

2Q 2020 | Earnings Highlights | July 23, 2020



First Merchants Corporation

NASDAQ: FRME



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.

Michael C. Rechin

President

Chief Executive Officer

2nd Quarter 2020 Highlights

Earnings

- Earnings Per Share of \$.62; Net Income of \$33.0 Million; ROA 0.97%
- Pre-Tax Pre-Provision Income of \$59.1 Million
- PTPP ROA 1.73%; PTPP ROE 13.18%

Assets

- Total Assets of \$13.8 Billion; Grew by 28.7% over 2Q 2019
- Total Loans Grew approximately \$900 Million from PPP Volume

Asset Quality

- Allowance & Fair Value Marks totaling 1.62% of Loans
- \$21.9 Million Provision; Allowance increased by 49.0% over 2Q 2019

Deposits

- Deposit Costs Declined by 50 bps from 4Q 2019 to 47 bps
- Anticipate Additional Interest Rate and Expense Reductions Linked to CD Volume and Maturities

Capital

- Tangible Common Equity to Assets of 9.31%
- \$23.04 TBV Per Share, 9.7% Increase over 2Q 2019

Response to COVID-19

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)
- Prepared for forgiveness phase with internal and external resources
- Main Street Approved Lender

COVID-19 Loan Modifications

- Less than \$1.25 Billion in Commercial Loan modifications or ~12% of the portfolio
- Robust process for 2nd request modifications
- No 2nd request modifications at the end of the quarter with limited interest thus far

Liquidity

- Ample liquidity with Loan to Deposit Ratio of 84.8%
- Deposit Growth of \$1.1 Billion or 11% over 1Q 2020
- Cash and Investment Securities total \$3.4 Billion; increasing 15% over 1Q 2020

Response to Our Stakeholders

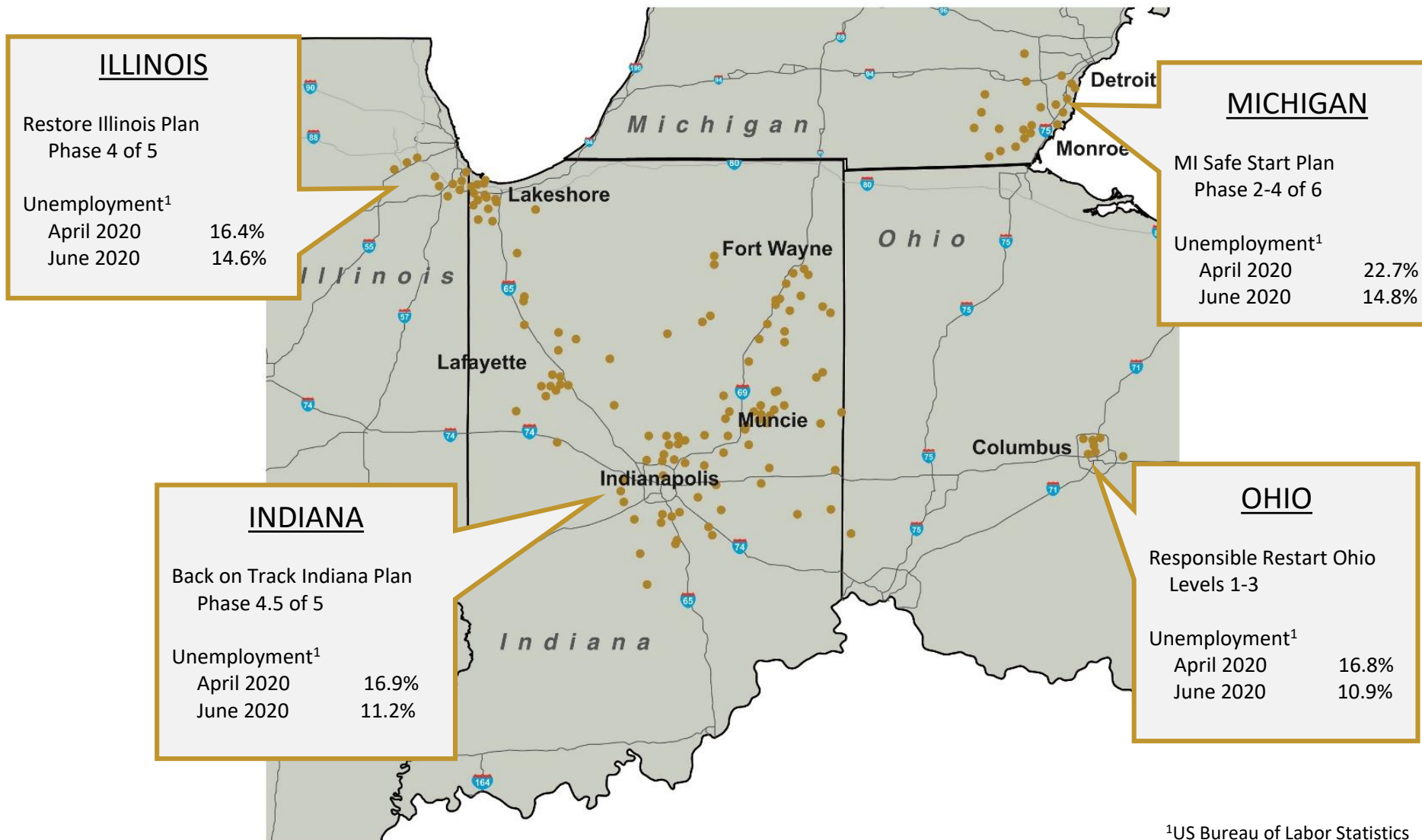
Client & Employee Support

- Protection of Clients and Employees is our priority
- All Banking Center lobbies are open and serving clients
- Modifications and protective barriers in place to protect Employees and Clients
- “Safe” environment includes masked employees with appointments encouraged
- Enhanced mobile and online services, such as increased mobile deposit limits, to allow more transactions to be completed outside the branch
- Leveraged digital banking, call center and banking centers to provide uninterrupted customer service
- “Return to Office” framework flexes to our environment

Community Support

- \$1 Million in donations distributed to non profits within our communities aiding COVID-19 relief efforts
- \$1.4 Billion pledged within the Community Benefits Agreement to provide multi-year support through credit, philanthropy and banking center access
- Director of Corporate Social Responsibility named to combine and expand efforts throughout market

