

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

[Mark One]

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

For the fiscal year ended December 31, 2024

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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 (I.R.S. Employer  
incorporation or organization) Identification No.)

200 East Jackson Street, Muncie, IN 47305-2814  
(Address of principal executive offices) (Zip code)

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

Not Applicable

(Former name, former address and former fiscal year,  
if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.125 stated value per share	FRME	The Nasdaq Stock Market LLC
Depository Shares, each representing a 1/100th interest in a share of Non-Cumulative Perpetual Preferred Stock, Series A	FRMEP	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant(1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every interactive data file required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐  
Smaller Reporting Company ☐ 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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value (not necessarily a reliable indication of the price at which more than a limited number of shares would trade) of the voting stock held by non-affiliates of the registrant was \$ 1,932,340,000 as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2024).

As of February 19, 2025 there were 58,535,244 outstanding common shares, without par value, of the registrant.

<u>Documents</u>	<u>Part of Form 10-K into which incorporated</u>
Portions of the Registrant's Definitive	Part III (Items 10 through 14)
Proxy Statement for Annual Meeting of	
Shareholders to be held May 16, 2025	
DOCUMENTS INCORPORATED BY REFERENCE	

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## ***GLOSSARY OF DEFINED TERMS***

FIRST MERCHANTS CORPORATION

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2021 CAA	The 2021 Consolidated Appropriations Act, signed into law on December 27, 2020, provided the annual funding for the federal government and also contained several rules giving further COVID-19 relief
ACL	Allowance for Credit Losses
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
AOI	Accumulated Other Comprehensive Income
Bank	First Merchants Bank, a wholly-owned subsidiary of the Corporation
BOLI	Bank owned life insurance
BHC Act	Bank Holding Company Act of 1956
BSA	Bank Secrecy Act
BTFP	Bank Term Funding Program created by the Federal Reserve in March 2023
CARES Act	Coronavirus Aid, Relief and Economic Security Act
CECL	FASB Accounting Standards Update No. 2016-13, <i>Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i> , adopted by the Corporation on January 1, 2021.
CET1	Common equity tier 1
CFPB	Consumer Financial Protection Bureau
CME Term SOFR	A forward-looking term Secured Overnight Financing Rate, as administered by CME Group Benchmark Administration Limited.
CODM	Chief operating decision maker
Corporation	First Merchants Corporation
COVID or COVID-19	2019 novel coronavirus disease, which was declared a pandemic by the World Health Organization on March 11, 2020.
CRA	The Community Reinvestment Act of 1977
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
Economic Growth Act	The Economic Growth, Regulatory Relief, and Consumer Protection Act enacted in May 2018.
EITF	FASB's Emerging Issues Task Force
ERISA	Employee Retirement Income Security Act of 1974
ERM	Enterprise risk management
ESG	Environmental, social and governance
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FDICIA	Federal Deposit Insurance Corporation Improvement Act of 1991
Federal Reserve	Board of Governors of the Federal Reserve System
FHLB	Federal Home Loan Bank
FOMC	Federal Open Market Committee, the monetary policymaking body of the Federal Reserve System
FTE	Fully taxable equivalent
GAAP	Accounting Principles Generally Accepted in the United States of America
Indiana DFI	Indiana Department of Financial Institutions
IRA	Inflation Reduction Act of 2022
IRS	Internal Revenue Service
Level One	Level One Bancorp, Inc., which was acquired by the Corporation on April 1, 2022.
LIBOR Act	Adjustable Interest Rate (LIBOR) Act enacted on March 15, 2022
LIHTC	Low income housing tax credit
MBT	MBT Financial Corp., which was acquired by the Corporation on September 1, 2019.
OREO	Other real estate owned
PCD	Purchased credit deteriorated loans
PDIF	Public Deposit Insurance Fund
PPP	Paycheck Protection Program, which was established by the CARES Act and implemented by the Small Business Administration to provide small business loans.
ROU	Right of Use
RSA	Restricted Stock Awards
Sarbanes-Oxley Act	Sarbanes-Oxley Act of 2002
Savings Plan	The First Merchants Corporation Retirement and Income Savings Plan
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SOFR	Secured Overnight Funding Rate
Treasury	U.S. Department of Treasury



## ***FORWARD-LOOKING STATEMENTS***

The Corporation from time to time includes forward-looking statements in its oral and written communication. The Corporation may include forward-looking statements in filings with the SEC, such as its Annual Reports on Form 10-K and its Quarterly Reports on Form 10-Q, in other written materials and oral statements made by senior management to analysts, investors, representatives of the media and others. The Corporation intends these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and the Corporation is including this statement for purposes of these safe harbor provisions. Forward-looking statements can often 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:

- statements of the Corporation’s goals, intentions and expectations;
- statements regarding the Corporation’s business plan and growth strategies;
- statements regarding the asset quality of the Corporation’s loan and investment portfolios; and
- estimates of the Corporation’s risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, those discussed in Item 1A, “RISK FACTORS”.

Because of these and other uncertainties, the Corporation’s actual future results may be materially different from the results indicated by these forward-looking statements. In addition, the Corporation’s past results of operations do not necessarily indicate its future results.

## **PART I: ITEM 1. BUSINESS**

### **PART I**

#### **ITEM 1. BUSINESS.**

##### **GENERAL**

The Corporation is a financial holding company headquartered in Muncie, Indiana and was organized in September 1982. The Corporation's Common Stock is traded on the Nasdaq Global Select Market under the symbol FRME. The Corporation has one full-service bank charter, First Merchants Bank, which opened for business in Muncie, Indiana, in March 1893. The Bank also operates First Merchants Private Wealth Advisors (a division of First Merchants Bank). The Bank includes 110 banking locations in Indiana, Ohio, and Michigan. In addition to its branch network, the Corporation offers comprehensive electronic and mobile delivery channels to its customers. The Corporation's business activities are currently limited to one significant business segment, which is community banking.

Through the Bank, the Corporation offers a broad range of commercial and consumer banking services to meet the diverse needs of our customers. Our commercial banking team offers a full spectrum of debt capital, treasury management services and depository products. The consumer banking group offers a variety of consumer deposit and lending products. The mortgage banking team offers consumer mortgage solutions to assist with the purchase, refinance, construction or renovation of residential properties. Private Wealth Advisors offers personal wealth management services with expertise in investment management, private banking, fiduciary estate and financial planning.

All inter-company transactions are eliminated during the preparation of consolidated financial statements.

As of December 31, 2024, the Corporation had consolidated assets of \$18.3 billion, consolidated deposits of \$14.5 billion and stockholders' equity of \$2.3 billion.

##### **HUMAN CAPITAL**

As of December 31, 2024, the Corporation and its subsidiaries had 2,120 full-time equivalent employees. Our stated mission to be the most attentive, knowledgeable, and high performing bank requires a dedicated and talented team of colleagues to succeed. Our employees prepare, every day, to deliver a customer and colleague experience that grows the Corporation. We seek to attract, retain and develop a team of committed colleagues who are capable of delivering a whole-bank delivery approach.

Best Places to Work / Employer of Choice: The Bank will continue to participate in the Best Places to Work surveys in the three states we operate. We constantly strive to be an employer of choice. Onboarding, training, talent assessment and development, career conversations, development planning and a culture of pride in high performance help us achieve employer of choice status. We have identified three core ways in which we will succeed - Authentic, Driven and Collaborative.

Employee Engagement: Our biennial Employee Engagement Survey is conducted by a third-party vendor for confidentiality and anonymity and for increased candid feedback. Results show consistently strong employee engagement with 65 percent of our employees considered to be "highly engaged." Our response rates are high (85 percent) with the survey results providing valuable feedback that helps managers promote work satisfaction and high contribution. The Corporation performed an in-depth investigation and review of its attrition metrics and developed a strategy to positively impact its retention statistics, including a focus on engagement, culture and compensation. We offer specific and concerted effort in supporting our managers who score under 70 percent engagement.

Education Assistance: First Merchants offers an education assistance program that supports full- and part-time colleagues as they seek degree programs that will help them advance their careers. In 2024, over 50 employees participated in this program.

Corporate Training: Leveraging a blend of custom designed / internally built training programs and external development resources, First Merchants employees are trained and prepared to perform confidently. Role-based training focuses on topics such as privacy, fair banking and many other industry specific topics and regulations. Our training completion rates are very high related to required development (99.7 percent completion for required courses) and our Learning Management System (LMS) archives all development in the Corporation.

Employee Resource Groups: The Corporation has several employee resource groups ("ERGs"), including First Women Connections, People of Color, Pride, Emerging Professionals, Veterans ERG and an InterFaith ERG. All employee resource groups are open to all employees of the Corporation. Additionally, we have created an Employee Community Call, which hosts monthly Zoom/TEAMS calls that are attended by over 150 employees.

Talent Assessment, Succession Planning and Career Path: Over 1,400 of our employees participated in our annual Calibration Process (9 Box Talent Assessment) with the goal of identifying specific development action plans to help retain employees with high potential and performance, increase job satisfaction and improve productivity. Talent calibration supports succession and career planning for the Corporation. Development plans are captured in a documented Career Growth Plan for all employees.



## **PART I: ITEM 1. BUSINESS**

### **AVAILABLE INFORMATION**

The Corporation makes its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, available on its website at <https://www.firstmerchants.com> without charge, as soon as reasonably practicable, after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including the Corporation. Those filings are accessible on the SEC's website at <http://www.sec.gov>.

### **ACQUISITION AND DIVESTITURE POLICY**

The Corporation anticipates that it will continue its policy of geographic expansion of its banking business through the acquisition of banks whose operations are consistent with its banking philosophy. Management routinely explores opportunities to acquire financial institutions and other financial services-related businesses and to enter into strategic alliances to expand the scope of the Corporation's services and customer base. Future acquisitions and divestitures will be driven by a disciplined financial evaluation process and will be consistent with the Corporation's strategy of community banking, client relationships and consistent quality earnings. As with previous acquisitions, the consideration paid in future acquisitions may be in the form of cash or First Merchants common stock, or a combination thereof. The amount and structure of such consideration is based on reasonable growth, synergies and economies of scale and a thorough analysis of the impact on both long- and short-term financial results. Acquisitions typically involve the payment of a premium over book and market values, and, therefore, some dilution of our tangible book value and net income per share may occur in connection with any future transaction. The Corporation's ability to engage in certain merger or acquisition transactions, whether or not any regulatory approval is required, will be dependent upon the Corporation's bank regulators' views at the time as to the capital levels, quality of management and the Corporation's overall condition, and their assessment of a variety of other factors. Certain merger or acquisition transactions, including those involving the acquisition of a depository institution or the assumption of the deposits of any depository institution, require formal approval from various bank regulatory authorities, which will be subject to a variety of factors and considerations.

### **COMPETITION**

The Bank is located in Indiana, Ohio, and Michigan counties where other financial services companies provide similar banking services. The Bank faces substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and have more financial resources. Such competitors primarily include national, regional and internet banks within the various markets in which the Bank operates, though the Bank also competes with smaller community banks that seek to offer similar service levels. The Bank also faces competition from many other types of institutions, including, without limitation savings and loans associations, credit unions, finance companies, brokerage firms, insurance companies, and other financial intermediaries.

The financial services industry continues to become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can operate as affiliates under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to enter and made it possible for nonbanks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our nonbank competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer broader range of products and services as well as better pricing for those products and services than we can. Finally, the Bank's competitors may choose to offer lower loan interest rates and pay higher deposit rates.

The Bank believes that the most important criteria to their targeted clients when selecting a bank is the customer's desire to receive exceptional and personal customer service while being able to enjoy convenient access to a broad array of financial products. Additionally, when presented with a choice, the Bank believes that many of their targeted clients prefer to deal with an institution that favors local decision making as opposed to where many important decisions regarding a client's financial affairs are made outside the local community.

## ***PART I: ITEM 1. BUSINESS***

### **REGULATION AND SUPERVISION OF FIRST MERCHANTS CORPORATION AND SUBSIDIARIES**

The Corporation and its subsidiaries are subject to extensive regulation under federal and state laws. The regulatory framework is intended primarily for the protection of depositors, federal deposit insurance funds and the banking system as a whole and not for the protection of shareholders and creditors. Significant elements of the laws and regulations applicable to the Corporation and its subsidiaries are described below. The description is qualified in its entirety by reference to the full text of the statutes, regulations and policies that are described. Also, such statutes, regulations and policies are continually under review by Congress and state legislatures and federal and state regulatory agencies. A change in statutes, regulations or regulatory policies applicable to the Corporation and its subsidiaries could have a material effect on the Corporation's business, financial condition or results of operations.

#### **Bank Holding Company Regulation**

The Corporation is registered as a bank holding company and has elected to be a financial holding company. It is subject to the supervision of, and regulation by the Board of Governors of the Federal Reserve ("Federal Reserve") under the BHC Act, as amended. Bank holding companies are required to file periodic reports with and are subject to periodic examination by the Federal Reserve. The Federal Reserve has issued regulations under the BHC Act requiring a bank holding company to serve as a source of financial and managerial strength to the Bank. Thus, it is the policy of the Federal Reserve that a bank holding company should stand ready to use its resources to provide adequate capital funds to the Bank during periods of financial stress or adversity. Additionally, under the FDICIA, a bank holding company is required to guarantee the compliance of any subsidiary bank that may become "undercapitalized" (as defined in the FDICIA section of this Form 10-K) with the terms of any capital restoration plan filed by such subsidiary with its appropriate federal banking agency. Under the BHC Act, the Federal Reserve has the authority to require a bank holding company to terminate any activity or relinquish control of a non-bank subsidiary (other than a non-bank subsidiary of a bank) upon the determination that such activity constitutes a serious risk to the financial stability of any bank subsidiary.

The BHC Act requires the Corporation to obtain the prior approval of the Federal Reserve before:

- acquiring direct or indirect control or ownership of any voting shares of any bank or bank holding company if, after such acquisition, the bank holding company will directly or indirectly own or control more than 5 percent of the voting shares of the bank or bank holding company;
- merging or consolidating with another bank holding company; or
- acquiring substantially all of the assets of any bank.

The BHC Act generally prohibits bank holding companies that have not become financial holding companies from (i) engaging in activities other than banking or managing or controlling banks or other permissible subsidiaries, and (ii) acquiring or retaining direct or indirect control of any company engaged in the activities other than those activities determined by the Federal Reserve to be closely related to banking or managing or controlling banks.

#### **Capital Adequacy Guidelines for Bank Holding Companies (Basel III)**

The Corporation and the Bank are subject to certain risk-based capital and leverage ratio requirements under the Basel III capital rules adopted by United States banking regulators. These rules implement the Basel III international regulatory capital standards in the United States, as well as certain provisions of the Dodd-Frank Act.

The Basel III rules require the Corporation and the Bank to maintain minimum ratios of common equity tier 1 capital ("CET1"), tier 1 capital, and total capital to total risk-weighted assets, and of tier 1 capital to average total assets, all of which are calculated as defined in the regulations. Basel III specifies that CET1 consists primarily of common stock instruments (that meet the Basel III eligibility criteria), retained earnings, and CET1 minority interest. Basel III also defines CET1 narrowly by requiring that most adjustments to regulatory capital measures be made to CET1, and not to the other components of capital. Tier 1 capital consists of CET1 and additional tier 1 capital instruments meeting the specified requirements of Basel III.

