | 66,252 | 66,308 | 66,363 | 56,419 | 46,248 | 46,308 | |
| Less: Tier 1 Capital Deductions | - | - | - | - | - | - | - | - | |
| Less: Disallowed Goodwill and Intangible Assets | (463,525) | (462,202) | (460,885) | (570,098) | (569,468) | (568,442) | (567,246) | (566,072) | |
| Less: Disallowed Deferred Tax Assets | - | (4,037) | (2,587) | (3,460) | - | - | - | - | |
| Total Tier 1 Capital (Regulatory) | \$ 1,032,173 | \$ 1,057,276 | \$ 1,089,689 | \$ 1,215,989 | \$ 1,255,333 | \$ 1,212,156 | \$ 1,224,127 | \$ 1,248,299 | \$ 1 |
| 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 | 80,552 | 80,902 | 81,274 | 80,571 | 80,284 | 99,454 | 121,119 | 125,032 | |
| Total Risk-Based Capital (Regulatory) | \$ 1,177,725 | \$ 1,203,178 | \$ 1,235,963 | \$ 1,361,560 | \$ 1,400,617 | \$ 1,376,610 | \$ 1,410,246 | \$ 1,438,331 | \$ 1 |
| Net Risk-Weighted Assets (Regulatory) | \$ 8,060,882 | \$ 8,176,677 | \$ 8,491,188 | \$ 9,474,126 | \$ 9,799,329 | \$ 9,978,462 | \$ 9,946,087 | \$ 10,000,878 | \$ 10 |
| Total Risk-Based Capital Ratio (Regulatory) | 14.61% | 14.71% | 14.56% | 14.37% | 14.29% | 13.80% | 14.18% | 14.38% | |
| Common Equity Tier 1 Capital Ratio | | | | | | | | | |
| Total Tier 1 Capital (Regulatory) | \$ 1,032,173 | \$ 1,057,276 | \$ 1,089,689 | \$ 1,215,989 | \$ 1,255,333 | \$ 1,212,156 | \$ 1,224,127 | \$ 1,248,299 | \$ 1 |
| Less: Qualified Capital Securities | (66,141) | (66,197) | (66,252) | (66,308) | (66,363) | (56,419) | (46,248) | (46,308) | |
| Add: Additional Tier 1 Capital Deductions | - | - | - | - | - | - | - | - | |
| Common Equity Tier 1 Capital (Regulatory) | \$ 966,032 | \$ 991,079 | \$ 1,023,437 | \$ 1,149,681 | \$ 1,188,970 | \$ 1,155,737 | \$ 1,177,879 | \$ 1,201,991 | \$ 1 |
| Net Risk-Weighted Assets (Regulatory) | \$ 8,060,882 | \$ 8,176,677 | \$ 8,491,188 | \$ 9,474,126 | \$ 9,799,329 | \$ 9,978,462 | \$ 9,946,087 | \$ 10,000,878 | \$ 10 |
| Common Equity Tier 1 Capital Ratio (Regulatory) | 11.98% | 12.12% | 12.05% | 12.14% | 12.13% | 11.58% | 11.84% | 12.02% | |

¹ 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.

Non-GAAP

| | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 |
|--|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Tangible Common Equity Ratio (dollars in thousands) | | | | | | | | |
| Total Stockholders' Equity (GAAP) | \$ 1,408,260 | \$ 1,455,848 | \$ 1,501,636 | \$ 1,749,012 | \$ 1,786,437 | \$ 1,777,960 | \$ 1,809,095 | \$ 1,833,656 |
| Less: Preferred Stock | (125) | (125) | (125) | (125) | (125) | (125) | (125) | (125) |
| Less: Intangible Assets | (469,784) | (468,256) | (466,736) | (579,751) | (578,881) | (577,366) | (575,855) | (574,369) |
| Tangible Common Equity (non-GAAP) | \$ 938,351 | \$ 987,467 | \$ 1,034,775 | \$ 1,169,136 | \$ 1,207,431 | \$ 1,200,469 | \$ 1,233,115 | \$ 1,259,162 |
| Total Assets (GAAP) | \$ 9,884,716 | \$ 10,210,925 | \$ 10,737,857 | \$ 12,325,061 | \$ 12,457,254 | \$ 12,693,518 | \$ 13,819,378 | \$ 13,737,350 |
| Less: Intangible Assets | (469,784) | (468,256) | (466,736) | (579,751) | (578,881) | (577,366) | (575,855) | (574,369) |
| Tangible Assets (non-GAAP) | \$ 9,414,932 | \$ 9,742,669 | \$ 10,271,121 | \$ 11,745,310 | \$ 11,878,373 | \$ 12,116,152 | \$ 13,243,523 | \$ 13,162,981 |
| Tangible Common Equity Ratio (non-GAAP) | 9.97% | 10.14% | 10.07% | 9.95% | 10.16% | 9.91% | 9.31% | 9.57% |