Our Franchise



¹US Bureau of Labor Statistics

Mark K. Hardwick

Executive Vice President

Chief Financial Officer and Chief Operating Officer

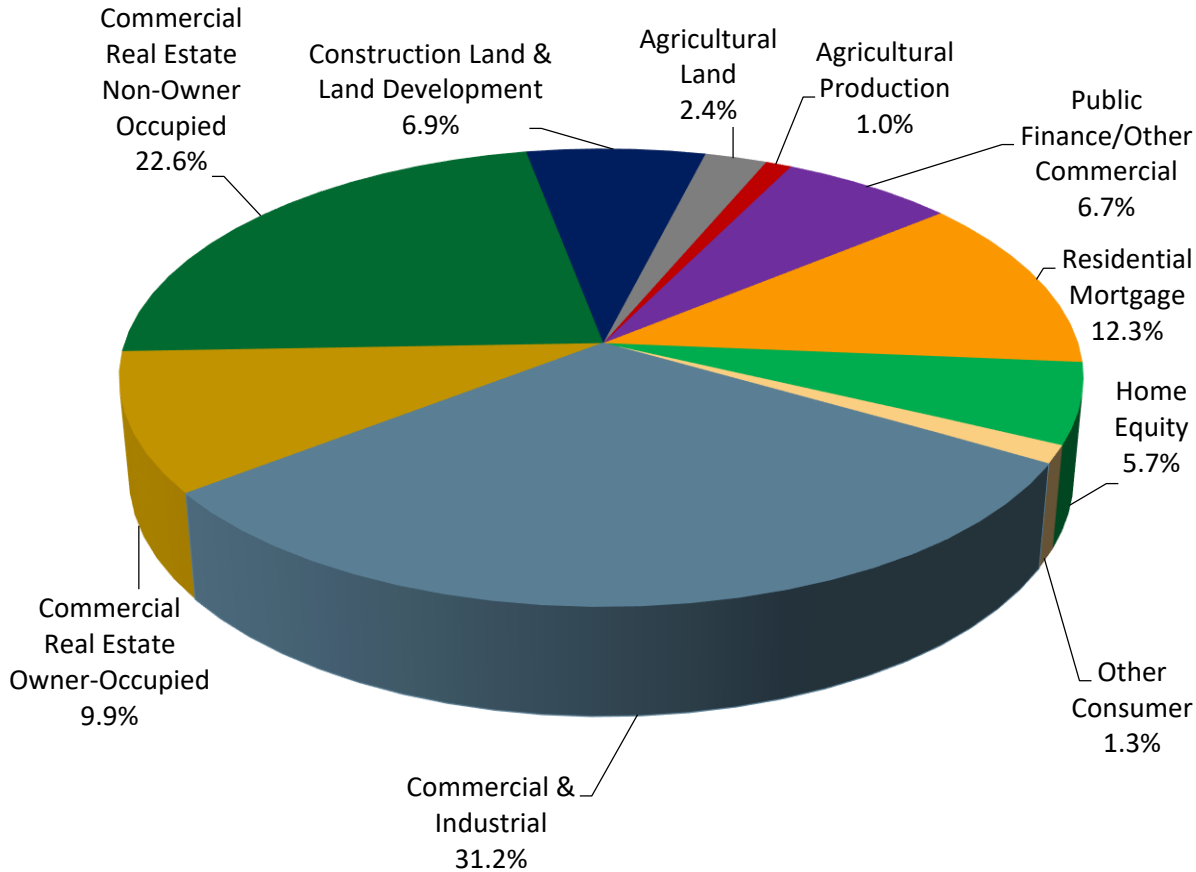
Total Assets

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

¹ Includes \$883 million of SBA Paycheck Protection Program loans

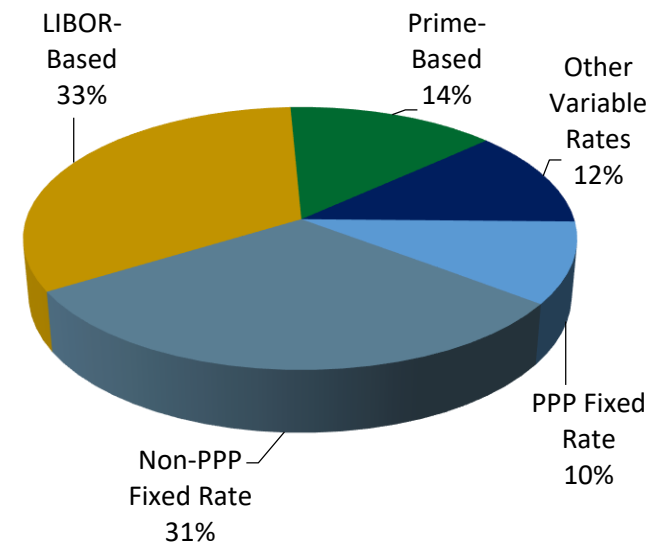
Loan Yield and Detail

(as of June 30, 2020)



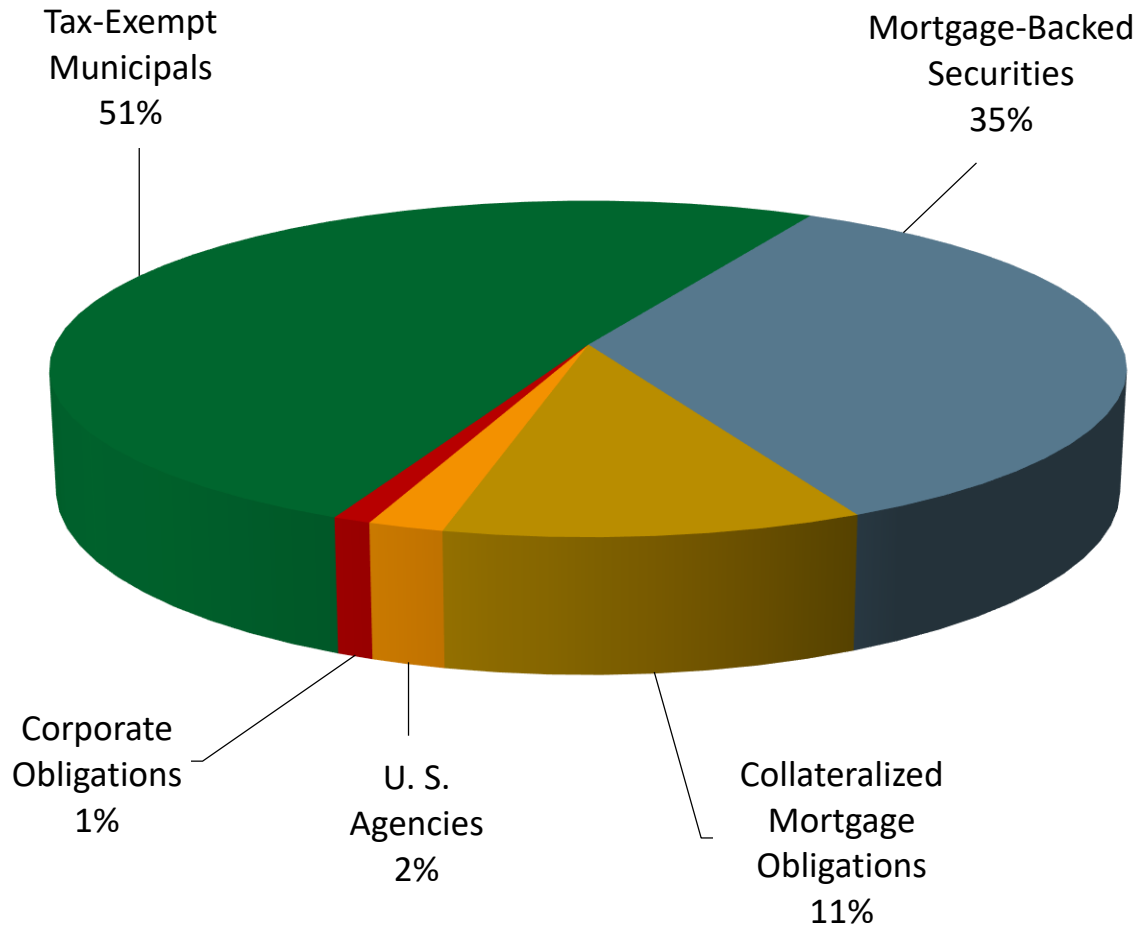
QTD Yield	=	4.10%
YTD Yield	=	4.46%
Total Loans	=	\$9.3 Billion

Variable	=	\$5.5 Billion
Fixed	=	\$3.8 Billion



Investment Portfolio

(as of June 30, 2020)



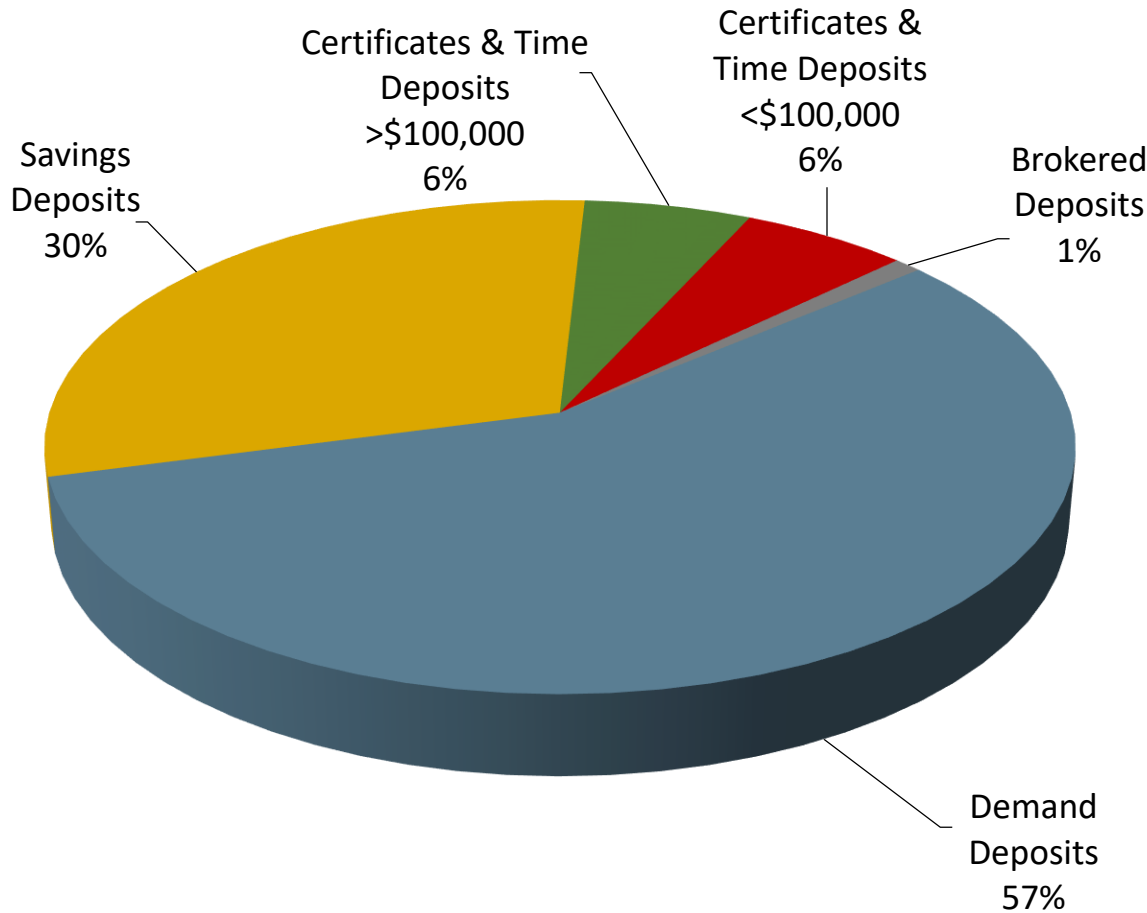
- › \$2.8 Billion Portfolio
- › Modified duration of 4.7 years
- › Tax equivalent yield of 3.02%
- › Net unrealized gain of \$139.1 Million