Under Basel III, in order to avoid limitations on capital distributions, including dividends, the Corporation must hold a capital conservation buffer of 2.50 percent above the adequately capitalized CET1, tier 1 and total capital to risk-weighted assets ratios.

Specifically, Basel III requires the Corporation and the Bank to maintain:

- a minimum ratio of CET1 to risk-weighted assets of at least 4.5 percent, plus the 2.5 percent capital conservation buffer effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7.0 percent;
- a minimum ratio of tier 1 capital to risk-weighted assets of at least 6.0 percent, plus the 2.5 percent capital conservation buffer effectively resulting in a minimum tier 1 capital ratio of 8.5 percent;
- a minimum ratio of total capital (tier 1 plus tier 2 capital) to risk-weighted assets of at least 8.0 percent, plus the 2.5 percent capital conservation buffer effectively resulting in a minimum total capital ratio of 10.5 percent; and
- a minimum leverage ratio of 4.0 percent, calculated as the ratio of tier 1 capital to adjusted average consolidated assets.

Basel III also provides for a "countercyclical capital buffer" that is applicable to only certain covered institutions and is not expected to have any current applicability to the Corporation or the Bank.

The aforementioned capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with risk-weighted capital ratios above the minimum but below the conservation buffer will face limitations on the payment of dividends, common stock repurchases and discretionary cash payments to executive officers based on the amount of the shortfall.



## PART I: ITEM 1. BUSINESS

Basel III provides for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets dependent upon future taxable income and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10 percent of CET1 or all such categories in the aggregate exceed 15 percent of CET1. Under Basel III, the Corporation and the Bank made a one-time election to filter out certain AOCI components.

Basel III permits banks with less than \$15 billion in assets to continue to treat trust preferred securities as tier 1 capital. This treatment is permanently grandfathered as tier 1 capital even if the Corporation should ever exceed \$15 billion in assets due to organic growth but not following certain mergers or acquisitions. As a result, while the Corporation's total assets exceeded \$15 billion as of December 31, 2021, the Corporation had continued to treat its trust preferred securities as tier 1 capital as of such date. However, under certain amendments to the "transition rules" of Basel III, if a bank holding company that held less than \$15 billion of assets as of December 31, 2009 (which would include the Corporation) acquires a bank holding company with under \$15 billion in assets at the time of acquisition (which would include Level One Bancorp, Inc. ("Level One"), which the Corporation acquired on April 1, 2022), and the resulting organization has total consolidated assets of \$15 billion or more as reported on the resulting organization's call report for the period in which the transaction occurred, the resulting organization must begin reflecting its trust preferred securities as tier 2 capital at such time. As a result, effective with the April 1, 2022 consummation of the Level One merger, the Corporation began reflecting all of its trust preferred securities as tier 2 capital.

Basel III permits banks with less than \$250 billion in assets to choose to continue excluding unrealized gains and losses on certain securities holdings for purposes of calculating regulatory capital. The rules limit a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of a specified amount of CET1 capital in addition to the amount necessary to meet its minimum risk-based capital requirements.

Historically, the regulation and monitoring of a bank and bank holding company's liquidity has been addressed as a supervisory matter, without minimum required formulaic measures. The Basel III liquidity framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, is now required by regulation. One test, referred to as the liquidity coverage ratio, is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity's expected net cash outflow for a 30-day time horizon (or, if greater, 25 percent of its expected total cash outflow) under an acute liquidity stress scenario. The other test, referred to as the net stable funding ratio (NSFR), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements are expected to incent banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source. However, the federal banking agencies have not proposed rules implementing the Basel III liquidity framework and have not determined to what extent they will apply to U.S. banks that are not large, internationally active banks.

The following are the Corporation's regulatory capital ratios as of December 31, 2024:

	Corporation	Basel III Minimum Capital Required <sup>(1)</sup>
Total risk-based capital to risk-weighted assets	13.31 %	10.50 %
Tier 1 capital to risk-weighted assets	11.59 %	8.50 %
Common equity tier 1 capital to risk-weighted assets	11.43 %	7.00 %
Tier 1 capital to average assets	9.96 %	4.00 %

<sup>(1)</sup> The Basel III Minimum Capital Required are inclusive of the 2.5 percent capital conservation buffer where applicable.

As of December 31, 2024, the Corporation was "well capitalized" based on the required Basel III Minimum Capital ratios described above.

### Impact of CECL Implementation on Regulatory Capital

As discussed in NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES and NOTE 5. LOANS AND ALLOWANCE FOR CREDIT LOSSES of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K, the FASB issued the "current expected credit losses" ("CECL") accounting standard in 2016 to address concerns relating to the ability to record credit losses that are expected, but do not yet meet the "probable" threshold by replacing the current "incurred loss" model for recognizing credit losses with an "expected life of loan loss" model referred to as the CECL model. While the original implementation date of the CECL model was January 1, 2020, the CARES Act and a related joint statement of federal banking regulators provided financial institutions with optional temporary relief from having to comply with implementation of the CECL standard. This temporary relief was set to expire on December 31, 2020. However, the 2021 Consolidated Appropriations Act (the "2021 CAA"), which was signed into law on December 27, 2020, amended the CARES Act by extending the temporary relief from CECL compliance to, effectively, January 1, 2022. The Corporation elected to delay implementation of CECL following the approval of the CARES Act and, with the enactment of the 2021 CAA, the Corporation elected to adopt CECL on January 1, 2021. As a result, the Corporation has utilized the CECL standard for 2024, 2023, 2022, and 2021.

As part of a March 27, 2020, joint statement of federal banking regulators, an interim final rule that allowed banking organizations to mitigate the effects of the CECL accounting standard on their regulatory capital was announced. Banking organizations could elect to mitigate the estimated cumulative regulatory capital effects of CECL for up to two years. This two-year delay was to be in addition to the three-year transition period that federal banking regulators had already made available. While the 2021 CAA provided for a further extension of the mandatory adoption of CECL until January 1, 2022, the federal banking regulators elected to not provide a similar extension to the two year mitigation period applicable to regulatory capital effects. Instead, the federal banking regulators require that, in order to utilize the additional two-year delay, banking organizations must have adopted the CECL standard no later than December 31, 2020, as required by the CARES Act. As a result, because implementation of the CECL standard was delayed by the Corporation until January 1, 2021, it began phasing in the cumulative effect of the adoption on its regulatory capital, at a rate of 25 percent per year, over a three-year transition period that began on January 1, 2021. Under that phase-in schedule, the cumulative effect of the adoption was fully reflected in regulatory capital on January 1, 2024.



## ***PART I: ITEM 1. BUSINESS***

### **Bank Regulation**

The Bank is subject to the primary regulatory oversight, supervision and examination of the FDIC and the Indiana DFI. These agencies have the authority to issue cease-and-desist orders if they determine that activities of the Bank regularly represent an unsafe and unsound banking practice or a violation of law. Federal law extensively regulates various aspects of the banking business such as reserve requirements, truth-in-lending and truth-in-savings disclosures, equal credit opportunity, fair credit reporting, trading in securities and other aspects of banking operations. Current federal law also requires banks, among other things, to make deposited funds available within specified time periods.

The Consumer Financial Protection Bureau ("CFPB"), an independent federal agency created under the Dodd-Frank Act, was granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, primarily with authority over banks and their affiliates with assets of more than \$10 billion. As the quarter ended December 31, 2019, was the fourth consecutive quarter that the Bank reported assets exceeding \$10 billion, effective as of the beginning of the second quarter of 2020, the Bank and its affiliates became subject to CFPB supervisory and enforcement authority. See "- Dodd-Frank Wall Street Reform and Consumer Protection Act" and "- Consumer Financial Protection" below for additional information.

### **Bank Capital Requirements**

Capital adequacy is an important indicator of financial stability and performance. The Corporation and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies including, in the case of both the Bank and the Corporation, the Basel III requirements discussed above under "- Capital Adequacy Guidelines for Bank Holding Companies (Basel III)" and, in the case of the Bank, the "prompt corrective action" requirements discussed below under "- FDIC Improvement Act of 1991 (FDICIA)." Under the regulations, a capital category is assigned to the regulated entity, which is largely determined by four ratios that are calculated according to the applicable regulations: total risk-based capital, tier 1 risk-based capital, common equity tier 1 capital, and tier 1 leverage ratios. The ratios are intended to measure capital relative to assets and credit risk associated with those assets and off-balance sheet exposures of the entity. The capital category assigned to an entity can also be affected by qualitative judgments made by regulatory agencies about the risk inherent in the entity's activities that are not part of the calculated ratios.

There are five capital categories defined in the regulations, ranging from "well capitalized" to "critically undercapitalized". Classification of a bank in any of the undercapitalized categories can result in actions by regulators that could have a material effect on a bank's operations. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total risk-based capital, tier 1 capital and common equity tier 1 capital, in each case, to risk-weighted assets, and of tier 1 capital to average assets, or leverage ratio, all of which are calculated as defined in the regulations. Banks with lower capital levels are deemed to be "undercapitalized", "significantly undercapitalized" or "critically undercapitalized", depending on their actual levels. The appropriate federal regulatory agency may also downgrade a bank to the next lower capital category upon a determination that the bank is in an unsafe or unsound practice. Banks are required to monitor closely their capital levels and to notify their appropriate regulatory agency of any basis for a change in capital category.

### **FDIC Improvement Act of 1991 (FDICIA)**

The FDICIA requires, among other things, federal bank regulatory authorities to take "prompt corrective action" with respect to banks, which do not meet minimum capital requirements. For these purposes, FDICIA establishes five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. The FDIC has adopted regulations to implement the prompt corrective action provisions of FDICIA.

The "prompt corrective action" regulations require the following for "well capitalized" status:

- a minimum CET1 risk-based capital ratio of at least 6.5 percent;
- a minimum tier 1 risk-based capital ratio of at least 8.0 percent;
- a minimum total risk-based capital ratio of at least 10.0 percent; and
- a minimum leverage ratio of 5.0 percent.

The FDICIA generally prohibits a depository institution from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be "undercapitalized." "Undercapitalized" banks are subject to growth limitations and are required to submit a capital restoration plan. A bank's compliance with such plan is required to be guaranteed by the bank's parent holding company. If an "undercapitalized" bank fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized." "Significantly undercapitalized" banks are subject to various requirements and restrictions, including an order by the FDIC to sell sufficient voting stock to become "adequately capitalized", requirements to reduce total assets and cease receipt of deposits from correspondent banks, and restrictions on compensation of executive officers. "Critically undercapitalized" institutions may not, beginning 60 days after becoming "critically undercapitalized," make any payment of principal or interest on certain subordinated debt, extend credit for a highly leveraged transaction, or enter into any transaction outside the ordinary course of business. In addition, "critically undercapitalized" institutions are subject to appointment of a receiver or conservator.

As of December 31, 2024, the Bank was "well capitalized" based on the "prompt corrective action" ratios described above. It should be noted that a bank's capital category is determined solely for the purpose of applying the FDIC's "prompt corrective action" regulations and that the capital category may not constitute an accurate representation of the bank's overall financial condition or prospects.

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### **Dodd-Frank Wall Street Reform and Consumer Protection Act**

The Dodd-Frank Act has had a broad impact on the financial services industry, including significant regulatory and compliance changes. Although most of the required regulations of the Dodd-Frank Act have been promulgated and implemented (or are being implemented over time), there are additional regulations yet to be finalized by the authorized federal agencies. The changes resulting from the Dodd-Frank Act have impacted the profitability of the Corporation's business activities, required changes to certain business practices, and imposed more stringent capital, liquidity and leverage requirements, and, when fully implemented, may further adversely affect our business. Among other things, the Dodd-Frank Act has resulted, and in the future will likely result, in:

- increases to the cost of the Corporation's operations due to greater regulatory oversight, supervision and examination of banks and bank holding companies, including higher deposit insurance premiums;
- limitations on the Corporation's ability to raise additional capital through the use of trust preferred securities, as new issuances of these securities can no longer be included as tier 1 capital;
- reduced flexibility for the Corporation to generate or originate certain revenue-producing assets based on increased regulatory capital standards;
- limitations on the Corporation's ability to expand consumer product and service offerings due to stricter consumer protection laws and regulations; and
- as the Corporation's assets now exceed \$10 billion, compliance with the Durbin Amendment has resulted in a material reduction of interchange fee income paid by merchants when debit cards are used as payment.

The Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Economic Growth Act"), which was enacted in May 2018, repealed or modified several provisions of the Dodd-Frank Act. In particular, the asset threshold at which banks are subject to annual company-run stress tests were increased from \$10 billion to \$250 billion under the Economic Growth Act. As a result, the Corporation and the Bank are not subject to the Dodd-Frank Act stress testing requirements.

The Corporation's management continues to take the steps necessary to minimize the adverse impact of the Dodd-Frank Act on its business, financial condition and results of operation.

### **Durbin Amendment**

Under the Durbin Amendment to the Dodd-Frank Act, the Federal Reserve adopted rules establishing standards for assessing whether the interchange fees that may be charged with respect to certain electronic debit transactions are "reasonable and proportional" to the costs incurred by issuers for processing such transactions.

Interchange fees, or "swipe" fees, are charges that merchants pay the Bank and other card-issuing banks for processing electronic payment transactions. Federal Reserve rules applicable to financial institutions that have assets of \$10 billion or more provide that the maximum permissible interchange fee for an electronic debit transaction is the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction. An upward adjustment of no more than 1 cent to the issuer's debit card interchange fee is allowed if the card issuer develops and implements policies and procedures reasonably designed to achieve certain fraud-prevention standards. The Federal Reserve also has rules governing routing and exclusivity that require issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product.

### **Volcker Rule**

The Volcker Rule, which was adopted under the Dodd-Frank Act, places certain limitations on the trading activity of insured depository institutions and their affiliates subject to certain exceptions. The restricted trading activity includes purchasing or selling certain types of securities or instruments in order to benefit from short-term price movements or to realize short-term profits. Exceptions to the Volcker Rule include trading in certain U.S. Government or other municipal securities and trading conducted (i) in certain capacities as a broker or other agent, or as a fiduciary on behalf of customers, (ii) to satisfy a debt previously contracted, (iii) pursuant to repurchase and securities lending agreements, and (iv) in risk-mitigating hedging activities. The Volcker Rule also prohibited banking institutions from having an ownership interest in a hedge fund or private equity fund. In June 2020, the federal bank regulatory agencies finalized amendments to the Volcker Rule's restrictions on ownership interests in and relationships with covered funds. Among other things, these amendments permit banking entities to have relationships with and offer additional financial services to additional types of funds and investment vehicles.

A banking entity that engages in proprietary trading (which excludes the exceptions discussed above) or covered fund-related activities or investments, and has total consolidated assets of more than \$10 billion for two years, must implement and maintain a compliance program that meets certain minimum requirements and must also maintain certain documentation with respect to covered fund activities, in each case, as described in the Volcker Rule. While the Corporation's total consolidated assets first exceeded \$10 billion during the quarter ended March 31, 2019, the Volcker Rule has not had, and is not expected to have, a material impact on the Corporation or the Bank.