| | 4Q10 | 4Q11 | 4Q12 | 4Q13 | 4Q14 | 4Q15 | 4Q16 | 4Q17 |
|--|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Tangible Common Equity Per Share | | | | | | | | |
| Total Stockholders' Equity (GAAP) | \$ 454,408 | \$ 514,467 | \$ 552,236 | \$ 634,923 | \$ 726,827 | \$ 850,509 | \$ 901,657 | \$ 1,303,463 |
| Less: Preferred Stock | (67,880) | (90,783) | (90,908) | (125) | (125) | (125) | (125) | (125) |
| Less: Intangible Assets | (154,019) | (150,471) | (149,529) | (202,767) | (218,755) | (259,764) | (258,866) | (476,503) |
| Tax Benefit | 2,907 | 2,224 | 2,249 | 4,973 | 6,085 | 6,278 | 5,930 | 6,788 |
| Tangible Common Equity, Net of Tax (non-GAAP) | \$ 235,416 | \$ 275,437 | \$ 314,048 | \$ 437,004 | \$ 514,032 | \$ 596,898 | \$ 648,596 | \$ 833,623 |
| 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 |
| Tangible Common Equity per Share (non-GAAP) | \$ 9.21 | \$ 9.64 | \$ 10.95 | \$ 12.17 | \$ 13.65 | \$ 14.68 | \$ 15.85 | \$ 16.96 |

| | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Tangible Common Equity Per Share | | | | | |
| Total Stockholders' Equity (GAAP) | \$ 1,786,437 | \$ 1,777,960 | \$ 1,809,095 | \$ 1,833,656 | \$ 1,875,645 |
| Less: Preferred Stock | (125) | (125) | (125) | (125) | (125) |
| Less: Intangible Assets | (578,881) | (577,366) | (575,855) | (574,369) | (572,893) |
| Tax Benefit | 7,257 | 6,946 | 6,597 | 6,292 | 5,989 |
| Tangible Common Equity, Net of Tax (non-GAAP) | \$ 1,214,688 | \$ 1,207,415 | \$ 1,239,712 | \$ 1,265,454 | \$ 1,308,616 |
| Shares Outstanding | 55,368,482 | 53,754,137 | 53,795,500 | 53,891,733 | 53,922,359 |
| Tangible Common Equity per Share (non-GAAP) | \$ 21.94 | \$ 22.46 | \$ 23.04 | \$ 23.48 | \$ 24.27 |

Non-GAAP

| | 2018 | 4Q19 | 2019 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 2020 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| EFFICIENCY RATIO (dollars in thousands): | | | | | | | | |
| Non Interest Expense (GAAP) | \$ 219,951 | \$ 65,201 | \$ 246,763 | \$ 66,171 | \$ 59,989 | \$ 64,709 | \$ 72,536 | \$ 263,405 |
| Less: Intangible Asset Amortization | (6,719) | (1,590) | (5,994) | (1,514) | (1,511) | (1,486) | (1,476) | (5,987) |
| Less: OREO and Foreclosure Expenses | (1,470) | (66) | (2,428) | (505) | (684) | (717) | 1,576 | (330) |
| Adjusted Non Interest Expense (non-GAAP) | 211,762 | 63,545 | 238,341 | 64,152 | 57,794 | 62,506 | 72,636 | 257,088 |
| Net Interest Income (GAAP) | 338,857 | 97,584 | 356,660 | 93,877 | 93,018 | 92,921 | 102,311 | 382,127 |
| Plus: Fully Taxable Equivalent Adjustment | 10,732 | 3,633 | 13,085 | 3,894 | 4,088 | 4,340 | 4,644 | 16,966 |
| Net Interest Income on a Fully Taxable Equivalent Basis (non-GAAP) | 349,589 | 101,217 | 369,745 | 97,771 | 97,106 | 97,261 | 106,955 | 399,093 |
| Non Interest Income (GAAP) | 76,459 | 24,245 | 86,688 | 29,799 | 26,481 | 26,163 | 27,483 | 109,926 |
| Less: Investment Securities Gains (Losses) | (4,269) | (1,039) | (4,415) | (4,612) | (3,068) | (1,817) | (2,398) | (11,895) |
| Adjusted Non Interest Income (non-GAAP) | 72,190 | 23,206 | 82,273 | 25,187 | 23,413 | 24,346 | 25,085 | 98,031 |
| Adjusted Revenue (non-GAAP) | 421,779 | 124,423 | 452,018 | 122,958 | 120,519 | 121,607 | 132,040 | 497,124 |
| Efficiency Ratio (non-GAAP) | 50.21% | 51.07% | 52.73% | 52.17% | 47.95% | 51.40% | 55.01% | 51.71% |

| | 4Q20 |
|---|--------------|
| Forward Dividend Yield | |
| Most recent quarter's dividend per share | \$ 0.26 |
| Most recent quarter's dividend per share - Annualized | \$ 1.04 |
| Stock Price at 12/31/20 | \$ 37.41 |
| Forward Dividend Yield | 2.78% |