Total Liabilities and Capital

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

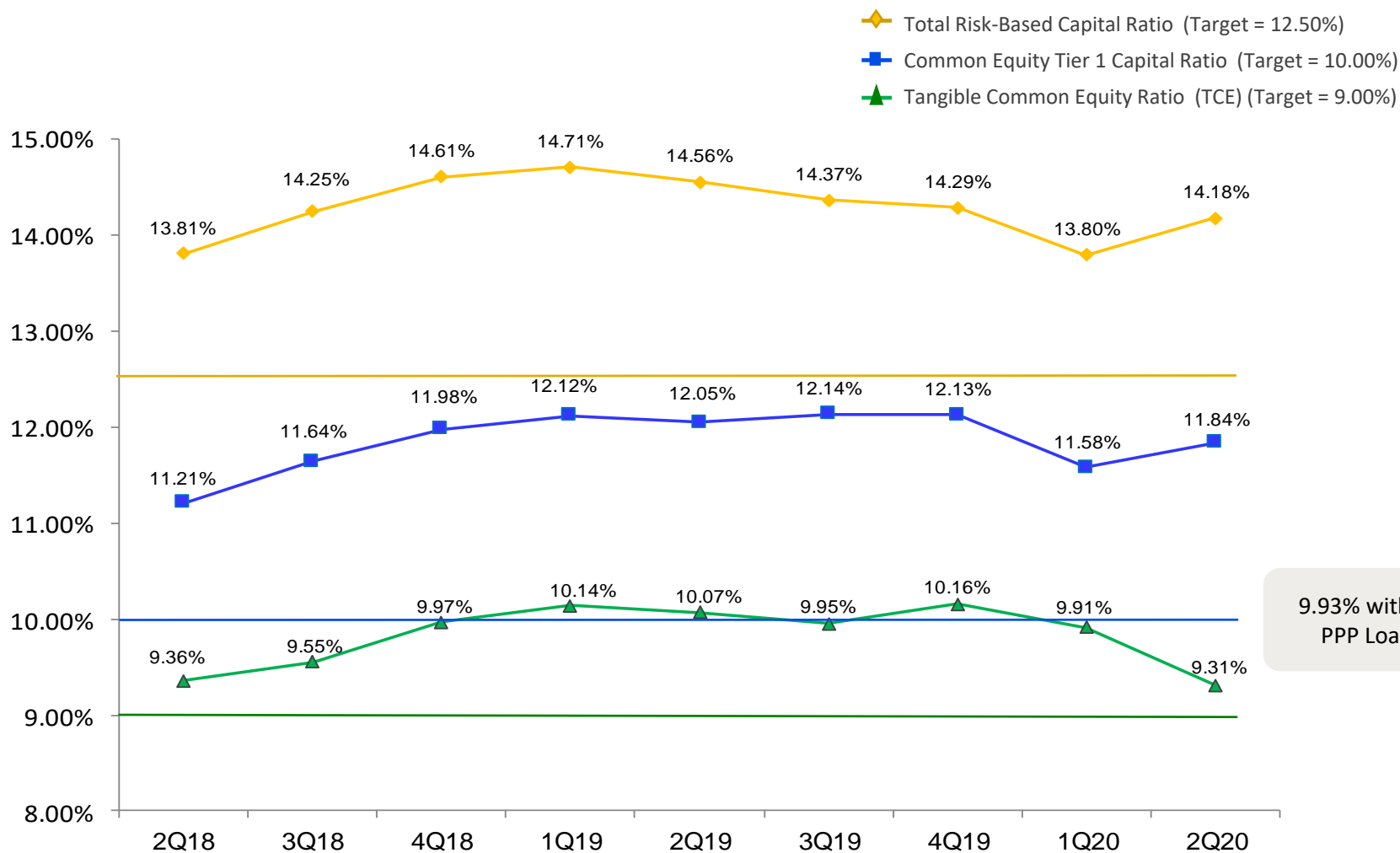
Deposit Detail

(as of June 30, 2020)



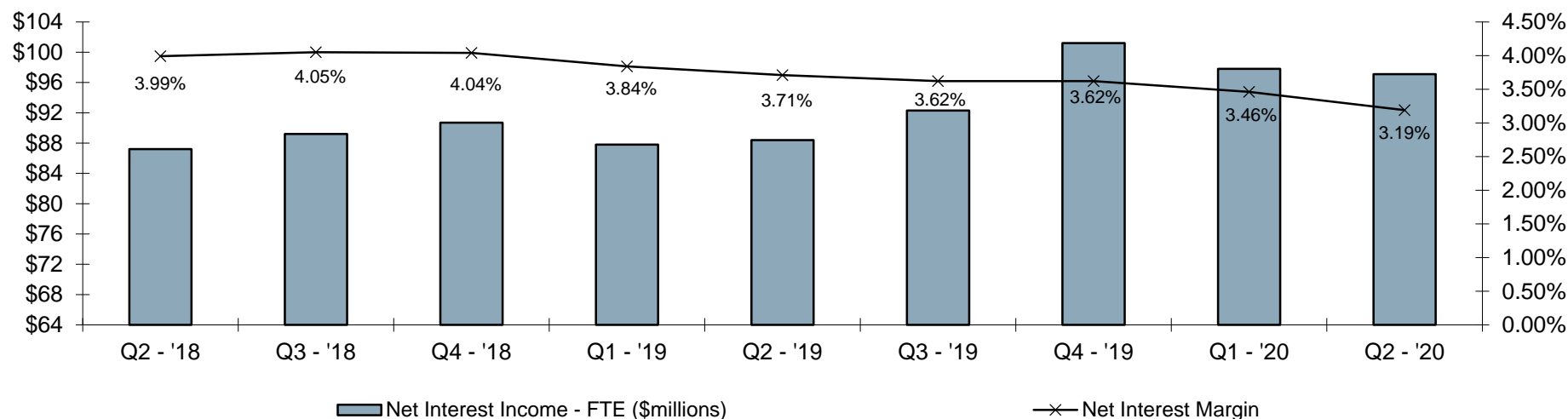
QTD Cost = 0.47%
YTD Cost = 0.67%
Total Deposits = \$11.0 Billion

Capital Ratios



Net Interest Margin

	<u>Q2 - '18</u>	<u>Q3 - '18</u>	<u>Q4 - '18</u>	<u>Q1 - '19</u>	<u>Q2 - '19</u>	<u>Q3 - '19</u>	<u>Q4 - '19</u>	<u>Q1 - '20</u>	<u>Q2 - '20</u>
Net Interest Income - FTE (\$millions)	\$ 87.2	\$ 89.2	\$ 90.7	\$ 87.8	\$ 88.4	\$ 92.3	\$ 101.2	\$ 97.8	\$ 97.1
Fair Value Accretion	\$ 3.8	\$ 3.2	\$ 3.9	\$ 2.3	\$ 2.2	\$ 2.5	\$ 5.0	\$ 3.5	\$ 3.7
Tax Equivalent Yield on Earning Assets	4.74%	4.88%	4.97%	4.89%	4.86%	4.77%	4.63%	4.38%	3.72%
Interest Expense/Average Earning Assets	0.75%	0.83%	0.93%	1.05%	1.15%	1.15%	1.01%	0.92%	0.53%
Net Interest Margin	3.99%	4.05%	4.04%	3.84%	3.71%	3.62%	3.62%	3.46%	3.19%
Fair Value Accretion Effect	0.18%	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>
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	1.9	1.7	0.4	0.3
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>