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### **Deposit Insurance**

The Bank's deposit accounts are currently insured by the Deposit Insurance Fund of the FDIC. The insurance benefit generally covers up to a maximum of \$250,000 per separately insured depositor. As an FDIC-insured bank, the Bank is subject to deposit insurance premiums and assessments to maintain the Deposit Insurance Fund. The Bank's deposit insurance premium assessment rate depends on the asset and supervisory categories to which it is assigned. The FDIC has authority to raise or lower assessment rates on insured banks in order to achieve statutorily required reserve ratios in the Deposit Insurance Fund and to impose special additional assessments. Additionally, the Bank's Indiana public funds (state of Indiana and its political subdivisions) are insured by the Public Deposit Insurance Fund ("PDIF"). The PDIF provides insurance to those Indiana public funds deposited in approved financial institutions which exceed the limits of coverage provided by any federal deposit insurance.

Deposit insurance assessments are based on average consolidated total assets minus average tangible equity. Under the FDIC's risk-based assessment system, insured institutions with a least \$10 billion in assets, such as the Bank, are assessed on the basis of a scoring system that combine the institution's regulatory ratings and certain financial measures. The scoring system assesses risk measures to produce two scores, a performance score and a loss severity score, that will be combined and converted to an initial assessment rate.

The performance score measures an institution's financial performance and its ability to withstand stress. The loss severity score quantifies the relative magnitude of potential losses to the FDIC in the event of an institution's failure. Once the performance and loss severity scores are calculated, those scores are converted to a total score. An institution with a total score of 30 or less will pay the minimum base assessment rate, and an institution with a total score of 90 or more will pay the maximum initial base assessment rate. For total scores between 30 and 90, initial base assessment rates will rise at an increasing rate as the total score increases.

The FDIC may also terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

### **Dividend Limitations**

The Corporation's principal source of funds for dividend payments to shareholders is dividends received from the Bank. Banking regulations limit the maximum amount of dividends that a bank may pay without requesting prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the bank's retained income (as defined under the regulations) for the current year plus those for the previous two years, subject to the capital requirements described above. As of December 31, 2024, the amount available for dividends from the Corporation's subsidiaries (both banking and non-banking), without prior regulatory approval or notice, was \$283.4 million.

### **Brokered Deposits**

Under FDIC regulations, no FDIC-insured depository institution can accept brokered deposits unless it (i) is well capitalized, or (ii) is adequately capitalized and received a waiver from the FDIC. In addition, these regulations prohibit any depository institution that is not well capitalized from (a) paying an interest rate on deposits in excess of 75 basis points over certain prevailing market rates or (b) offering "pass through" deposit insurance on certain employee benefit plan accounts unless it provides certain notice to affected depositors. The Corporation and the Bank were well capitalized as of December 31, 2024.

### **Consumer Financial Protection**

The Bank is subject to a number of federal and state consumer protection laws that govern its relationship with customers. These laws include, but are not limited to:

- the Equal Credit Opportunity Act (prohibiting discrimination on the basis of race, religion or other prohibited factors in the extension of credit);
- the Fair Credit Reporting Act (governing the provision of consumer information to credit reporting agencies and the use of consumer information);
- the Truth-In-Lending Act (governing disclosures of credit terms to consumer borrowers);
- the Truth-in-Savings Act (which requires disclosure of deposit terms to consumers);
- the Electronic Funds Transfer Act (governing automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services);
- the Fair Debt Collection Act (governing the manner in which consumer debts may be collected by collection agencies);
- the Right to Financial Privacy Act (which imposes a duty to maintain the confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records);
- the Home Mortgage Disclosure Act and Regulation C, requiring financial institutions to provide certain information about home mortgage and refinanced loans; and
- the respective state-law counterparts to the above laws, as applicable, as well as state usury laws and laws regarding unfair and deceptive acts and practices.



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Violations of applicable consumer protection laws can result in significant potential liability from litigation brought by customers, including actual damages, restitution and attorneys' fees. Federal bank regulators, state attorneys general and state and local consumer protection agencies may also seek to enforce consumer protection requirements and obtain these and other remedies, including regulatory sanctions, customer rescission rights, action by the state and local attorneys general in each jurisdiction in which we operate and civil money penalties. Failure to comply with consumer protection requirements may also result in the Corporation's failure to obtain any required bank regulatory approval for merger or acquisition transactions that it may wish to pursue or prohibition from engaging in such transactions even if approval is not required. The CFPB, an independent federal agency created under the Dodd-Frank Act, was granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, primarily with authority over banks and their affiliates with assets of more than \$10 billion. As stated previously, with its assets having exceeded \$10 billion for four consecutive quarters, the Bank and its affiliates became subject to CFPB supervisory and enforcement authority effective as of the beginning of the second quarter of 2020.

The consumer protection provisions of the Dodd-Frank Act and the examination, supervision and enforcement of those laws and implementing regulations by the CFPB have created a more complex environment for consumer finance regulation. The CFPB has significant authority to implement and enforce federal consumer finance laws, including the Truth in Lending Act, the Equal Credit Opportunity Act and new requirements for financial services products provided for in the Dodd-Frank Act, as well as the authority to identify and prohibit unfair, deceptive or abusive acts and practices. The review of products and practices to prevent such acts and practices is a continuing focus of the CFPB, and of banking regulators more broadly. The ultimate impact of this heightened scrutiny is uncertain but could result in changes to pricing, practices, products and procedures. It could also result in increased costs related to regulatory oversight, supervision and examination, additional remediation efforts and possible penalties. In addition, the Dodd-Frank Act provides the CFPB with broad supervisory, examination and enforcement authority over various consumer financial products and services, including the ability to require reimbursements and other payments to customers for alleged legal violations and to impose significant penalties, as well as injunctive relief that prohibits lenders from engaging in allegedly unlawful practices. The CFPB also has the authority to obtain cease and desist orders providing for affirmative relief or monetary penalties. The Dodd-Frank Act does not prevent states from adopting stricter consumer protection standards. State regulation of financial products and potential enforcement actions could also adversely affect our business, financial condition or results of operations.

### **Community Reinvestment Act**

The Community Reinvestment Act of 1977 (the "CRA") requires depository institutions to assist in meeting the credit needs of their market areas consistent with safe and sound banking practice. Under the CRA, each depository institution is required to help meet the credit needs of its market areas by, among other things, providing investment in and credit to low- and moderate-income individuals and small businesses in those communities. These factors are also considered in evaluating mergers, acquisitions and applications to open a branch or facility. The applicable federal regulators regularly conduct CRA examinations to assess the performance of financial institutions and assign one of four ratings to the institution's records of meeting the credit needs of its community. These ratings are outstanding, satisfactory, needs to improve or substantial noncompliance. During its last examination, a rating of satisfactory was received by the Bank.

### **Financial Privacy**

The federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

The Bank is also subject to regulatory guidelines establishing standards for safeguarding customer information. These guidelines describe the federal banking agencies' expectations for the creation, implementation and maintenance of an information security program, which would include administrative, technical and physical safeguards appropriate to the size and complexity of the institution and the nature and scope of its activities. The standards set forth in the guidelines are intended to ensure the security and confidentiality of customer records and information, protect against any anticipated threats or hazards to the security or integrity of such records and protect against unauthorized access to or use of such records or information that could result in substantial harm or inconvenience to any customer.

### **Anti-Money Laundering and the USA Patriot Act**

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA Patriot Act of 2001 (the "USA Patriot Act") substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations on financial institutions, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States.

The Bank Secrecy Act (the "BSA") requires financial institutions to develop policies, procedures, and practices to prevent and deter money laundering, and mandates that every bank has a written, board-approved program that is reasonably designed to assure and monitor compliance with the BSA. In addition, banks are required to adopt a customer identification program as part of their BSA compliance program, and are required to file Suspicious Activity Reports when they detect certain known or suspected violations of federal law or suspicious transactions related to a money laundering activity or a violation of the BSA. The Bank is also required to (1) identify and verify, subject to certain exceptions, the identity of the beneficial owners of all legal entity customers at the time a new account is opened, and (2) include, in its anti-money laundering program, risk-based procedures for conducting ongoing customer due diligence, which are to include procedures that: (a) assist in understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile, and (b) require ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information.

Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required.

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### **Office of Foreign Assets Control Regulation**

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others which are administered by the U.S. Treasury Department Office of Foreign Assets Control. Failure to comply with these sanctions could have serious legal and reputational consequences, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required.

### **Additional Matters**

The Corporation and the Bank are subject to the Federal Reserve Act, which restricts financial transactions between banks and affiliated companies. The statute limits credit transactions between banks, affiliated companies and its executive officers and its affiliates. The statute prescribes terms and conditions for bank affiliate transactions deemed to be consistent with safe and sound banking practices. It also restricts the types of collateral security permitted in connection with the bank's extension of credit to an affiliate. Additionally, all transactions with an affiliate must be on terms substantially the same or at least as favorable to the institution as those prevailing at the time for comparable transactions with non-affiliated parties.

The earnings of financial institutions are also affected by general economic conditions and prevailing interest rates, both domestic and foreign, and by the monetary and fiscal policies of the United States Government and its various agencies, particularly the Federal Reserve. The Federal Reserve regulates the supply of credit in order to influence general economic conditions, primarily through open market operations in United States Government obligations, varying the discount rate on financial institution borrowings, varying reserve requirements against financial institution deposits, and restricting certain borrowings by financial institutions and their subsidiaries. The monetary policies of the Federal Reserve have had a significant effect on the operating results of the Bank in the past and are expected to continue to do so in the future.

Additional legislation and administrative actions affecting the banking industry may be considered by the United States Congress, state legislatures and various regulatory agencies, including those referred to above. It cannot be predicted with certainty whether such legislation or administrative action will be enacted or the extent to which the banking industry, the Corporation or the Bank would be affected.

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### STATISTICAL DATA

The following tables set forth statistical data on the Corporation and its subsidiaries.

### DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL

The daily average balance sheet amounts, the related interest income or interest expense, and average rates earned or paid are presented in the following table:

	Interest			Interest			Interest								
	Average	Income /	Average	Average	Income /	Average	Average	Income /	Average						
	Balance	Expense	Rate	Balance	Expense	Rate	Balance	Expense	Rate						
(Dollars in Thousands)	2024			2023			2022								
Assets:															
Interest-bearing deposits	\$	418,163	\$	16,992	4.06 %	\$	431,581	\$	17,719	4.11 %	\$	296,863	\$	2,503	0.84 %
Federal Home Loan Bank stock		41,736		3,527	8.45		41,319		3,052	7.39		35,580		1,176	3.31
Investment securities: <sup>(1)</sup>															
Taxable		1,759,578		36,086	2.05		1,854,438		35,207	1.90		2,056,586		38,354	1.86
Tax-exempt <sup>(2)</sup>		2,200,466		67,705	3.08		2,366,475		73,566	3.11		2,653,611		85,292	3.21
Total Investment Securities		3,960,044		103,791	2.62		4,220,913		108,773	2.58		4,710,197		123,646	2.63
Loans held for sale		29,650		1,792	6.04		21,766		1,292	5.94		14,715		692	4.70
Loans: <sup>(3)</sup>															
Commercial		8,687,638		641,393	7.38		8,519,706		603,611	7.08		7,877,271		380,621	4.83
Real estate mortgage		2,158,743		94,890	4.40		2,035,488		82,183	4.04		1,471,802		51,853	3.52
HELOC and installment		830,079		65,577	7.90		830,006		60,751	7.32		785,520		37,302	4.75
Tax-exempt <sup>(2)</sup>		928,214		43,370	4.67		891,008		40,448	4.54		793,743		31,803	4.01
Total Loans		12,634,324		847,022	6.70		12,297,974		788,285	6.41		10,943,051		502,271	4.59
Total Earning Assets		17,054,267		971,332	5.69 %		16,991,787		917,829	5.40 %		15,985,691		629,596	3.94 %
Total Non-earning Assets		1,346,228					1,194,720					1,234,311			
Total Assets	\$	18,400,495				\$	18,186,507				\$	17,220,002			
Liabilities:															
Interest-bearing deposits:															
Interest-bearing deposits	\$	5,506,492	\$	157,984	2.87 %	\$	5,435,733	\$	138,012	2.54 %	\$	5,206,131	\$	32,511	0.62 %
Money market deposits		3,061,461		106,026	3.46		2,884,271		83,777	2.90		2,915,397		19,170	0.66
Savings deposits		1,463,707		14,587	1.00		1,694,230		14,606	0.86		1,927,122		5,019	0.26
Certificates and other time deposits		2,413,900		107,530	4.45		1,923,268		69,697	3.62		881,176		6,239	0.71
Total Interest-bearing Deposits		12,445,560		386,127	3.10		11,937,502		306,092	2.56		10,929,826		62,939	0.58
Borrowings		1,005,017		40,765	4.06		1,111,472		42,394	3.81		888,392		21,864	2.46
Total Interest-bearing Liabilities		13,450,577		426,892	3.17		13,048,974		348,486	2.67		11,818,218		84,803	0.72
Noninterest-bearing deposits		2,371,004					2,783,996					3,268,417			
Other liabilities		326,423					226,275					160,922			
Total Liabilities		16,148,004					16,059,245					15,247,557			
Stockholders' Equity		2,252,491					2,127,262					1,972,445			
Total Liabilities and Stockholders' Equity	\$	18,400,495		426,892		\$	18,186,507		348,486		\$	17,220,002		84,803	
Net Interest Income (FTE)			\$	544,440				\$	569,343				\$	544,793	
Net Interest Spread (FTE) <sup>(4)</sup>					2.52 %					2.73 %					3.22 %
Net Interest Margin (FTE):															
Interest Income (FTE) / Average Earning Assets					5.69 %					5.40 %					3.94 %
Interest Expense / Average Earning Assets					2.50 %					2.05 %					0.53 %
Net Interest Margin (FTE) <sup>(5)</sup>					3.19 %					3.35 %					3.41 %

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<sup>(1)</sup> Average balance of securities is computed based on the average of the historical amortized cost balances without the effects of the fair value adjustments. Annualized amounts are computed using a 30/360 day basis.

<sup>(2)</sup> Tax-exempt securities and loans are presented on a fully taxable equivalent basis, using a marginal tax rate of 21 percent for 2024, 2023 and 2022. These totals equal \$23.3 million, \$23.9 million and \$24.6 million for the years ended December 31, 2024, 2023, and 2022, respectively.

<sup>(3)</sup> Non accruing loans have been included in the average balances.

<sup>(4)</sup> Net Interest Spread (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average interest-bearing liabilities.

<sup>(5)</sup> Net Interest Margin (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average earning assets.

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### ANALYSIS OF CHANGES IN NET INTEREST INCOME

The following table presents net interest income components on a tax-equivalent basis and reflects changes between periods attributable to movement in either the average balance or average interest rate for both earning assets and interest-bearing liabilities. The volume differences were computed as the difference in volume between the current and prior year multiplied by the interest rate from the prior year. The interest rate changes were computed as the difference in rate between the current and prior year multiplied by the volume from the prior year. Volume and rate variances have been allocated on the basis of the absolute relationship between volume variances and rate variances.

(Dollars in Thousands, Fully Taxable Equivalent Basis)	2024 Compared to 2023			2023 Compared to 2022			2022 Compared to 2021		
	Increase (Decrease) Due To			Increase (Decrease) Due To			Increase (Decrease) Due To		
	Volume	Rate	Total	Volume	Rate	Total	Volume	Rate	Total
Interest Income:									
Interest-bearing deposits	\$ (547)	\$ (180)	\$ (727)	\$ 1,597	\$ 13,619	\$ 15,216	\$ (383)	\$ 2,252	\$ 1,869
Federal Home Loan Bank stock	31	444	475	217	1,659	1,876	166	413	579
Investment securities	(6,812)	1,830	(4,982)	(12,644)	(2,229)	(14,873)	22,353	1,303	23,656
Loans held for sale	476	24	500	388	212	600	(193)	138	(55)
Loans	21,413	36,824	58,237	67,684	217,730	285,414	76,919	59,411	136,330
Totals	14,561	38,942	53,503	57,242	230,991	288,233	98,862	63,517	162,379
Interest Expense:									
Interest-bearing deposit accounts	1,818	18,154	19,972	1,496	104,005	105,501	1,440	16,559	17,999
Money market deposit accounts	5,386	16,863	22,249	(207)	64,814	64,607	941	15,026	15,967
Savings deposits	(2,132)	2,113	(19)	(676)	10,263	9,587	202	2,931	3,133
Certificates and other time deposits	19,927	17,906	37,833	14,157	49,301	63,458	508	2,013	2,521
Borrowings	(4,215)	2,586	(1,629)	6,437	14,093	20,530	5,649	3,582	9,231
Totals	20,784	57,622	78,406	21,207	242,476	263,683	8,740	40,111	48,851
Change in net interest income (fully taxable equivalent basis)	\$ (6,223)	\$ (18,680)	(24,903)	\$ 36,035	\$ (11,485)	24,550	\$ 90,122	\$ 23,406	113,528
Tax equivalent adjustment using marginal rate of 21% for 2024, 2023 and 2022			617			647			(4,005)
Change in net interest income			\$ (24,286)			\$ 25,197			\$ 109,523

### INVESTMENT SECURITIES

In determining the fair value of the investment securities portfolio, the Corporation utilizes a third party for portfolio accounting services, including market value input, for those securities classified as Level 1 and Level 2 in the fair value hierarchy. The Corporation has obtained an understanding of what inputs are being used by the vendor in pricing the portfolio and how the vendor classified these securities based upon these inputs. From these discussions, the Corporation's management is comfortable that the classifications are proper. The Corporation has gained trust in the data for two reasons: (a) independent spot testing of the data is conducted by the Corporation through obtaining market quotes from various brokers on a periodic basis; and (b) actual gains or losses resulting from the sale of certain securities has proven the data to be accurate over time. Fair value of securities classified as Level 3 in the valuation hierarchy were determined using a discounted cash flow model that incorporated market estimates of interest rates and volatility in markets that have not been active.

The following table summarizes the amortized cost, gross unrealized gains and losses and approximate fair value of investment securities available for sale at the dates indicated.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at December 31, 2024				
U.S. Government-sponsored agency securities	\$ 95,462	\$ —	\$ 16,081	\$ 79,381
State and municipal	996,541	19	133,386	863,174
U.S. Government-sponsored mortgage-backed securities	519,943	403	88,724	431,622
Corporate obligations	12,960	—	662	12,298
Total available for sale	\$ 1,624,906	\$ 422	\$ 238,853	\$ 1,386,475
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at December 31, 2023				
U.S. Government-sponsored agency securities	\$ 111,521	\$ —	\$ 16,214	\$ 95,307
State and municipal	1,181,029	364	116,222	1,065,171
U.S. Government-sponsored mortgage-backed securities	541,343	462	86,990	454,815
Corporate obligations	12,947	—	1,128	11,819
Total available for sale	\$ 1,846,840	\$ 826	\$ 220,554	\$ 1,627,112



## PART I: ITEM 1. BUSINESS

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Available for sale at December 31, 2022</b>				
US Treasury	\$ 2,501	\$ —	\$ 42	\$ 2,459
U.S. Government-sponsored agency securities	119,154	—	17,192	101,962
State and municipal	1,530,048	438	178,726	1,351,760
U.S. Government-sponsored mortgage-backed securities	608,630	1	100,358	508,273
Corporate obligations	13,014	—	807	12,207
Total available for sale	<u>\$ 2,273,347</u>	<u>\$ 439</u>	<u>\$ 297,125</u>	<u>\$ 1,976,661</u>

The following table summarizes the amortized cost, gross unrealized gains and losses, approximate fair value and allowance for credit losses on investment securities held to maturity at the dates indicated.

	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Held to maturity at December 31, 2024</b>						
U.S. Government-sponsored agency securities	\$ 345,531	\$ —	\$ 345,531	\$ —	\$ 63,112	\$ 282,419
State and municipal	1,085,921	245	1,085,676	299	185,784	900,436
U.S. Government-sponsored mortgage-backed securities	641,513	—	641,513	—	102,343	539,170
Foreign investment	1,500	—	1,500	—	5	1,495
Total held to maturity	<u>\$ 2,074,465</u>	<u>\$ 245</u>	<u>\$ 2,074,220</u>	<u>\$ 299</u>	<u>\$ 351,244</u>	<u>\$ 1,723,520</u>

	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Held to maturity at December 31, 2023</b>						
U.S. Government-sponsored agency securities	\$ 374,002	\$ —	\$ 374,002	\$ —	\$ 64,159	\$ 309,843
State and municipal	1,099,201	245	1,098,956	1,625	152,113	948,713
U.S. Government-sponsored mortgage-backed securities	709,794	—	709,794	—	99,448	610,346
Foreign investment	1,500	—	1,500	—	28	1,472
Total held to maturity	<u>\$ 2,184,497</u>	<u>\$ 245</u>	<u>\$ 2,184,252</u>	<u>\$ 1,625</u>	<u>\$ 315,748</u>	<u>\$ 1,870,374</u>

	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Held to maturity at December 31, 2022</b>						
U.S. Government-sponsored agency securities	\$ 392,246	\$ —	\$ 392,246	\$ —	\$ 69,147	\$ 323,099
State and municipal	1,117,552	245	1,117,307	647	197,064	921,135
U.S. Government-sponsored mortgage-backed securities	776,074	—	776,074	—	113,915	662,159
Foreign investment	1,500	—	1,500	—	28	1,472
Total held to maturity	<u>\$ 2,287,372</u>	<u>\$ 245</u>	<u>\$ 2,287,127</u>	<u>\$ 647</u>	<u>\$ 380,154</u>	<u>\$ 1,907,865</u>

In determining the allowance for credit losses on investment securities available for sale that are in an unrealized loss position, the Corporation first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through the income statement. For investment securities available for sale that do not meet the aforementioned criteria, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Corporation considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Unrealized losses that have not been recorded through an allowance for credit losses are recognized in other comprehensive loss. Adjustments to the allowance are reported in the income statement as a component of the provision for credit losses. The Corporation has made the accounting policy election to exclude accrued interest receivable on investment securities available for sale from the estimate of credit losses. Investment securities available for sale are charged off against the allowance or, in the absence of any allowance, written down through the income statement when deemed uncollectible or when either of the aforementioned criteria regarding intent or requirement to sell is met. The Corporation did not record an allowance for credit losses on its investment securities available for sale as the unrealized losses were attributable to changes in interest rates, not credit quality.





## PART I: ITEM 1. BUSINESS

The allowance for credit losses on investment securities held to maturity is a contra asset-valuation account that is deducted from the amortized cost basis of investment securities held to maturity to present the net amount expected to be collected. Investment securities held to maturity are charged off against the allowance when deemed uncollectible. Adjustments to the allowance are reported in the income statement as a component of the provision for credit losses. The Corporation measures expected credit losses on investment securities held to maturity on a collective basis by major security type with each type sharing similar risk characteristics, and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The Corporation has made the accounting policy election to exclude accrued interest receivable on investment securities held to maturity from the estimate of credit losses. With regard to U.S. Government-sponsored agency and U.S. Government-sponsored mortgage-backed securities, all these securities are issued by a U.S. government-sponsored entity and have an implicit or explicit government guarantee; therefore, no allowance for credit losses has been recorded for these securities. With regard to securities issued by states and municipalities and other investment securities held to maturity, management considers (1) issuer bond ratings, (2) historical loss rates for given bond ratings, (3) the financial condition of the issuer, and (4) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities. Historical loss rates associated with securities having similar grades as those in the Corporation's portfolio have been insignificant. Furthermore, as of December 31, 2024, there were no past due principal and interest payments associated with these securities. The balance of the allowance for credit losses on investment securities held to maturity remained unchanged at \$245,000 as of December 31, 2024 and December 31, 2023 based on application of the long-term historical credit rate, as published by Moody's, for similarly rated securities.

The cost and yield for Federal Home Loan Bank stock is included in the table below.

(Dollars in Thousands)	2024		2023		2022	
	Cost	Yield	Cost	Yield	Cost	Yield
Federal Home Loan Bank stock	\$ 41,691	8.5 %	\$ 41,769	7.3 %	\$ 38,525	3.1 %
<b>Total</b>	<b>\$ 41,691</b>	<b>8.5 %</b>	<b>\$ 41,769</b>	<b>7.3 %</b>	<b>\$ 38,525</b>	<b>3.1 %</b>

The Corporation's Federal Home Loan Bank stock is primarily in the Federal Home Loan Bank of Indianapolis and it continued to produce sufficient financial results to pay dividends.

There were no issuers included in the investment securities portfolio at December 31, 2024, 2023 or 2022 where the aggregate carrying value of any one issuer exceeded 10 percent of the Corporation's stockholders' equity at those dates. The term "issuer" excludes the U.S. Government and its sponsored agencies and corporations.

The maturity distribution and average yields for the securities portfolio at December 31, 2024 were:

(Dollars in Thousands)	Within 1 Year		1-5 Years		5-10 Years	
	Amount	Yield <sup>(1)</sup>	Amount	Yield <sup>(1)</sup>	Amount	Yield <sup>(1)</sup>
Securities available for sale December 31, 2024						
State and municipal	\$ 1,795	2.8 %	\$ 7,026	2.7 %	\$ 144,031	3.2 %
Corporate obligations	—	— %	4,831	8.1 %	7,436	4.5 %
	<u>\$ 1,795</u>	<u>2.8 %</u>	<u>\$ 11,857</u>	<u>4.9 %</u>	<u>\$ 151,467</u>	<u>3.2 %</u>

	U.S. Government-sponsored mortgage-backed securities					
	Due After Ten Years		Total		Total	
	Amount	Yield <sup>(1)</sup>	Amount	Yield <sup>(1)</sup>	Amount	Yield <sup>(1)</sup>
U.S. Government-sponsored agency securities	\$ 79,381	2.3 %	\$ —	— %	\$ 79,381	2.3 %
State and municipal	710,322	3.1 %	—	— %	863,174	3.1 %
U.S. Government-sponsored mortgage-backed securities	—	— %	431,622	2.8 %	431,622	2.8 %
Corporate obligations	31	— %	—	— %	12,298	5.9 %
	<u>\$ 789,734</u>	<u>3.0 %</u>	<u>\$ 431,622</u>	<u>2.8 %</u>	<u>\$ 1,386,475</u>	<u>3.0 %</u>

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(Dollars in Thousands)	Within 1 Year		1-5 Years		5-10 Years	
	Amount	Yield <sup>(1)</sup>	Amount	Yield <sup>(1)</sup>	Amount	Yield <sup>(1)</sup>
Securities held to maturity at December 31, 2024						
U.S. Government-sponsored agency securities	\$ —	— %	\$ 60,590	1.0 %	\$ 29,702	1.3 %
State and municipal	3,768	4.0 %	63,414	4.2 %	144,831	3.2 %
Foreign investment	1,500	3.5 %	—	— %	—	— %
	<u>\$ 5,268</u>	<u>3.9 %</u>	<u>\$ 124,004</u>	<u>2.6 %</u>	<u>\$ 174,533</u>	<u>2.8 %</u>

(Dollars in Thousands)	U.S. Government-sponsored mortgage-backed securities					
	Due After Ten Years		Total		Total	
	Amount	Yield <sup>(1)</sup>	Amount	Yield <sup>(1)</sup>	Amount	Yield <sup>(1)</sup>
U.S. Government-sponsored agency securities	\$ 255,239	1.5 %	\$ —	— %	\$ 345,531	1.4 %
State and municipal	873,908	3.0 %	—	— %	1,085,921	3.1 %
U.S. Government-sponsored mortgage-backed securities	—	— %	641,513	2.6 %	641,513	2.6 %
Foreign investment	—	— %	—	— %	1,500	— %
	<u>\$ 1,129,147</u>	<u>2.6 %</u>	<u>\$ 641,513</u>	<u>2.6 %</u>	<u>\$ 2,074,465</u>	<u>2.6 %</u>

(1) Interest yields are presented on a fully taxable equivalent basis using a 21 percent tax rate.

### LOAN PORTFOLIO

Loans are generated from customers primarily in Indiana, Illinois, Ohio, and Michigan and are typically secured by specific items of collateral, including real property, consumer assets, and business assets. The following table shows the composition of the Corporation's loan portfolio by collateral classification, including purchased credit deteriorated loans, for the years indicated:

(Dollars in Thousands)	2024		2023		2022		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Loans at December 31:										
Commercial and industrial loans <sup>(1)</sup>	\$ 4,114,292	32.0 %	\$ 3,670,948	29.4 %	\$ 3,437,126	28.6 %	\$ 2,714,565	29.4 %	\$ 2,776,699	30.0 %
Agricultural land, production and other loans to farmers	256,312	2.0	263,414	2.1	241,793	2.0	246,442	2.7	281,884	3.0
Real estate loans:										
Construction	792,144	6.2	957,545	7.7	835,582	6.9	523,066	5.7	484,723	5.2
Commercial real estate, non-owner occupied	2,274,016	17.7	2,400,839	19.2	2,407,475	20.1	2,135,459	23.1	2,220,949	24.0
Commercial real estate, owner occupied	1,157,944	9.0	1,162,083	9.3	1,246,528	10.4	986,720	10.7	958,501	10.4
Residential	2,374,729	18.5	2,288,921	18.4	2,096,655	17.5	1,159,127	12.5	1,234,741	13.4
Home equity	659,811	5.1	617,571	4.9	630,632	5.3	523,754	5.7	508,259	5.5
Individuals' loans for household and other personal expenditures										
	166,028	1.3	168,388	1.3	175,211	1.4	146,092	1.5	129,479	1.5
Public finance and other commercial loans	1,059,083	8.2	956,318	7.7	932,892	7.8	806,636	8.7	647,939	7.0
Loans	<u>12,854,359</u>	<u>100.0 %</u>	<u>12,486,027</u>	<u>100.0 %</u>	<u>12,003,894</u>	<u>100.0 %</u>	<u>9,241,861</u>	<u>100.0 %</u>	<u>9,243,174</u>	<u>100.0 %</u>
Allowance for loan/credit losses	<u>(192,757)</u>		<u>(204,934)</u>		<u>(223,277)</u>		<u>(195,397)</u>		<u>(130,648)</u>	
Net Loans	<u>\$ 12,661,602</u>		<u>\$ 12,281,093</u>		<u>\$ 11,780,617</u>		<u>\$ 9,046,464</u>		<u>\$ 9,112,526</u>	

<sup>(1)</sup> Includes PPP loans of \$2.7 million in 2023, \$4.7 million in 2022, \$106.6 million in 2021, and \$667.1 million in 2020.