Non-Interest Expense

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

¹Includes acquisition-related expenses of \$13.7 million

Earnings

(\$ in Millions)	<u>2018</u>	<u>2019</u>	<u>Q1-'20</u>	<u>Q2-'20</u>
1. Net Interest Income	\$ 338.8	\$356.7	\$93.9	\$93.0
2. Provision for Loan Losses	<u>(7.2)</u>	<u>(2.8)</u>	<u>(19.8)</u>	<u>(21.9)</u>
3. Net Interest Income after Provision	331.6	353.9	74.1	71.1
4. Non-Interest Income	76.5	86.7	29.8	26.5
5. Non-Interest Expense	<u>(220.0)</u>	<u>(246.8)</u>	<u>(66.1)</u>	<u>(60.0)</u>
6. Income Before Income Taxes	188.1	193.8	37.8	37.6
7. Income Tax Expense	<u>(29.0)</u>	<u>(29.3)</u>	<u>(3.5)</u>	<u>(4.6)</u>
8. Net Income Avail. for Distribution	<u>\$ 159.1</u>	<u>\$164.5</u>	<u>\$34.3</u>	<u>\$33.0</u>
9. EPS	\$ 3.22	\$ 3.19 ¹	\$0.62	\$0.62
10. Pre-Tax Pre-Provision ROA	2.02%	1.90%	1.84%	1.73%
11. Efficiency Ratio	50.21%	52.73% ²	52.17%	47.95%

¹Acquisition-related expenses reduced EPS by \$0.21

²Acquisition-related expenses increased the Efficiency Ratio by 3.04%

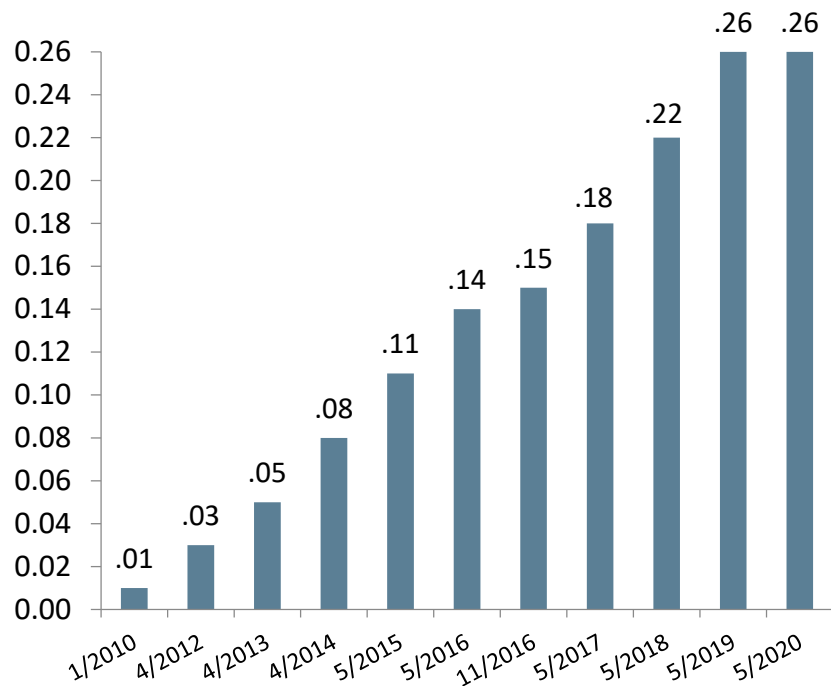
Per Share Results

<u>2019</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
1. Earnings Per Share	\$.78	\$.83 ₁	\$.71 ₁	\$.87 ₁	\$ 3.19 ₁
2. Dividends	\$.22	\$.26	\$.26	\$.26	\$ 1.00
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>Total</u>
1. Earnings Per Share	\$.62	\$.62	—	—	\$ 1.24
2. Dividends	\$.26	\$.26	—	—	\$.52
3. Dividend Payout Ratio	41.9%	41.9%	—	—	41.9%
4. Tangible Book Value	\$22.46	\$23.04	—	—	