At December 31, 2024, 2023, 2022, 2021, and 2020, the remaining fair value discount on acquired loans was \$17.4 million, \$23.2 million, \$31.3 million, \$10.9 million, and \$23.0 million, respectively.

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### LOAN MATURITIES

The following tables present the maturity distribution of our loan portfolio, excluding loans held for sale, by collateral classification at December 31, 2024 according to contractual maturities of (1) one year or less, (2) after one year but within five years and (3) after five years. The second table presents the same classifications including only fixed interest rate loans and the third table presents the same classifications including only the variable interest rate loans where the rates fluctuate over the life of the loans in accordance with changes in an interest rate index.

(Dollars in Thousands)	Maturing Within 1 Year	Maturing 1-5 Years	Maturing Over 5 Years	Total
Commercial and industrial loans	\$ 816,290	\$ 2,936,588	\$ 361,414	\$ 4,114,292
Agricultural land, production and other loans to farmers	90,830	37,075	128,407	256,312
Real estate loans:				
Construction	392,133	256,451	143,560	792,144
Commercial real estate, non-owner occupied	358,100	1,174,758	741,158	2,274,016
Commercial real estate, owner occupied	165,469	553,158	439,317	1,157,944
Residential	25,462	165,404	2,183,863	2,374,729
Home Equity	32,411	21,815	605,585	659,811
Individuals' loans for household and other personal expenditures	18,578	102,290	45,160	166,028
Public finance and other commercial loans	3,381	86,041	969,661	1,059,083
Total	\$ 1,902,654	\$ 5,333,580	\$ 5,618,125	\$ 12,854,359

(Dollars in Thousands)	Maturing Within 1 Year	Maturing 1-5 Years	Maturing Over 5 Years	Total
Commercial and industrial loans	\$ 38,076	\$ 456,773	\$ 138,336	\$ 633,185
Agricultural land, production and other loans to farmers	1,691	27,209	7,127	36,027
Real estate loans:				
Construction	10,475	10,579	129,838	150,892
Commercial real estate, non-owner occupied	106,840	421,794	117,701	646,335
Commercial real estate, owner occupied	118,985	298,188	106,629	523,802
Residential	15,268	114,578	889,840	1,019,686
Home Equity	13,367	7,567	11,195	32,129
Individuals' loans for household and other personal expenditures	6,104	66,116	17,574	89,794
Public finance and other commercial loans	2,950	62,784	943,091	1,008,825
Total	\$ 313,756	\$ 1,465,588	\$ 2,361,331	\$ 4,140,675

(Dollars in Thousands)	Maturing Within 1 Year	Maturing 1-5 Years	Maturing Over 5 Years	Total
Commercial and industrial loans	\$ 778,214	\$ 2,479,815	\$ 223,078	\$ 3,481,107
Agricultural land, production and other loans to farmers	89,139	9,866	121,280	220,285
Real estate loans:				
Construction	381,658	245,872	13,722	641,252
Commercial real estate, non-owner occupied	251,260	752,964	623,457	1,627,681
Commercial real estate, owner occupied	46,484	254,970	332,688	634,142
Residential	10,194	50,826	1,294,023	1,355,043
Home Equity	19,044	14,248	594,390	627,682
Individuals' loans for household and other personal expenditures	12,474	36,174	27,586	76,234
Public finance and other commercial loans	431	23,257	26,570	50,258
Total	\$ 1,588,898	\$ 3,867,992	\$ 3,256,794	\$ 8,713,684

### NONPERFORMING ASSETS

The table below summarizes nonperforming assets for the years indicated:

	December 31,	December 31,	December 31,	December 31,	December 31,
(Dollars in Thousands)	2024	2023	2022	2021	2020
<b>Nonperforming assets:</b>					
Nonaccrual loans	\$ 73,773	\$ 53,580	\$ 42,324	\$ 43,062	\$ 61,471
Renegotiated loans <sup>(1)</sup>	—	—	224	329	3,240
Nonperforming loans (NPL)	73,773	53,580	42,548	43,391	64,711
OREO and Repossessions	4,948	4,831	6,431	558	940
Nonperforming assets (NPA)	78,721	58,411	48,979	43,949	65,651
Loans 90-days or more delinquent and still accruing	5,902	172	1,737	963	746
NPAs and loans 90-days or more delinquent	<u>\$ 84,623</u>	<u>\$ 58,583</u>	<u>\$ 50,716</u>	<u>\$ 44,912</u>	<u>\$ 66,397</u>

(1) As a result of the adoption of ASU 2022-02 on January 1, 2023, the renegotiated classification is no longer applicable.

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Loans are reclassified to a non-accruing status when, in management's judgment, the collateral value and financial condition of the borrower do not justify accruing interest. At the time the accrual is discontinued, all unpaid accrued interest is reversed against earnings. Interest income accrued in the prior year, if any, is charged to the allowance for credit losses ("ACL - Loans"). Payments subsequently received on non-accrual loans are applied to principal. A loan is returned to accrual status when principal and interest are no longer past due and collectability is probable, typically after a minimum of six consecutive months of performance.

At December 31, 2024, non-accrual loans totaled \$73.8 million, an increase of \$20.2 million from December 31, 2023. The increase was primarily due to a \$24.1 million increase in non-accrual balances within the construction loan class. The increase was offset by a \$3.6 million decrease in non-accrual balances within the residential loan class. At December 31, 2024, 2023, 2022, 2021, and 2020, non-accrual loans include assets acquired of \$3.6 million, \$5.2 million, \$8.2 million, \$3.2 million, and \$7.9 million, respectively.

Other real estate owned ("OREO") at December 31, 2024 increased \$0.1 million from the December 31, 2023 balance of \$4.8 million. At December 31, 2024, 2023, 2022, 2021 and 2020, OREO did not include any acquired assets.

In addition to the nonperforming loans discussed above, management also identified loans totaling \$746.1 million and \$515.2 million as of December 31, 2024 and 2023, respectively, that were deemed to be risk graded criticized. A loan risk graded criticized is a loan in which there are concerns regarding the borrower's ability to comply with the repayment terms and would include loans graded special mention or worse. Consumer loans are not risk graded. However, for purposes of disclosure, the consumer loans are classified as follows: loans that are less than 30 days past due are Pass, loans 30-89 days past due are Special Mention and loans greater than 89 days past due are Substandard.

See additional information regarding loan credit quality in the "LOAN QUALITY" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included as Item 7 of this Annual Report on Form 10-K and in NOTE 5. LOANS AND ALLOWANCE FOR CREDIT LOSSES of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

### SUMMARY OF CREDIT LOSS EXPERIENCE

The following table summarizes the credit loss experience, by collateral segment, for the years indicated:

(Dollars in Thousands)	2024	2023	2022	2021	2020
<b>Allowance for credit losses - loans:</b>					
Balances, January 1	\$ 204,934	\$ 223,277	\$ 195,397	\$ 130,648	\$ 80,284
Impact of adopting ASC 326	—	—	—	74,055	—
Balances, January 1, 2021 Post-ASC 326 adoption	204,934	223,277	195,397	204,703	80,284
<b>Charge-offs:</b>					
Commercial <sup>(1)</sup>	(50,199)	(23,264)	(1,215)	(5,849)	(8,536)
Commercial real estate <sup>(2)</sup>	(352)	(116)	(3,017)	(4,533)	(313)
Construction	—	—	—	(6)	—
Consumer	—	—	—	—	(643)
Residential	—	—	—	—	(993)
Consumer & Residential	(3,692)	(4,659)	(2,369)	(1,496)	—
Total Charge-offs	(54,243)	(28,039)	(6,601)	(11,884)	(10,485)
<b>Recoveries:</b>					
Commercial <sup>(1)</sup>	3,153	995	872	724	819
Commercial real estate <sup>(2)</sup>	236	60	1,096	580	431
Construction	—	—	863	1	—
Consumer	—	—	—	—	260
Residential	—	—	—	—	666
Consumer & Residential	1,477	1,341	1,096	1,273	—
Total Recoveries	4,866	2,396	3,927	2,578	2,176
Net Charge-offs	(49,377)	(25,643)	(2,674)	(9,306)	(8,309)
Provision for credit losses - loans	37,200	7,300	—	—	58,673
CECL Day 1 non-PCD provision for credit losses - loans	—	—	13,955	—	—
CECL Day 1 PCD ACL - loans	—	—	16,599	—	—
Balances, December 31	\$ 192,757	\$ 204,934	\$ 223,277	\$ 195,397	\$ 130,648
Ratio of net charge-offs during the period to average loans outstanding during the period	0.39 %	0.21 %	0.02 %	0.10 %	0.09 %

(1) Category includes commercial and industrial, agricultural land, production and other loans to farmers, and other commercial loans.

(2) Category includes commercial real estate, non-owner occupied and commercial real estate, owner occupied.

In calculating the ACL - Loans, the loan portfolio was pooled into loan segments with similar credit risk characteristics. The Corporation pooled consumer and residential loans into one

segment at adoption of CECL on January 1, 2021, but prior to adoption, consumer and residential loans were classified in separate segments. Additionally, prior to CECL adoption, construction loans were classified within the commercial real estate segment, but after CECL adoption, construction loans were classified as a separate segment. Details of the ACL - Loans and nonperforming loans are discussed within the "LOAN QUALITY" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included as Item 7 of this Annual Report on Form 10-K.

## PART I: ITEM 1. BUSINESS

### ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES

Presented below is an analysis of the composition of the ACL - Loans and percent of loans in each category to total loans, by collateral segment, as of the years indicated.

	2024		2023		2022		2021		2020	
(Dollars in Thousands)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
<b>Balance at December 31:</b>										
Commercial	\$ 94,757	42.2 %	\$ 97,348	39.2 %	\$ 102,216	38.4 %	\$ 69,935	40.8 %	\$ 47,115	37.9 %
Commercial real estate	51,099	26.7 %	44,048	28.5 %	46,839	30.4 %	60,665	33.8 %	51,070	41.8 %
Construction	9,784	6.2 %	24,823	7.7 %	28,955	7.0 %	20,206	5.6 %	—	— %
Consumer	—	— %	—	— %	—	— %	—	— %	9,648	1.4 %
Residential	—	— %	—	— %	—	— %	—	— %	22,815	18.9 %
Consumer & Residential	37,117	24.9 %	38,715	24.6 %	45,267	24.2 %	44,591	19.8 %	—	— %
<b>Totals</b>	<b>\$ 192,757</b>	<b>100.0 %</b>	<b>\$ 204,934</b>	<b>100.0 %</b>	<b>\$ 223,277</b>	<b>100.0 %</b>	<b>\$ 195,397</b>	<b>100.0 %</b>	<b>\$ 130,648</b>	<b>100.0 %</b>

The ACL - Loans decreased \$12.2 million during the year ended December 31, 2024. The allowance decreased primarily due to \$49.4 million of net charge-offs during the year ended December 31, 2024. In 2024, the Corporation recorded \$37.2 million in provision for credit losses - loans, which was offset by a release in reserve of \$1.5 million related to the allowance for unfunded commitments, resulting in a net provision expense for the year ended December 31, 2024 of \$35.7 million. The increase in net charge-offs was primarily related to two commercial relationships that accounted for \$42.7 million of charge-offs. One borrower experienced a sudden change in revenue from the cancellation and inability to renegotiate their contracts with the U.S. Government. This negatively impacted the value of the borrower's business and resulted in their inability to repay principal and interest. The second borrower provided notification of its plans to cease operations. The Corporation does not believe these charge-offs are indicative of the portfolio as a whole.

Loan concentrations are considered to exist when there are amounts loaned to multiple borrowers engaged in similar activities, which would cause them to be similarly impacted by economic or other conditions. At December 31, 2024, one concentration of commercial loans within a single industry (as segregated by North American Industry Classification System "NAICS code") was in excess of 10 percent of total loans. Lessors of Residential Buildings and Dwellings represented 11.62 percent of total loans.

### CREDIT LOSS CHARGE-OFF PROCEDURES

The Corporation maintains an allowance to cover estimated credit losses in its loan portfolio. The allowance is increased by the provision for credit losses - loans and decreased by charge-offs less recoveries. All charge-offs are approved by the senior loan officers or loan committees, depending on the amount of the charge-off and are reported to the Risk and Credit Policy Committee of the Board of Directors. Loans are charged off when a determination is made that all or a portion of a loan is uncollectible.

### PROVISION FOR CREDIT LOSSES

Credit losses are a cost of doing business in the banking industry. Although management emphasizes the early detection and charge-off of loan losses, it is inevitable that certain losses, which have not been specifically identified, exist in the portfolio. Accordingly, the provision for credit losses - loans is charged to earnings on an anticipatory basis and recognized credit losses, net of recoveries, are deducted from the established allowance. Over time, all net credit losses are charged to earnings. Based on management's judgment as to the appropriate level of the ACL - Loans, the amount provided in any period may be greater or less than net credit losses for the same period. In any period, the determination of the provision for credit losses - loans is based on management's continuing review and evaluation of the loan portfolio. The evaluation by management includes consideration of the current forecasted economic conditions, past loan loss experience, changes in the composition of the loan portfolio, reasonable and supportable economic forecasts as well as the current condition and amount of loans outstanding. See additional information in the "PROVISION EXPENSE AND ALLOWANCE FOR CREDIT LOSSES" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included as Item 7 of this Annual Report on Form 10-K.

### DEPOSITS

The average balances, interest expense and average rates on deposits for the years ended December 31, 2024, 2023 and 2022 are presented in the Part I. Item I. Business section titled "DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY, INTEREST RATES AND INTEREST DIFFERENTIAL" of this Annual Report on Form 10-K.

As of December 31, 2024, certificates of deposit and other time deposits exceeding the FDIC insurance limit of \$250,000 mature as follows:

	Maturing 3 Months or Less	Maturing 3-6 Months	Maturing 6-12 Months	Maturing Over 12 Months	Total
(Dollars in Thousands)					
Uninsured certificates of deposit and other time deposits	\$ 185,060	\$ 60,834	\$ 27,134	\$ 2,373	\$ 275,401
Percent	67 %	22 %	10 %	1 %	100 %





## PART I: ITEM 1. BUSINESS

### SHORT-TERM BORROWINGS

Borrowings maturing in one year or less are included in the following table:

(Dollars in Thousands)	Years Ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Federal funds purchased	\$ 99,226	\$ —	\$ 171,560
Securities sold under repurchase agreements (short-term portion)	142,876	157,280	167,413
Federal Home Loan Bank advances (short-term portion)	95,000	60,000	460,097
Subordinated debentures and other borrowings (short-term portion)	\$ 1,157	\$ 1,176	\$ 1,182
Total short-term borrowings	<u>\$ 338,259</u>	<u>\$ 218,456</u>	<u>\$ 800,252</u>

Securities sold under repurchase agreements are categorized as borrowings maturing within one year and are secured by U.S. Government-Sponsored Enterprise obligations.

Pertinent information with respect to borrowings maturing in one year or less is summarized below:

(Dollars in Thousands)	2024	2023	2022
Weighted Average Interest Rate on Outstanding Balance at December 31:			
Federal funds purchased	2.3 %	— %	3.5 %
Securities sold under repurchase agreements (short-term portion)	2.0 %	2.3 %	1.3 %
Federal Home Loan Bank advances (short-term portion)	4.0 %	2.8 %	2.4 %
Subordinated debentures and other borrowings (short-term portion)	1.0 %	1.0 %	1.0 %
Total short-term borrowings	2.6 %	2.4 %	2.4 %
Weighted Average Interest Rate During the Year:			
Federal funds purchased	5.4 %	5.2 %	3.0 %
Securities sold under repurchase agreements (short-term portion)	2.2 %	2.0 %	0.6 %
Federal Home Loan Bank advances (short-term portion)	4.0 %	3.4 %	2.5 %
Subordinated debentures and other borrowings (short-term portion)	1.2 %	0.8 %	0.7 %
Total short-term borrowings	3.1 %	2.9 %	1.8 %
Highest Amount Outstanding at Any Month End During the Year:			
Federal funds purchased	\$ 147,229	\$ 188,329	\$ 240,406
Securities sold under repurchase agreements (short-term portion)	194,177	242,194	218,882
Federal Home Loan Bank advances (short-term portion)	180,000	410,000	460,000
Subordinated debentures and other borrowings (short-term portion)	\$ 1,172	\$ 1,182	\$ 1,230
Total short-term borrowings	<u>\$ 522,578</u>	<u>\$ 841,705</u>	<u>\$ 920,518</u>
Average Amount Outstanding During the year:			
Federal funds purchased	\$ 8,920	\$ 27,115	\$ 44,041
Securities sold under repurchase agreements (short-term portion)	136,010	171,291	185,082
Federal Home Loan Bank advances (short-term portion)	100,190	208,251	265,822
Subordinated debentures and other borrowings (short-term portion)	\$ 1,166	\$ 1,178	\$ 1,212
Total short-term borrowings	<u>\$ 246,286</u>	<u>\$ 407,835</u>	<u>\$ 496,157</u>

### ITEM 1A. RISK FACTORS.

#### RISK FACTORS

There are a number of factors, including those specified below, that may adversely affect the Corporation's business, financial results or stock price. Additional risks that the Corporation currently does not know about or currently views as immaterial may also impair the Corporation's business or adversely impact its financial results or stock price.

#### Operational Risks

- *The Corporation's business, results of operations and financial condition may be adversely affected by epidemics, pandemics or other infectious disease outbreaks.*

An epidemic, a pandemic or any other infectious disease outbreak may result in a widespread health crisis that could adversely affect general commercial activity, the global economy (including the states and local economies in which we operate) and financial markets.

Epidemics, pandemics or other infectious disease outbreaks may result in the Corporation closing certain offices and may require us to limit how customers conduct business through

our branch network. If our employees continue or are required to work remotely, the Corporation will be exposed to increased cybersecurity risks such as phishing, malware, and other cybersecurity attacks, all of which could expose us to liability and could seriously disrupt our business operations. Furthermore, the Corporation's business operations may be disrupted due to vendors and third-party service providers being unable to work or provide services effectively during such a health crisis, including because of illness, quarantines or other government actions.

## **PART I: ITEM 1A., ITEM 1B., AND ITEM 1C.**

In addition, an epidemic, a pandemic or another infectious disease outbreak could significantly impact households and businesses, or cause limitations on commercial activity, increased unemployment and general economic and financial instability. An economic slow-down in, or a reversal in an economic recovery of, the regions in which we conduct our business could result in declines in loan demand and collateral values. Furthermore, negative impacts on our customers caused by such a health crisis could result in increased risk of delinquencies, defaults, foreclosures and losses on our loans. Moreover, governmental and regulatory actions taken in response to an epidemic, a pandemic or another infectious disease outbreak may include decreased interest rates, which could adversely impact the Corporation's interest margins and may lead to decreases in the Corporation's net interest income.

The extent to which a widespread health crisis may impact the Corporation's business, results of operations and financial condition, as well as its regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, the duration and severity of the crisis, the potential for seasonal or other resurgences, actions taken by governmental authorities and other third parties to contain and treat such epidemics, pandemics or other infectious disease outbreaks, and how quickly and to what extent normal economic and operating conditions can resume. Moreover, the effects of a widespread health crisis may heighten many of the other risks described in this "Risk Factors" section. As a result, the negative effects on the Corporation's business, results of operations and financial condition from epidemics, pandemics or other infectious disease outbreaks could be material.

- *The Corporation's allowances for credit losses may not be adequate to cover actual losses.*

The Corporation maintains allowances for credit losses for loans, off-balance sheet credit exposures, and debt securities to provide for defaults and nonperformance, which represent estimates of expected losses over the remaining contractual lives of the loan and debt security portfolios. These estimates are the result of the Corporation's continuing evaluation of specific credit risks and loss experience, current loan and debt security portfolio quality, present economic, political and regulatory conditions, industry concentrations, reasonable and supportable forecasts for future conditions, and other factors that may indicate losses. The determination of the appropriate levels of the allowances for loan, off-balance sheet credit exposures, and debt security credit losses inherently involves a high degree of subjectivity and judgment and requires the Corporation to make estimates of current credit risks and future trends, all of which may undergo material changes. As a result, the allowances may not be adequate to cover actual losses, and future allowances for credit losses could materially and adversely affect our financial condition, results of operations, and cash flows.

The Corporation adopted Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments as amended, on January 1, 2021, which replaced the previous "incurred loss" model for measuring credit losses with an "expected life of loan loss" model described above, referred to as the CECL model. Consistent with rules adopted by federal banking regulators, the Corporation has elected to phase in the cumulative effect of the adoption on its regulatory capital, at a rate of 25 percent per year, over a three-year transition period that began on January 1, 2021. Under that phase-in schedule, the cumulative effect of the adoption was fully reflected in regulatory capital on January 1, 2024.

Adoption of the CECL methodology has substantially changed how the Corporation calculates its allowances for credit losses and the ongoing impact of the adoption is dependent on various factors, including credit quality, macroeconomic forecasts and conditions, composition of our loans and securities portfolios, and other management judgments. See NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for additional information. Material additions to the Corporation's allowance through provision expense would materially decrease its net income. There can be no assurance that the Corporation's monitoring procedures and policies will reduce certain lending risks or that the Corporation's allowances for credit losses will be adequate to cover actual losses.

- *The Corporation may suffer losses in its loan portfolio despite its underwriting practices.*

The Corporation seeks to mitigate the risks inherent in its loan portfolio by adhering to specific underwriting practices. The Corporation's strategy for credit risk management includes conservative credit policies and underwriting criteria for all loans, as well as an overall credit limit for each customer significantly below legal lending limits. The strategy also emphasizes diversification on a regional geographic, industry and customer level, regular credit quality reviews and management reviews of large credit exposures and loans experiencing deterioration of credit quality. There is a continuous review of the loan portfolio, including an internally administered loan "watch" list and an independent loan review. The evaluation takes into consideration identified credit problems, as well as the possibility of losses inherent in the loan portfolio that are not specifically identified. Although the Corporation believes that its underwriting criteria are appropriate for the various kinds of loans it makes, the Corporation may incur losses on loans due to the factors previously discussed.

- *The Corporation's wholesale funding sources may prove insufficient to replace deposits or support future growth.*

As part of the Corporation's liquidity management, a number of funding sources are used, including core deposits and repayments and maturities of loans and investments. Sources also include brokered certificates of deposit, repurchase agreements, federal funds purchased and FHLB advances. Negative operating results or changes in industry conditions could lead to an inability to replace these additional funding sources at maturity. The Corporation's financial flexibility could be constrained if we are unable to maintain access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. Finally, if the Corporation is required to rely more heavily on more expensive funding sources to support future growth, revenues may not increase proportionately to cover the costs. In this case the Corporation's results of operations and financial condition would be negatively affected.

- *The Corporation relies on dividends from its subsidiaries for its liquidity needs.*

The Corporation is a separate and distinct legal entity from its bank and non-bank subsidiaries. The Corporation receives substantially all of its cash from dividends paid by its subsidiaries. These dividends are the principal source of funds to pay dividends on the Corporation's stock and interest and principal on its debt. Various federal and state laws and regulations limit the amount of dividends that the bank subsidiaries may pay to the Corporation.



## **PART I: ITEM 1A., ITEM 1B., AND ITEM 1C.**

- *Acquisitions may not produce revenue enhancements or cost savings at levels or within timeframes originally anticipated and may result in unforeseen integration difficulties.*

The Corporation regularly explores opportunities to acquire banks, financial institutions, or other financial services businesses or assets. The Corporation cannot predict the number, size or timing of acquisitions. Difficulty in integrating an acquired business or company may cause the Corporation not to realize expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from the acquisition. The integration could result in higher than expected deposit attrition (run-off), loss of key employees, disruption of the Corporation's business or the business of the acquired company, or otherwise adversely affect the Corporation's ability to maintain relationships with customers and employees or achieve the anticipated benefits of the acquisition. Also, the negative effect of any divestitures required by regulatory authorities in acquisitions or business combinations may be greater than expected. The Corporation may also issue equity securities in connection with acquisitions, which could cause ownership and economic dilution to current stockholders.

- *The Corporation faces operational risks because the nature of the financial services business involves a high volume of transactions.*

The Corporation operates in diverse markets and relies on the ability of its employees and systems to process a high number of transactions. Operational risk is the risk of loss resulting from the Corporation's operations, including, but not limited to, the risk of fraud by employees or persons outside of the Corporation, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and compliance requirements and business continuation and disaster recovery. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition due to potential negative publicity. In the event of a breakdown in the internal control system, improper operation of systems or improper employee actions, the Corporation could suffer financial loss, face regulatory action and suffer damage to its reputation.

- *Cyber incidents and other security breaches at the Corporation, its service providers or counterparties, or in the business community or markets may negatively impact the Corporation's business or performance.*

The increased use of, and dependence on, information management systems in order to engage with customers and conduct business necessarily creates cyber risk. Despite the significant resources and security measures used by the Corporation, the incentives for threat actors to obtain financial payment information and customer non-public information, or to conduct ransomware will continue to exist. Cyber breach statistics over the past several years evidence the targeting of numerous banking institutions and credit bureaus. Phishing attempts have also significantly increased and political conflict also presents cyber threats by nation states.

Operational risk is inherent in the Corporation's activities and can present itself in numerous ways, including internal or external fraud, business disruptions or failures, noncompliance with applicable laws and regulations, cyber breach, or failure of third parties, among other events. The result of these could be reputational harm, financial losses, or litigation and regulatory fines for the Bank. The Corporation operates in a fashion that allows operational risk to be in line with its risk appetite. To govern, monitor and control operational risk, the Corporation maintains an Enterprise Risk Management ("ERM") Program, which sets thresholds for risk appetite by key risk areas, such as strategic risk and operational risk. These thresholds are monitored by the Compliance and Internal Audit Departments and key metrics are reported to management and Board committees.

Use of third-party software and services also exposes the Corporation to cybersecurity risk as numerous service providers host critical data or have direct contact with our bank customers. Although the Corporation adheres to industry standard practices in conducting thorough due diligence of vendors and contract management, should a vendor experience a breach, similar to the MOVEit breach in 2023 which impacted a vendor utilized by the Bank, the Bank could still suffer reputational harm, and potentially financial losses. Expanded use of cloud-based technologies and providing our customers more internet-based product offerings to continue to remain competitive will serve to increase these potential risks. The Corporation's third-party management program helps to mitigate risks posed by reliance on third and fourth parties.

To combat these ever-present cyber risks, the Corporation maintains a comprehensive Information Security Program, which includes annual risk assessments, an Incident Response Plan, and a layered control environment meant to detect, prevent, and limit unauthorized or harmful actions across our information technology environment. Standards over information security are Board-approved and various types of control testing is conducted throughout the year, both by internal parties and external ones. Findings are actioned on throughout the year and reported to various committees. The Corporation has adopted the National Institute of Standards and Technology (NIST) Cybersecurity Framework for the management and development of cyber-security controls and is an active participant in the financial sector information sharing organization structure, known as the Financial Services Information Sharing and Analysis Center.

Each year the Information Security Department conducts a cyber incident tabletop exercise for the bank's incident response teams. The bank's executive management team participates in the exercise every two years. The purpose of these tabletops is to simulate a cyber event and work through the event using our Incident Response Plan. This allows our incident response team to become familiar with the logistics of the plan, as well as provide feedback to improve the process and plan. External subject matter experts, such as Bank legal counsel, forensic advisors, marketing agency and insurance broker participate in these exercises.

Management has established an Information Security Committee in order to assist executive management and the Board of Directors of the Bank in fulfilling their oversight responsibilities related to information security. The Committee reports its activities, key conclusions and recommendations to the Enterprise Risk Management Committee and the Board's Risk and Credit Policy Committee of the Board on a quarterly basis.

At the Information Security Committee, security-related policies and standards are reviewed and approved, annual risk assessment results and action plans are noted, annual penetration test reports shared, current security incidents discussed, and relevant cyber risks and trends are presented.

## **PART I: ITEM 1A., ITEM 1B., AND ITEM 1C.**

The Corporation's Board of Directors has delegated primary responsibility for oversight of cybersecurity risk to its Risk and Credit Policy Committee, with its Audit Committee also considering cyber risk as part of financial oversight. The Information Security Department provides an annual update to the Risk and Credit Policy Committee of the Board on the state of the Information Security Program. This cybersecurity "deep dive" includes review of key security incidents and review of the Information Security Policy, Information Security Program, the Incident Response Plan, and the Acceptable Use Policy. The Board is then presented with the update by the Chair of the Risk and Credit Policy Committee.

The Board considers cybersecurity risks in business strategy by getting updates on the Bank's cybersecurity risk assessment. It assesses the experience of management personnel responsible for preventing, mitigating, detecting and remediating any cyber incidents, including the Chief Information Security Officer.

In 2022, the Board appointed Jason Sondhi to its Board of Directors. Mr. Sondhi is the Board's cybersecurity expert. Mr. Sondhi has experience managing companies who provide endpoint detection and incident response, vulnerability scans, security information and event management, security employee training and vCISO services.

- *The Corporation continually encounters technological change.*

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables the financial institutions to better serve customers to reduce costs. The Corporation's future success depends, in part, upon its ability to address customer needs by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in the Corporation's operations. The Corporation may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers. Failure to successfully keep pace with technological changes affecting the financial services industry could negatively affect the Corporation's growth, revenue and profit. In addition, the Corporation relies upon the expertise and support of third-party service providers to help implement, maintain and/or service certain of its core technology solutions. If the Corporation cannot effectively manage these service providers, the service parties fail to materially perform, or the Corporation was to falter in any of the other noted areas, its business or performance could be negatively impacted.

- *The Corporation is subject to environmental liability risk associated with our Bank branches and any real estate collateral we acquire upon foreclosure.*

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. The costs associated with investigation and remediation activities could be substantial. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage, including damages and costs resulting from environmental contamination emanating from the property. Although we have policies and procedures to perform an environmental review before initiating foreclosure, these actions may not be sufficient to detect all potential environmental hazards.

We also have an extensive branch network, owning branch locations throughout the areas we serve that may be subject to similar environmental liability risks. Environmental laws may require us to incur substantial expenses and could materially reduce the affected property's value or limit our ability to use or sell the affected property. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our business, financial condition or results of operations.

- *Significant legal actions could subject the Corporation to substantial uninsured liabilities.*

The Corporation is from time to time subject to claims related to its operations. These claims and legal actions, including supervisory actions by the Corporation's regulators, could involve large monetary claims and significant defense costs. To protect itself from the cost of these claims, the Corporation maintains insurance coverage in amounts and with deductibles that it believes are appropriate for its operations. However, the Corporation's insurance coverage may not cover all claims against the Corporation or continue to be available to the Corporation at a reasonable cost. As a result, the Corporation may be exposed to substantial uninsured liabilities, which could adversely affect the Corporation's results of operations and financial condition.