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

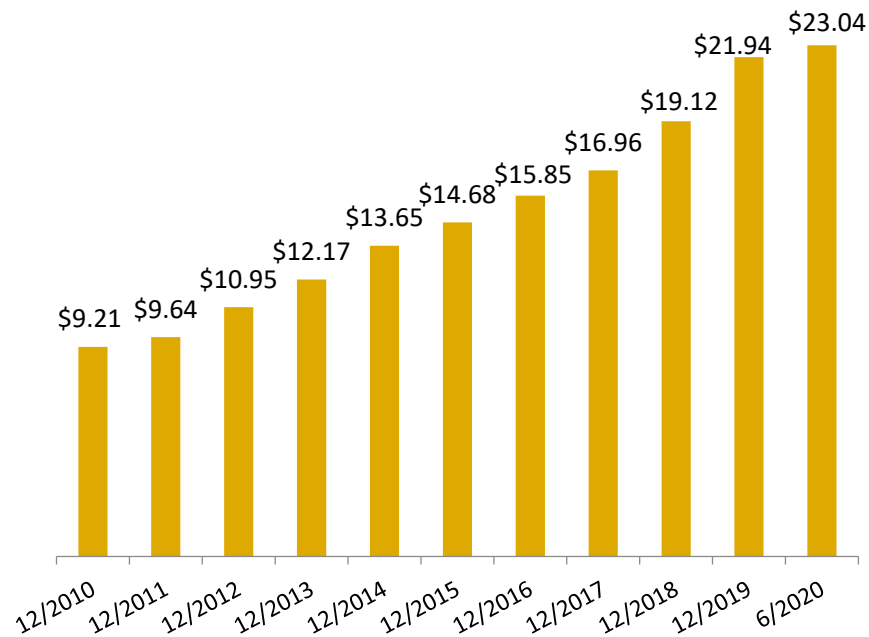
Dividends and Tangible Book Value

Quarterly Dividends



3.77% Forward Dividend Yield

Tangible Book Value



Compound Annual Growth Rate of 10.13%

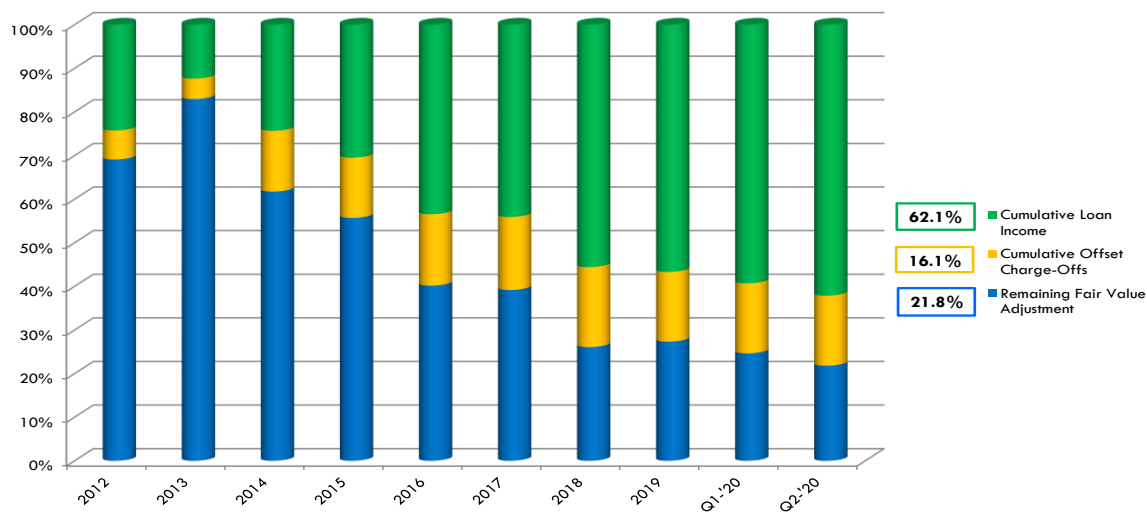
Michele M. Kawiecki

Senior Vice President

Director of Finance

ALLL and Fair Value Summary

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

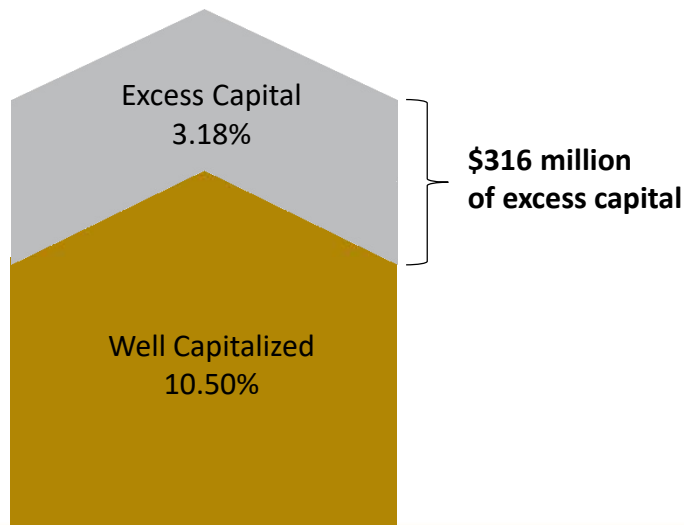


Loan Loss Coverage & Capital Strength

	ALLL	ALLL/Loans	ALLL/Loans - PPP Loans
Allowance for Loan Losses - 12/31/19	\$ 80.3	0.95%	
Q1-'20 increase in ALLL	\$ 19.2		
Allowance for Loan Losses - 3/31/20	\$ 99.5	1.15%	
Q2-'20 increase in ALLL	\$ 21.6		
Allowance for Loan Losses - 6/30/20	\$121.1	1.30%	1.44%
CECL Day 1 Adoption Impact*	\$ 52.2		
Allowance for Loan Losses with CECL Day 1 Impact	\$173.3	1.86%	2.06%

*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
13.68% (Stated – 14.18%)



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

John J. Martin

Executive Vice President

Chief Credit Officer

Loan Portfolio Trends

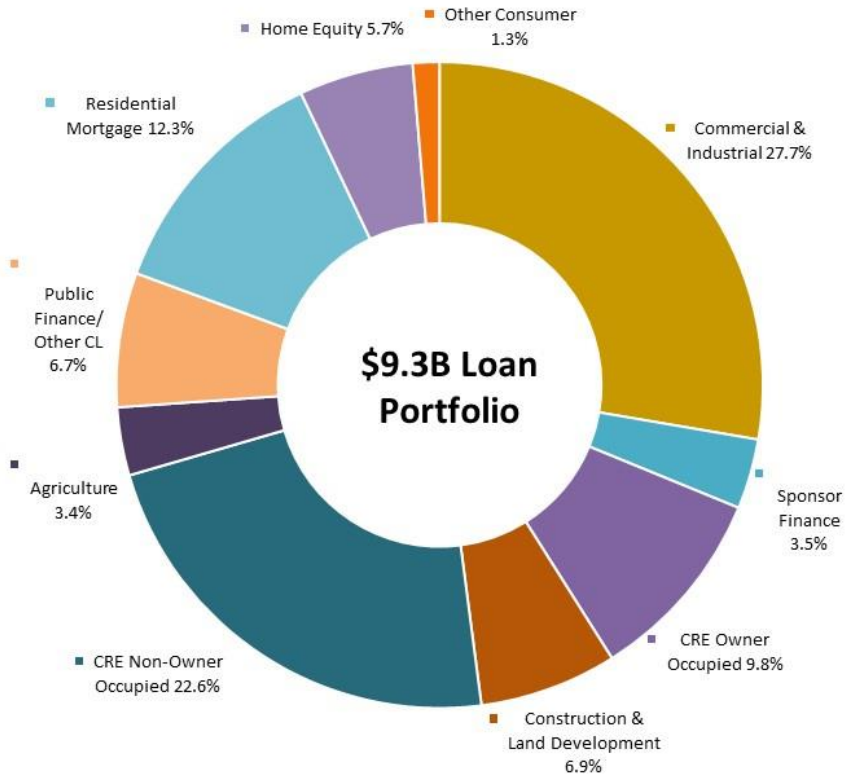
Portfolio Trending – Q2-'20

(\$ in Millions)	2018	2019	Q1-'20	Q2-'20	Change Linked Quarter	
					\$	%
1. Commercial & Industrial	\$ 1,498	\$ 1,802	\$ 1,858	\$ 2,576	\$ 718	38.6%
2. Sponsor Finance	233	312	345	326	(19)	(5.5%)
3. CRE Owner Occupied	725	910	921	915	(6)	(0.7%)
4. Construction, Land and Land Development	546	787	644	640	(4)	(0.6%)
5. CRE Non-Owner Occupied	1,861	1,899	2,114	2,098	(16)	(0.8%)
6. Agricultural Production	92	94	87	94	7	8.0%
7. Agricultural Land	242	240	229	223	(6)	(2.6%)
8. Public Finance/Other Commercial	433	547	587	625	38	6.5%
9. Total Commercial Loans	5,630	6,591	6,785	7,497	712	10.5%
10. Residential Mortgage	970	1,149	1,127	1,146	19	1.7%
11. Home Equity	528	589	570	532	(38)	(6.7%)
12. Other Consumer	101	139	130	124	(6)	(4.6%)
13. Total Residential Mortgage and Consumer Loans	1,599	1,877	1,827	1,802	(25)	(1.4%)
14. Total Loans	\$ 7,229	\$ 8,468	\$ 8,612	\$ 9,299	\$ 687	8.0%
Construction Concentration ¹	50%	62%	49%	47%		
Investment RE Concentration ¹	221%	212%	208%	200%		

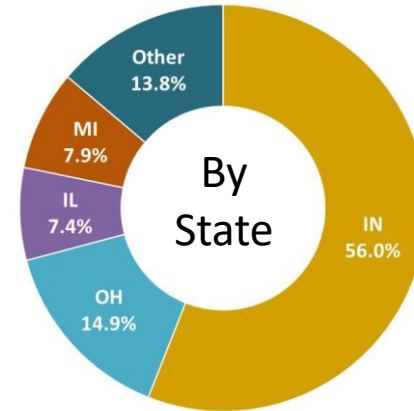
¹As a % of Risk Based Capital

Loan Portfolio

Portfolio – Q2-'20



Geography



COVID Modifications by Loan Type

\$ Millions	\$ with	# with	% of \$
	Mods	Mods	
Commercial & Industrial	\$ 163	681	6.3%
Sponsor Finance	12	4	3.7%
CRE Owner Occupied	266	435	29.1%
Construction & Land Development	36	21	5.6%
CRE Non-Owner Occupied	544	422	25.9%
Agriculture	2	11	0.7%
Residential Mortgage	95	645	8.3%
Home Equity	3	66	0.6%
Other Consumer	3	263	2.5%
Total Loans	\$ 1,124	2,548	12.1%