- *The Corporation's controls and procedures may fail or be circumvented.*

Management regularly reviews and updates the Corporation's internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the Corporation's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our results of operations and financial condition.

- *The Corporation's methods of reducing risk exposure may not be effective.*

The Corporation maintains a comprehensive risk management program designed to identify, quantify, manage, mitigate, monitor, aggregate, and report risks. However, instruments, systems and strategies used to hedge or otherwise manage exposure to various types of credit, market, liquidity, operational, compliance, financial reporting and strategic risks could be less effective than anticipated. As a result, the Corporation may not be able to effectively mitigate its risk exposures in particular market environments or against particular types of risk, which could have a material adverse effect on our results of operations and financial condition.

## **PART I: ITEM 1A., ITEM 1B., AND ITEM 1C.**

- *The Corporation's reported financial results depend on management's selection of accounting methods and certain assumptions and estimates.*

The Corporation's accounting policies and methods are fundamental to how it records and reports its financial condition and results of operations. The Corporation's management must exercise judgment in selecting and applying many of these accounting policies and methods, so they comply with GAAP and reflect management's judgment of the most appropriate manner to report the Corporation's financial condition and results. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances yet might result in the Corporation reporting materially different results than would have been reported under a different alternative. Certain accounting policies are critical to presenting the Corporation's financial condition and results, and require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. These critical accounting policies include: the allowances for credit losses; the valuation of investment securities; the valuation of goodwill and intangible assets; pension accounting; and the accounting related to acquisitions. Because of the uncertainty of estimates involved in these matters, the Corporation may be required to do one or more of the following: significantly increase the allowances for credit losses and/or sustain credit losses that are significantly higher than the reserve provided; recognize significant provision for impairment of its investment securities; recognize significant impairment on its goodwill and intangible assets; significantly increase its pension liability; or modify the purchase price allocation of an acquisition. As part of its function of assisting the Corporation's Board of Directors in discharging its responsibility of ensuring all types of risk to the organization are properly being managed, mitigated and monitored by management, the Audit Committee of the Board of Directors oversees management's accounting policies and methods. For more information, refer to NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

- *A write-down of all or part of the Corporation's goodwill could materially reduce its net income and net worth.*

At December 31, 2024, the Corporation had goodwill of \$712.0 million recorded on its consolidated balance sheet. Under ASC 350, Intangibles – Goodwill and Other, the Corporation is required to evaluate goodwill for impairment on an annual basis, as well as on an interim basis, if events or changes indicate that the asset may be impaired. An impairment loss must be recognized for any excess of carrying value over the fair value of goodwill. The fair value is determined based on internal valuations using management's assumptions of future growth rates, future attrition, discount rates, multiples of earnings or other relevant factors. The resulting estimated fair value could result in material write-downs of goodwill and recording of impairment losses. Such a write-down could materially reduce the Corporation's net income and overall net worth. The Corporation also cannot predict the occurrence of certain future events that might adversely affect the fair value of goodwill. Such events include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the effect of the economic environment on the Corporation's customer base, or a material negative change in its relationship with significant customers.

- *Changes in accounting standards could materially impact the Corporation's financial statements.*

From time to time, the Financial Accounting Standards Board changes the financial accounting and reporting standards that govern the preparation of the Corporation's financial statements. These changes can be hard to predict and can materially impact how the Corporation records and reports its financial condition and results of operations. In some cases, the Corporation could be required to apply a new or revised standard retroactively; resulting in the restatement of prior period financial statements.

- *Negative publicity could damage the Corporation's reputation and adversely impact its business and financial results.*

Reputation risk, or the risk to the Corporation's earnings and capital from negative publicity, is inherent in the Corporation's business. Negative publicity can result from the Corporation's actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions, and actions taken by government regulators and community organizations in response to those activities. Negative publicity can adversely affect the Corporation's ability to keep and attract customers and can expose the Corporation to litigation and regulatory action. Although the Corporation takes steps to minimize reputation risk in dealing with customers and other constituencies, the Corporation is inherently exposed to this risk.

- *Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to the Corporation's environmental, social and governance practices may impose additional costs on the Corporation or expose it to new or additional risks.*

Companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their environmental, social and governance ("ESG") practices and disclosure. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions and human rights. Increased ESG-related compliance costs for the Corporation as well as among our suppliers, vendors and various other parties within our supply chain could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, access to capital, and our stock price. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure.

## **PART I: ITEM 1A., ITEM 1B., AND ITEM 1C.**

- *Climate change and related legislative and regulatory initiatives may materially affect the Corporation's business and results of operations.*

The global business community has increased its political and social awareness surrounding the state of the global environment and the issue of climate change. Further, the U.S. Congress, state legislatures and federal and state regulatory agencies continue to propose numerous initiatives related to climate change. Similar and even more expansive initiatives are expected under the current administration, including potentially increasing supervisory expectations with respect to banks' risk management practices, accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate-related factors and encouraging investment by banks in climate-related initiatives and lending to communities disproportionately impacted by the effects of climate change. The lack of empirical data surrounding the credit and other financial risks posed by climate change make it impossible to predict how specifically climate change may impact our financial condition and results of operations. To the extent our customers experience unpredictable and more frequent weather disasters attributed to climate change, the value of real property securing the loans in our portfolios may be negatively impacted. Additionally, if insurance obtained by our borrowers is insufficient to cover any disaster-related losses sustained to the collateral, or if insurance coverage is otherwise unavailable to our borrowers, the collateral securing our loans may be negatively impacted by climate change, which could impact our financial condition and results of operations. Further, the effects of weather disasters attributed to climate change may negatively impact regional and local economic activity, which could lead to an adverse effect on our customers and impact the communities in which we operate. Overall, climate change, its effects and the resulting, unknown impact could have a material adverse effect on our financial condition and results of operations.

- *The Corporation may not be able to pay dividends in the future in accordance with past practice.*

The Corporation has traditionally paid a quarterly dividend to common stockholders. The payment of dividends is subject to legal and regulatory restrictions. Any payment of dividends in the future will depend, in large part, on the Corporation's earnings, capital requirements, financial condition and other factors considered relevant by the Corporation's Board of Directors.

### **Market and Industry Risks**

- *The Corporation's business and financial results are significantly affected by general business and economic conditions.*

The Corporation's business activities and earnings are affected by general business conditions in the United States and abroad. These conditions include short-term and long-term interest rates, inflation, monetary supply, fluctuations in both debt and equity capital markets, and the strength of the United States economy and the state and local economies in which the Corporation operates. The Corporation's offices are primarily located in Indiana, Ohio and Michigan. Worsening economic conditions in our market areas could negatively impact the financial condition, results of operations and stock price of the Corporation. For example, a prolonged economic downturn, increases in unemployment, or other events that affect household and/or corporate incomes could result in deterioration of credit quality, an increase in the allowances for credit losses, or reduced demand for loan or fee-based products and services. Changes in the financial performance and condition of the Corporation's borrowers could negatively affect repayment of those borrowers' loans. In addition, changes in securities market conditions and monetary fluctuations could adversely affect the availability and terms of funding necessary to meet the Corporation's liquidity needs.

- *Changes in the domestic interest rate environment could affect the Corporation's net interest income as well as the valuation of assets and liabilities.*

The operations of financial institutions, such as the Corporation, are dependent to a large degree on net interest income, which is the difference between interest income from loans and investments and interest expense on deposits and borrowings. An institution's net interest income is significantly affected by market rates of interest, which in turn are affected by prevailing economic conditions, by the fiscal and monetary policies of the federal government and by the policies of various regulatory agencies. In addition to affecting profitability, changes in interest rates can impact the valuation of assets and liabilities. For example, changes in reference rates linked to financial instruments, such as the Secured Overnight Financing Rate ("SOFR"), may adversely affect the value of financial instruments the Corporation holds or issues and related net interest income. Rate changes can also affect the ability of borrowers to meet obligations under variable or adjustable rate loans which in turn affect loss rates on those assets. Also, the demand for interest rate based products and services, including loans and deposit accounts, may decline resulting in the flow of funds away from financial institutions into direct investments. Direct investments, such as U.S. Government and corporate securities and other investment vehicles, including mutual funds, generally pay higher rates of return than financial institutions, because of the absence of federal insurance premiums and reserve requirements.

As a result of a widespread health crisis such as an epidemic, a pandemic or another infectious disease outbreak, the Federal Reserve may take steps to partially mitigate the adverse effects. For example, as a part of the unprecedented containment efforts and financial assistance undertaken by the U.S. Government relating to COVID-19, in March 2020, the Federal Open Market Committee (the "FOMC") had reduced the target range for the federal funds rate to 0 percent to 0.25 percent. The Federal Reserve also initiated a program to purchase an indeterminate amount of Treasury securities and agency mortgage-backed securities, corporate bonds and other investments, and numerous facilities to support the flow of credit to households and businesses. These activities also had the effect of suppressing long-term interest rates.

Beginning in the first half of 2022, in response to growing signs of inflation, the FOMC began increasing the federal funds benchmark rapidly and the Federal Reserve announced its intention to take actions to mitigate inflationary pressures by continuing to further reduce its purchase program. Rapid changes in interest rates makes it challenging for the Bank to balance its loan and deposit portfolios, which may adversely affect the Corporation's results of operations by reducing asset yields or spreads or having other adverse impacts on our business. As discussed above, the increased market interest rates could also adversely affect the ability of our floating-rate borrowers to meet their higher payment obligations. If this occurred, it could cause an increase in nonperforming assets and charge-offs, which could adversely affect our business. Conversely, decreases in interest rates could result in an acceleration of loan prepayments.



## **PART I: ITEM 1A., ITEM 1B., AND ITEM 1C.**

In response to easing inflation pressures, the Federal Reserve is expected to decrease the target federal funds rate in 2025. If the Federal Reserve were to aggressively lower the target federal funds, those lower rates could pressure our interest rate spread and may adversely affect our results of operations. On the other hand, increases in interest rates, to combat inflation or otherwise, may result in a change in the mix of the Bank's noninterest and interest-bearing accounts. We are unable to predict changes in interest rates, which are affected by factors beyond our control, including inflation, deflation, recession, unemployment, money supply and other changes in financial markets. However, generally, if the interest rates on the Bank's interest-bearing liabilities increase at a faster pace than the interest rates on its interest-earning assets, the result would be a reduction in net interest income and with it, a reduction in net earnings.

- *Changes in the laws, regulations and policies governing banks and financial services companies could alter the Corporation's business environment and adversely affect operations.*

The Board of Governors of the Federal Reserve System regulates the supply of money and credit in the United States. Its fiscal and monetary policies determine in a large part the Corporation's cost of funds for lending and investing and the return that can be earned on those loans and investments, both of which affect the Corporation's net interest margin. Federal Reserve Board policies can also materially affect the value of financial instruments that the Corporation holds, such as debt securities. The Corporation and the Bank are heavily regulated at the federal and state levels. This regulation is to protect depositors, federal deposit insurance funds and the banking system as a whole. Congress and state legislatures and federal and state agencies continually review banking laws, regulations and policies for possible changes. After the Great Recession, efforts to promote the safety and soundness of financial institutions, financial market stability, the transparency and liquidity of financial markets, and consumer and investor protection resulted in increased regulation in the financial services industry. Regulatory agencies have intensified their examination practices and enforcement of laws and regulations. Compliance with regulations and other supervisory initiatives could increase the Corporation's expenses and reduce revenues by limiting the types of financial services and products that the Corporation offers and/or increasing the ability of non-banks to offer competing financial services and products. See a description of recent legislation in the "REGULATION AND SUPERVISION OF FIRST MERCHANTS CORPORATION AND SUBSIDIARIES" section of Item 1: Business of this Annual Report on Form 10-K.

The banking industry, as well as the broader economy, may be subject to new legislation, regulation, and government policy. Future legislation, regulation, and government policy could affect the banking industry as a whole, including our business and results of operations, in a way that cannot accurately be predicted. In addition, our financial condition and results of operations also could be adversely affected by changes in the way in which existing statutes and regulations are interpreted or applied by courts and government agencies.

Certain regulations require the Corporation to maintain certain capital ratios, such as the ratio of tier 1 capital to risk-based assets. Both the Dodd-Frank Act, which reformed the regulation of financial institutions in a comprehensive manner, and the Basel III regulatory capital reforms, which increase both the amount and quality of capital that financial institutions must hold, impact capital requirements. If the Corporation is unable to satisfy these heightened regulatory capital requirements, due to a decline in the value of the loan portfolio or otherwise, raising additional capital or disposing of assets could be required. Additional capital could be raised by selling additional shares of common stock, or securities convertible into or exchangeable for common stock, which could significantly dilute the ownership percentages of stockholders and cause the market price of our common stock to decline. Events or circumstances in the capital markets generally may increase capital costs and impair the ability to raise capital at any given time. Disposal of assets cannot guarantee disposal at prices appropriate for the disposition, and future operating results could be negatively affected.

- *Our FDIC insurance premiums may increase, and special assessments could be made, which might negatively impact our results of operations.*

Since the Deposit Insurance Fund is funded by premiums and assessments paid by insured banks, our FDIC insurance premium could increase in future years depending upon the FDIC's actual loss experience, changes in the Bank's financial condition or capital strength, and future conditions in the banking industry. See the "Deposit Insurance" section of "REGULATION AND SUPERVISION OF FIRST MERCHANTS CORPORATION AND SUBSIDIARIES" in Item 1: Business of this Annual Report on Form 10-K for additional information.

- *The banking and financial services industry is highly competitive, and competitive pressures could intensify and adversely affect the Corporation's financial results.*

The Corporation operates in a highly competitive industry that could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. The Corporation competes with other banks, savings and loan associations, mutual savings banks, finance companies, mortgage banking companies, credit unions and investment companies. In addition, technology has lowered barriers to entry and made it possible for non-bank, financial technology companies to offer products and services traditionally provided by banks. Many of the Corporation's competitors have fewer regulatory constraints, greater resources and lower cost structures allowing them to aggressively price their products. Such competitive pressures make it more difficult for the Corporation to attract and retain customers across its business lines. Also, the demands of adapting to industry changes in technology and systems, on which the Corporation and financial services industry are highly dependent, could present operational issues and require capital spending.

Additionally, our success depends, in large part, on our ability to attract and retain key people. Competition for the best people in many activities for which the Corporation is engaged is intense and we may not be able to hire people and retain them. The unexpected loss of services of key personnel could have a material adverse impact on our business, financial condition and results of operations because of their customer relationships, skills, knowledge of our markets, years of industry experience and the difficulty of promptly finding qualified replacement personnel. In addition, the scope and content of U.S. banking regulators' policies on incentive compensation, as well as changes to these policies, could adversely affect our ability to hire, retain and motivate our key employees.