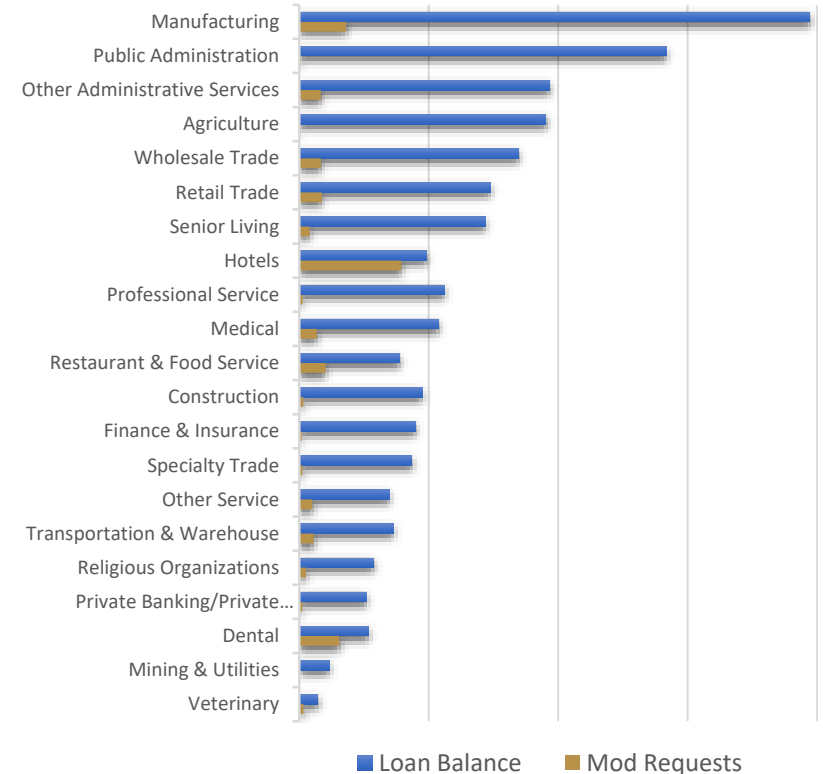
COVID-19 Loan Modifications by Industry

Loan Balances by Industry

\$ Millions

Segments based on NAICS Code	Q2 - '20	% Total Loans	\$ Loans Mods	% Bal with Mods
Manufacturing	\$ 789	8.5%	\$ 72.3	9.2%
Public Administration	567	6.1%	1.9	0.3%
Other Administrative Services	386	4.1%	33.2	8.6%
Agriculture	381	4.1%	1.7	0.4%
Wholesale Trade	339	3.6%	33.1	9.8%
Retail Trade	296	3.2%	34.7	11.7%
Senior Living	287	3.1%	15.8	5.5%
Hotels	197	2.1%	157.4	79.9%
Professional Service	224	2.4%	5.3	2.4%
Medical	215	2.3%	26.9	12.5%
Restaurant & Food Service	155	1.7%	40.7	26.3%
Construction	190	2.0%	6.2	3.3%
Finance & Insurance	180	1.9%	3.5	1.9%
Specialty Trade	174	1.9%	4.9	2.8%
Other Service	139	1.5%	20.1	14.5%
Transportation & Warehouse	145	1.6%	21.9	15.1%
Religious Organizations	114	1.2%	10.4	9.1%
Private Banking/Private Household	104	1.1%	4.7	4.5%
Dental	107	1.2%	61.7	57.7%
Mining & Utilities	46	0.5%	-	0.0%
Veterinary	29	0.3%	6.4	22.1%
Total Commercial Portfolio by NAICS	5,064	54.4%	562.8	11.1%
Lessors of Real Estate NAICS	2,433	26.2%	459.7	18.9%
Mortgage and Consumer Loans	1,802	19.4%	101.5	5.6%
Total Loans	\$ 9,299	100.0%	\$ 1,124.0	12.1%

Loan Balances and Mod Requests

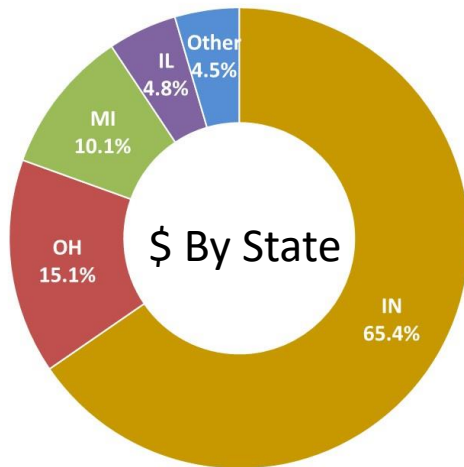


Payroll Protection Loans

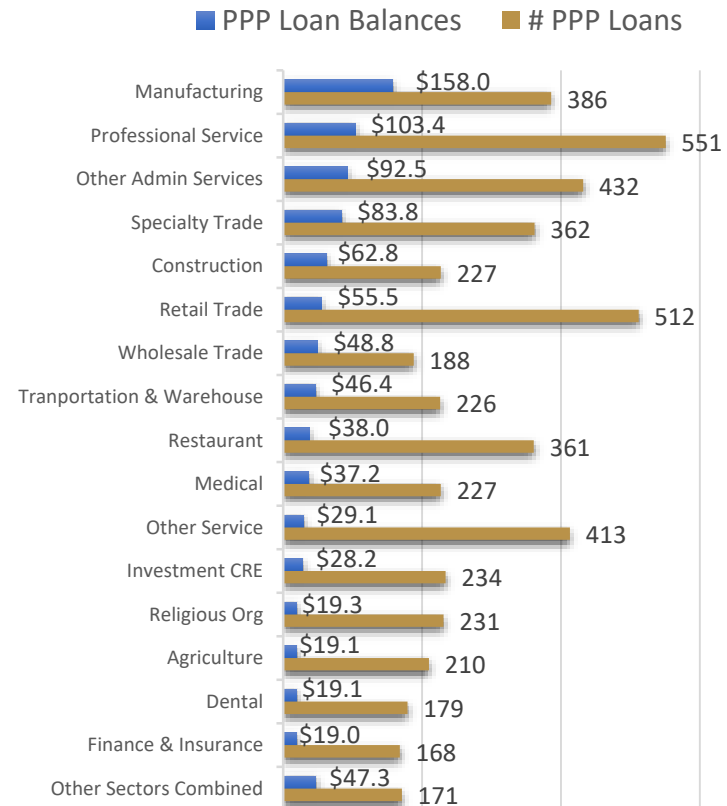
Payroll Protection Summary

- › \$907.5 million in loans to 5,078 borrowers
- › \$26.9 million in deferred fees on PPP loans
- › Average loan size of ~\$178,000
- › Initial focus on existing customers

Geographic



Payroll Protection Distribution



Commercial & Industrial Portfolio

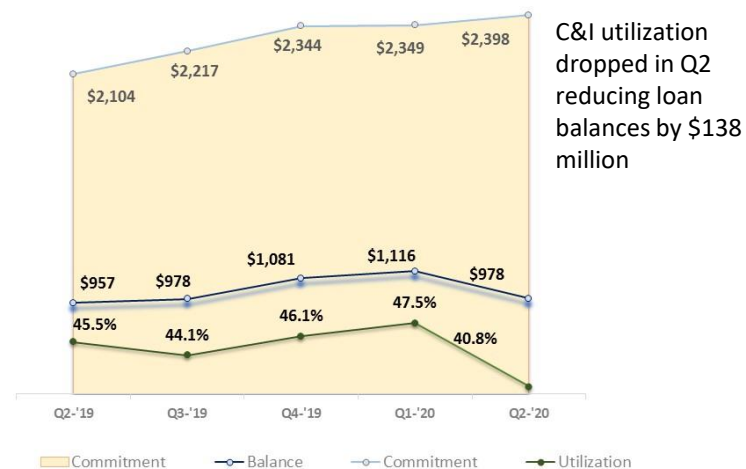
C & I⁽¹⁾ Concentration by NAICS

(\$ in Millions)

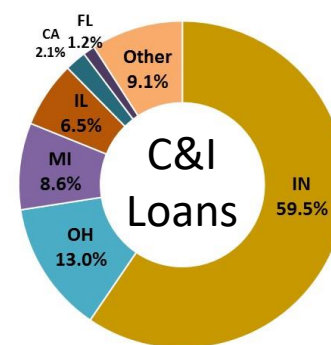
Segments based on NAICS Code	Q2 - '20 Balances	% C&I Loans	Avg loan size
Manufacturing	\$ 787	20.6%	\$ 0.7
Wholesale Trade	335	8.8%	0.3
Other Administrative Services	316	8.3%	0.2
Retail Trade	286	7.5%	0.3
Lessors of CRE & Other activities related to RE	258	6.8%	0.4
Professional Service	218	5.7%	0.2
Medical	165	4.3%	0.3
Specialty Trade	164	4.3%	0.1
Restaurant & Food Services	151	3.9%	0.2
Finance & Insurance	145	3.8%	0.4
Construction	134	3.5%	0.2
Other Service	132	3.4%	0.1
Transportation & Warehouse	131	3.4%	0.1
Agriculture	121	3.2%	0.3
Religious Organizations	109	2.9%	0.3
Dental	103	2.7%	0.2
Other Sectors combined	262	6.9%	0.4
Total C&I Loans	\$ 3,817	100.0%	\$ 0.3

(1) Includes C&I, Sponsor Finance and OOCRE

C & I Line Utilization



Geographic



Sponsor and Leveraged Lending

Sponsor Finance

- › 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
- › 39 Borrowers, \$325.8MM Outstanding and \$425.9MM Committed

Leveraged Loans

Borrowers where:

- › Greater than 3X Senior Funded Debt/EBITDA
- › Greater than 4X Total Funded Debt/EBITDA
- › Includes Sponsor Finance Portfolio
- › Includes Middle Market Relationships
- › Includes Shared National Credits of generally BBB- or better Term A/B

Total Leveraged Loans

\$ Millions

Type of Leveraged Loan	Q2 ' 20 Balance	Q2 '20 Commitment	% of Total Loans	\$ Loans Mods	% Bal with Mods
Sponsor Finance	\$ 243	\$ 299	3.2%	\$ 12	4.9%
Middle Market Relationships	147	181	1.9%	13	8.8%
Shared National Credits	<u>114</u>	<u>141</u>	<u>1.5%</u>	<u>0</u>	0.0%
Total Leveraged Loans	\$ 504	\$ 621	6.7%	\$ 25	5.0%

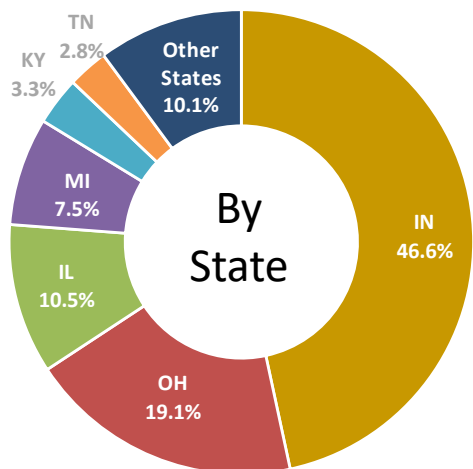
Investment Real Estate

IRE Portfolio – Q2-'20

\$ Millions

Investment Real Estate	Q2 - '20	% of Total Loans	Average Loan Size	% Loans with Mods	\$ Loans with Mods
Multi-family	\$ 682	7.3%	\$ 1.3	15.3%	\$ 104.4
Commercial Real Estate	1,416	15.2%	1.1	31.1%	439.6
	\$ 2,098	22.6%	\$ 1.1	25.9%	\$ 544.0

Loans by Geography

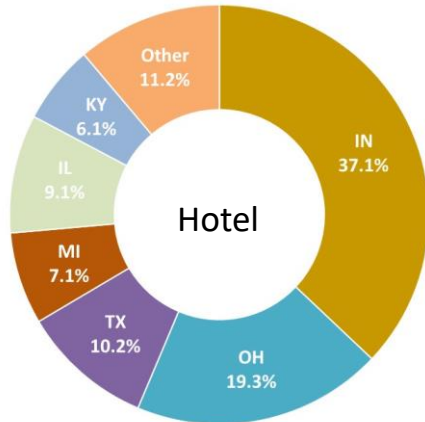


Loans by Top Metros

Metro Areas	Q2 '20 Balance	% Total Inv. RE
Indianapolis, IN	\$ 328	15.6%
Columbus, OH	188	9.0%
Chicago, IL	184	8.8%
Northwest Indiana	149	7.1%
Fort Wayne, IN	137	6.5%
Detroit, MI	69	3.3%

COVID Sensitive Industries

Hotel

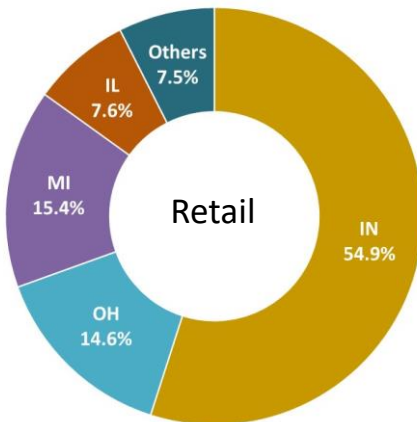


\$ Millions

Hotel (includes hotel/motel and other accommodations)

	Q2 '20	% Total Loans	# Loans	Avg loan size	\$ Loans Mods	% Bal with Mods
	\$ 197	2.1%	139	\$ 1.42	\$ 157	79.9%

Retail



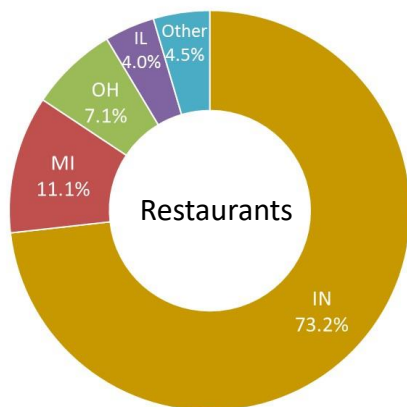
\$ Millions

Retail - real estate secured
Retail Trade - non real estate secured
Total

	Q2 '20	% Total Loans	# Loans	Avg loan size	\$ Loans Mods	% Bal with Mods
Retail - real estate secured	\$ 431	4.6%	697	\$ 0.62	\$ 167	38.7%
Retail Trade - non real estate secured	145	1.6%	1,388	0.10	3	2.1%
Total	\$ 576	6.2%	2,085	0.28	\$ 170	29.5%

COVID Sensitive Industries

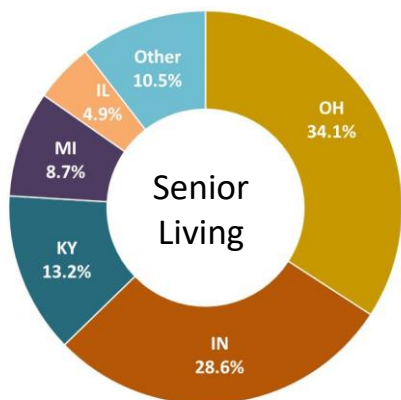
Restaurants and Food Service



\$ Millions

	Q2 '20	% Total Loans	# Loans	Avg loan size	\$ Loans Mods	% Bal with Mods
Restaurants - real estate secured	\$ 98	1.1%	252	\$ 0.39	\$ 40	40.8%
Restaurants - non RE secured	96	1.0%	580	0.17	9	9.4%
Total	\$ 194	2.1%	832	0.23	\$ 49	25.3%

Senior Living



\$ Millions

	Q2 '20	% Total Loans	# Loans	Avg loan size	\$ Loans Mods	% Bal with Mods
Skilled Nursing Facilities	\$ 169	1.8%	28	\$ 6.04	\$ -	0.0%
Assisted Living Facility and other	118	1.3%	42	2.81	16	13.6%
Total	\$ 287		70	\$ 4.10	\$ 16	5.6%

Residential Mortgage & Consumer Loan Mods

Residential Mortgage and Consumer Modifications – Q2-'20

(\$ in Millions)

Residential Mortgage and Consumer Loans	Q2 - '20	% Total Loans	\$ Loans Mods	% Bal Mods
Residential Mortgage	\$ 1,146	12.4%	\$ 96.8	8.4%
Home Equity	532	5.7%	1.3	0.2%
Other Consumer	<u>124</u>	<u>1.3%</u>	<u>3.4</u>	2.7%
Total	\$ 1,802	19.4%	\$101.5	5.6%

Mortgage Lending

Gain On Sale

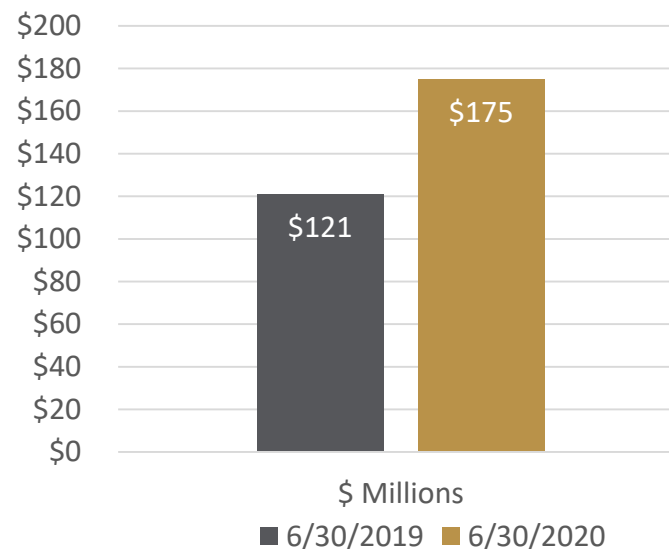
- › 2Q Gain On Sale up 9.25% over Q1 to \$3.7 million
- › Offering extended locks with minimal impact on gain sale economics
- › Taking 15 year fixed rate fully salable on balance sheet at yield favorable to comparable MBS

Purchase & Refinance

- › Strong refinance demand has allowed for small price premium to market
- › The jumbo market for existing home purchases remains strong in our Columbus and Indianapolis markets. Placing 7/1 and 10/1 jumbo mortgages on balance sheet

Pipeline

- › Pipeline strong with dollars up 45% at the end of the 2nd quarter Year over Year



Asset Quality Summary

Asset Quality – Q2-'20

(\$ in Millions)	<u>2018</u>	<u>2019</u>	<u>Q1-'20</u>	<u>Q2-'20</u>	Change Linked Quarter	
					<u>\$</u>	<u>%</u>
1. Non-Accrual Loans	\$ 26.1	\$ 16.0	\$ 15.6	\$ 50.1	\$ 34.5	221.2%
2. Other Real Estate	2.2	7.5	8.0	7.4	(0.6)	(7.5%)
3. Renegotiated Loans	1.1	0.8	0.7	1.1	0.4	57.1%
4. 90+ Days Delinquent Loans	1.9	0.1	0.3	5.0	4.7	1,566.7%
5. Total NPAs & 90+ Days Delinquent	\$ 31.3	\$ 24.4	\$ 24.6	\$ 63.6	\$ 39.0	158.5%
6. Total NPAs & 90+ Days/Loans & ORE	0.4%	0.3%	0.3%	0.7%		
7. Classified Loans	\$167.4	\$200.1	\$207.0	\$239.6	\$ 32.6	15.7%
8. Classified Loans/Total Loans	2.3%	2.4%	2.4%	2.6%		

Non-Performing Asset Reconciliation

(\$ in Millions)

	<u>Q3-'19</u>	<u>Q4-'19</u>	<u>Q1-'20</u>	<u>Q2-'20</u>
1. Beginning Balance NPAs & 90+ Days Delinquent	\$ 27.6	\$ 30.5	\$ 24.4	\$ 24.6
<u>Non-Accrual</u>				
2. Add: New Non-Accruals	7.5	2.3	2.8	35.6
3. Less: To Accrual/Payoff/Renegotiated	(2.1)	(6.9)	(1.2)	(0.6)
4. Less: To OREO	(6.4)	(0.8)	(0.7)	-
5. Less: Charge-offs	<u>(1.9)</u>	<u>(1.3)</u>	<u>(1.3)</u>	<u>(0.5)</u>
6. Increase / (Decrease): Non-Accrual Loans	(2.9)	(6.7)	(0.4)	34.5
<u>Other Real Estate Owned (ORE)</u>				
7. Add: New ORE Properties	6.5	0.8	0.7	-
8. Less: ORE Sold	(0.4)	(0.3)	(0.2)	(0.3)
9. Less: ORE Losses (write-downs)	<u>(0.1)</u>	<u>(0.1)</u>	<u>-</u>	<u>(0.3)</u>
10. Increase / (Decrease): ORE	6.0	0.4	0.5	(0.6)
11. Increase / (Decrease): 90+ Days Delinquent	(0.1)	-	0.2	4.7
12. Increase / (Decrease): Renegotiated Loans	<u>(0.1)</u>	<u>0.2</u>	<u>(0.1)</u>	<u>0.4</u>
13. Total NPAs & 90+ Days Delinquent Change	<u>2.9</u>	<u>(6.1)</u>	<u>0.2</u>	<u>39.0</u>
14. Ending Balance NPAs & 90+ Days Delinquent	\$ 30.5	\$ 24.4	\$ 24.6	\$ 63.6

Credit Response to COVID-19

Loan Portfolio

- Proactively engage customers to chart path forward
- Use of modifications to bridge and strategize
- Maintaining existing underwriting standards while recognizing the impact of pandemic
- Opportunistic portfolio growth to well positioned borrowers

Asset Quality

- Net Charge-offs remain low this quarter at \$230,000
- Beginning credit cycle with stronger credit profile and enhanced processes
- Working with borrowers to resolve issues in COVID sensitive industries
- Limited interest thus far in 2nd modifications – none booked Q2

Approach

- Robust process in place for 2nd modification requests - eye towards next actions
- PPP forgiveness planning underway in anticipation of guidance
- Experienced workout staff with special asset process from last recession

Michael C. Rechin

President

Chief Executive Officer

First Merchants... Strong & Stable

Looking Forward...

- › Industry leading profitability, Return on Assets, and Efficiency Ratios
- › Pre-Tax Pre-Provision Earnings strength of \$59.1 Million
- › TCE of nearly 10% excluding effect of PPP Loans
- › Diversified loan portfolio, long-term consistent asset quality and underwriting
- › Allowance for Loan Losses & Fair Value Marks total approximately 1.62% of loans
- › 85% loan-to-deposit ratio produces excess liquidity
- › Corporate Social Responsibility investment fortifies our communities staying power
- › Accelerate our delivery channel change
- › Well positioned for this challenge . . . and for the future

“Compelling value proposition”



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



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

Investor Inquiries:
Nicole Weaver, Investor Relations
765.521.7619
nweaver@firstmerchants.com

Appendix

Appendix – Non-GAAP Reconciliation

CAPITAL RATIOS (dollars in thousands):

	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Total Risk-Based Capital Ratio									
Total Stockholders' Equity (GAAP)	1,340,328	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	24,868	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)	(125)
Add: Qualifying Capital Securities	66,030	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	(466,063)	(464,658)	(463,525)	(462,202)	(460,885)	(570,098)	(569,468)	(568,442)	(567,246)
Less: Disallowed Deferred Tax Assets	(2,104)	(1,111)	-	(4,037)	(2,587)	(3,460)	-	-	-
Total Tier 1 Capital (Regulatory)	\$ 962,934	\$ 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	65,000
Allowance for Loan Losses includible in Tier 2 Capital	77,543	78,406	80,552	80,902	81,274	80,571	80,284	99,454	121,119
Total Risk-Based Capital (Regulatory)	\$ 1,105,477	\$ 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)	\$ 8,002,666	\$ 8,001,191	\$ 8,060,882	\$ 8,176,677	\$ 8,491,188	\$ 9,474,126	\$ 9,799,329	\$ 9,978,462	\$ 9,946,087
Total Risk-Based Capital Ratio (Regulatory)	13.81%	14.25%	14.61%	14.71%	14.56%	14.37%	14.29%	13.80%	14.18%
Common Equity Tier 1 Capital Ratio									
Total Tier 1 Capital (Regulatory)	\$ 962,934	\$ 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	(66,030)	(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)	\$ 896,904	\$ 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)	\$ 8,002,666	\$ 8,001,191	\$ 8,060,882	\$ 8,176,677	\$ 8,491,188	\$ 9,474,126	\$ 9,799,329	\$ 9,978,462	\$ 9,946,087
Common Equity Tier 1 Capital Ratio (Regulatory)	11.21%	11.64%	11.98%	12.12%	12.05%	12.14%	12.13%	11.58%	11.84%

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.

Appendix – Non-GAAP Reconciliation

TANGIBLE COMMON EQUITY RATIO (dollars in thousands):

	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Total Stockholders' Equity (GAAP)	\$ 1,340,328	\$ 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)	(125)
Less: Intangible Assets	(473,059)	(471,409)	(469,784)	(468,256)	(466,736)	(579,751)	(578,881)	(577,366)	(575,855)
Tangible Common Equity (non-GAAP)	\$ 867,144	\$ 889,892	\$ 938,351	\$ 987,467	\$ 1,034,775	\$ 1,169,136	\$ 1,207,431	\$ 1,200,469	\$ 1,233,115
Total Assets (GAAP)	\$ 9,734,715	\$ 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	(473,059)	(471,409)	(469,784)	(468,256)	(466,736)	(579,751)	(578,881)	(577,366)	(575,855)
Tangible Assets (non-GAAP)	\$ 9,261,656	\$ 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)	9.36%	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	4Q17	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Total Stockholders' Equity (GAAP)	\$ 454,408	\$ 514,467	\$ 552,236	\$ 634,923	\$ 726,827	\$ 850,509	\$ 901,657	\$ 1,303,463	\$ 1,408,260	\$ 1,455,848	\$ 1,501,636	\$ 1,749,012	\$ 1,786,437	\$ 1,777,960	\$ 1,809,095
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)	(469,784)	(468,256)	(466,736)	(579,751)	(578,881)	(577,366)	(575,855)
Tax Benefit	2,907	2,224	2,249	4,973	6,085	6,278	5,930	6,788	5,017	4,703	4,391	7,627	7,257	6,946	6,597
Tangible Common Equity, Net of Tax (non-GAAP)	\$ 235,416	\$ 275,437	\$ 314,048	\$ 437,004	\$ 514,032	\$ 596,898	\$ 648,596	\$ 833,623	\$ 943,368	\$ 992,170	\$ 1,039,166	\$ 1,176,763	\$ 1,214,688	\$ 1,207,415	\$ 1,239,712
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	49,349,800	49,428,468	49,456,594	55,345,672	55,368,482	53,754,137	53,795,500
Tangible Common Equity per Share (non-GAAP)	\$ 9.21	\$ 9.64	\$ 10.95	\$ 12.17	\$ 13.65	\$ 14.68	\$ 15.85	\$ 16.96	\$ 19.12	\$ 20.07	\$ 21.01	\$ 21.26	\$ 21.94	\$ 22.46	\$ 23.04

Appendix – Non-GAAP Reconciliation

EFFICIENCY RATIO (dollars in thousands):

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

FORWARD DIVIDEND YIELD

	<u>2Q20</u>
Most recent quarter's dividend per share	\$ 0.26
Most recent quarter's dividend per share - Annualized	\$ 1.04
Stock Price at 6/30/20	\$ 27.57
Forward Dividend Yield	3.77%

Appendix – Non-GAAP Reconciliation

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

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

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.