## **PART I: ITEM 1A., ITEM 1B., AND ITEM 1C.**

- *Changes in tax legislation could materially impact the Corporation's business and financial results and the Corporation may have exposure to tax liabilities that are larger than it anticipates.*

The tax laws applicable to our business activities, including the laws of the United States and the State governments where the Corporation has tax nexus, are subject to interpretation and may change over time. From time to time, legislative initiatives, such as corporate tax rate changes, which may impact our effective tax rate and could adversely affect our deferred tax assets or our tax positions or liabilities, may be enacted. The taxing authorities in the jurisdictions in which we operate may challenge our tax positions, which could increase our effective tax rate and harm our financial position and results of operations. In addition, our future income taxes could be adversely affected by earnings being higher than anticipated in jurisdictions that have higher statutory tax rates or by changes in tax laws, regulations or accounting principles. We are subject to audit and review by U.S. federal and state tax authorities. Any adverse outcome of such a review or audit could have a negative effect on our financial position and results of operations. In addition, the determination of our provision for income taxes and other liabilities requires significant judgment by management. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and could have a material adverse effect on our financial results in the period or periods for which such determination is made.

- *Adverse developments affecting the financial services industry, such as recent bank failures or concerns involving liquidity, may have a material effect on our operations.*

Recent events relating to the failures of Silicon Valley Bank and Signature Bank in March 2023 have caused general uncertainty and concerns regarding the adequacy of liquidity in the banking sector as a whole. A financial institution's liquidity reflects its ability to meet customer demand for loans, accommodating possible outflows in deposits and accessing alternative sources of funds when needed, while at the same time taking advantage of interest rate market opportunities. The ability to manage liquidity is fundamental to a financial institution's business and success. The bank failures in March 2023 highlight the potential results of an insured depository institution unexpectedly having to obtain needed liquidity to satisfy deposit withdrawal requests, including how quickly such requests can accelerate once uninsured depositors lose confidence in an institution's ability to satisfy its obligations to depositors. Current market uncertainties and other external factors may impact the competitive landscape for deposits in the banking industry in an unpredictable manner. In addition, the rising interest rate environment has continued to increase competition for liquidity and the premium at which liquidity is available to meet funding needs. These possible impacts may adversely affect our future operating results, including net income, and negatively impact capital.

- *Regulatory requirements arising from recent events in the financial services industry, or the application of current regulations, could increase our expenses and affect our operations.*

We anticipate the potential of new regulations for banks of similar size to the Bank, designed to address the recent developments in the financial services industry, which may increase our costs of doing business and reduce our profitability. Among other things, there may be an increased focus by both regulators and investors on deposit composition and the level of uninsured deposits. We also expect that another result of the recent bank failures, as well as any future bank failures, will be an increase to our FDIC insurance premiums in future years, further increasing our cost of doing business.

### **General Risk Factors**

- *A disaster, natural or otherwise, acts of terrorism and political or military actions taken by the United States or other governments could adversely affect the Corporation's business, directly or indirectly.*

Disasters (such as tornadoes, floods, and other severe weather conditions, pandemics, fires, and other catastrophic accidents or events) and terrorist activities and the impact of these occurrences cannot be predicted. Such occurrences could harm the Corporation's operations and financial condition directly through interference with communications and through the destruction of facilities and operational, financial and management information systems and/or indirectly by adversely affecting economic and industry conditions. These events could prevent the Corporation from gathering deposits, originating loans and processing and controlling its flow of business by affecting borrowers, depositors, suppliers or other counterparties. The Corporation's ability to mitigate the adverse impact of these occurrences would depend in part on the Corporation's business continuity planning, the ability to anticipate any such event occurring, the preparedness of national or regional emergency responders, and continuity planning of parties the Corporation deals with.

- *The Corporation's stock price can be volatile.*

The Corporation's stock price can fluctuate widely in response to a variety of factors, including: actual or anticipated variations in the Corporation's quarterly operating results; recommendations by securities analysts; significant acquisitions or business combinations; strategic partnerships, joint ventures or capital commitments; operating and stock price performance of other companies that investors deem comparable to the Corporation; new technology used or services offered by the Corporation's competitors; news reports relating to trends, concerns and other issues in the banking and financial services industry, and changes in government regulations. General market fluctuations, industry factors and general economic and political conditions and events, including terrorist attacks, increased inflation, economic slowdowns or recessions, interest rate changes, credit loss trends or currency fluctuations, could also cause the Corporation's stock price to decrease, regardless of the Corporation's operating results.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.



## ***PART I: ITEM 1A., ITEM 1B., AND ITEM 1C.***

### **ITEM 1C. THE CORPORATION'S CYBERSECURITY PROCESSES, POLICIES AND GOVERNANCE.**

The increased use of, and dependence on, information management systems in order to engage with customers and conduct business necessarily creates cyber risk. Despite the significant resources and security measures used by the Corporation, the incentives for threat actors to obtain financial payment information and customer non-public information, or to conduct ransomware will continue to exist. Cyber breach statistics over the past several years evidence the targeting of numerous banking institutions and credit bureaus. Phishing attempts have also significantly increased and political conflict also presents cyber threats by nation states.

Operational risk is inherent in the Corporation's activities and can present itself in numerous ways, including internal or external fraud, business disruptions or failures, noncompliance with applicable laws and regulations, cyber breach, or failure of third parties, among other events. The result of these could be reputational harm, financial losses, or litigation and regulatory fines for the Bank. The Corporation operates in a fashion that allows operational risk to be in line with its risk appetite. To govern, monitor and control operational risk, the Corporation maintains an ERM Program, which sets thresholds for risk appetite by key risk areas, such as strategic risk and operational risk. These thresholds are monitored by the Compliance and Internal Audit Departments and key metrics are reported to management and Board committees. The ERM Program includes managing material risks from cybersecurity threats.

Use of third-party software and services also exposes the Corporation to cybersecurity risk as numerous service providers host critical data or have direct contact with our bank customers. Although the Corporation adheres to industry standard practices in conducting thorough due diligence of vendors and contract management, should a vendor experience a breach the bank could still suffer reputational harm, and potentially financial losses. Expanded use of cloud-based technologies and providing our customers more internet-based product offerings to continue to remain competitive will serve to increase these potential risks. The Corporation's third party risk management program helps to mitigate risks posed by reliance on third and fourth parties. Governance of third parties includes a due diligence and risk assessment prior to contract execution, with oversight completed based on a frequency defined by the third parties risk profile.

To combat these ever-present cyber risks, the Corporation maintains a comprehensive Information Security Program, which includes annual risk assessments, an Incident Response Plan, and a layered control environment meant to detect, prevent, and limit unauthorized or harmful actions across our information technology environment. Policies over information security are Board-approved and various types of control testing is conducted throughout the year, both by internal and external parties. Findings are actioned on throughout the year and reported to various committees. The Corporation has adopted the National Institute of Standards and Technology (NIST) Cybersecurity Framework for the management and development of cybersecurity controls and is an active participant in the financial sector information sharing organization structure, known as the Financial Services Information Sharing and Analysis Center.

The Corporation's Chief Information Security Officer (CISO) is responsible for assessing and managing the Corporation's risks from cybersecurity threats. The CISO is an active Certified Information Security Systems Professional and has been with the organization for 18 years with over 21 years of experience in technology infrastructure and security.

The Information Security Department conducts cyber incident tabletop exercises on an ongoing basis. These exercises vary by topic, but may include internal incident response teams, executive management, and third parties that provide services across forensic, legal, and public relations capabilities. The purpose of these tabletops is to simulate a cyber event and work through the event using our Incident Response Plan. This allows our incident response team to become familiar with the logistics of the plan, as well as provide feedback to improve the process and plan. External subject matter experts, such as Bank legal counsel, forensic advisors, marketing agency and insurance broker participate in these exercises.

Management has established an Information Security Committee in order to assist executive management and the Board of Directors of the Bank in fulfilling their oversight responsibilities related to information security. The Corporation's Information Security Committee consists of members with diverse experience, including the Corporation's leaders from information security, enterprise risk management, legal, bank protection, internal audit and various business units. The Corporation's information security professionals have a range of varying cybersecurity experience and education, many of whom have substantial experience assessing and managing cybersecurity initiatives and hold certain cybersecurity certificates. The Corporation uses multiple assessors, consultants, auditors and other third parties in the fulfillment of the information security program. These third parties participate in testing and validation processes, as well as the execution of certain program-related controls. The Committee reports its activities, key conclusions and recommendations to the Enterprise Risk Management Committee and the Board's Risk and Credit Policy Committee of the Board on a quarterly basis. At the Information Security Committee, security-related policies and standards are reviewed and recommended for approval, annual risk assessment results and action plans are noted, annual penetration test reports shared, current security incidents discussed, and relevant cyber risks and trends are presented.

The Corporation's Board of Directors has delegated primary responsibility for oversight of cybersecurity risk to its Risk and Credit Policy Committee, with its Audit Committee also considering cyber risk as part of financial oversight. The Information Security Department provides an annual update to the Risk and Credit Policy Committee of the Board on the state of the Information Security Program. This cybersecurity "deep dive" includes review of key security incidents and review of the Information Security Policy, Information Security Program, the Incident Response Plan, and the Acceptable Use Policy. The Board is then presented with the update by the Chair of the Risk and Credit Policy Committee.

The Board considers cybersecurity risks in business strategy by getting updates on the Bank's cybersecurity risk assessment. It assesses the experience of management personnel responsible for preventing, mitigating, detecting and remediating any cyber incidents, including the Chief Information Security Officer.

In 2022, the Board appointed Jason Sondhi to its Board of Directors. Mr. Sondhi has experience managing companies who provide endpoint detection and incident response, vulnerability scans, security information and event management, security employee training and vCISO services. Mr. Sondhi's cybersecurity expertise assists the Board in overseeing management's cybersecurity related efforts.

## ***PART I: ITEM 2., ITEM 3. AND ITEM 4.***

### **ITEM 2. PROPERTIES.**

The headquarters of the Corporation and the Bank are located at 200 East Jackson Street, Muncie, Indiana. The building is owned by the Bank.

The Bank conducts business through numerous facilities owned and leased. Of the 110 banking offices operated by the Bank, 87 are owned and 23 are leased from non-affiliated third parties.

None of the properties owned by the Corporation are subject to any major encumbrances. The net investment of the Corporation and subsidiaries in real estate and equipment at December 31, 2024 was \$129.7 million.

### **ITEM 3. LEGAL PROCEEDINGS.**

There are no pending legal proceedings, other than litigation incidental to the ordinary course of business of the Corporation and its subsidiaries, of a material nature to which the Corporation or its subsidiaries is a party, or of which any of their properties are subject. Further, there are no material legal proceedings in which any director, officer, principal shareholder, or affiliate of the Corporation, or any associate of any such director, officer or principal shareholder, is a party, or has a material interest, adverse to the Corporation or any of its subsidiaries.

None of the routine legal proceedings, individually or in the aggregate, in which the Corporation or its affiliates are involved are expected to have a material adverse impact on the financial position or the results of operations of the Corporation.

### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

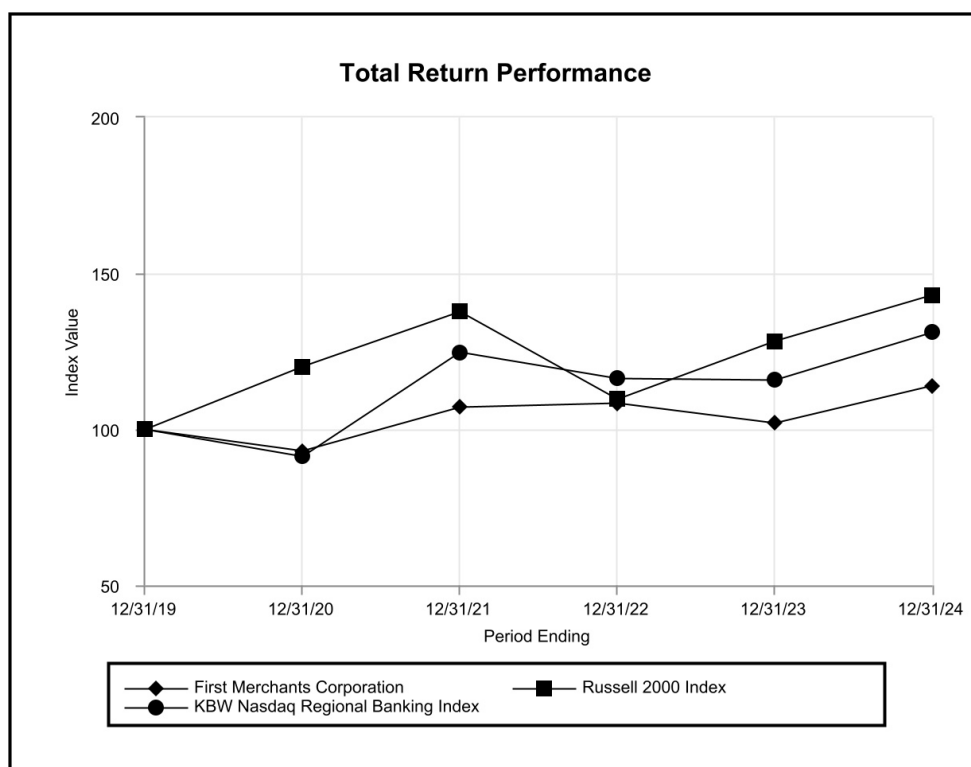
## PART II: ITEM 5. AND ITEM 6.

### PART II

#### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

##### PERFORMANCE GRAPH

The following graph compares the cumulative five year total return to shareholders on First Merchants Corporation's common stock relative to the cumulative total returns of the Russell 2000 Index and the KBW Nasdaq Regional Banking Index. The graph assumes that the value of the investment in the Corporation's common stock and in each of the indexes (including reinvestment of dividends) was \$100 on December 31, 2019 and tracks it through December 31, 2024.



Index	Period Ending					
	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
First Merchants Corporation	\$ 100.00	\$ 93.07	\$ 107.02	\$ 108.22	\$ 101.92	\$ 113.97
Russell 2000 Index	100.00	119.96	137.74	109.59	128.14	142.93
KBW Nasdaq Regional Banking Index	100.00	91.29	124.74	116.10	115.64	130.90

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

##### COMMON STOCK LISTING

First Merchants Corporation common stock is traded on the Nasdaq Global Select Market under the symbol FRME. At the close of business on February 19, 2025, the number of shares outstanding was 58,535,244. There were 3,912 stockholders of record on that date.

## PART II: ITEM 5. AND ITEM 6.

### PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASES

The following table presents information relating to our purchases of equity securities during the three months ended December 31, 2024, as follows:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly announced Plans or Programs	Maximum Number of Shares that may yet be Purchased Under the Plans or Programs <sup>(2)</sup>
October, 2024	88,494	\$ 37.43	88,348	1,116,985
November, 2024	78,858	\$ 36.99	78,553	1,038,432
December, 2024	—	\$ —	—	1,038,432
Total	167,352		166,901	

<sup>(1)</sup> During the three months ended December 31, 2024, there were 166,901 shares repurchased pursuant to the Corporation's share repurchase program described in note (2) below. The amounts in October 2024 and November 2024 also include 146 and 305 shares, respectively, repurchased pursuant to net settlement by employees in satisfaction of income tax withholding obligations incurred through the vesting of the Corporation's restricted stock awards and are not a part of the Corporation's share repurchase program described in note (2) below.

<sup>(2)</sup> On January 27, 2021, the Board of Directors of the Corporation approved a stock repurchase program of up to 3,333,000 shares of the Corporation's outstanding common stock; provided, however, that the total aggregate investment in shares repurchased under the program may not exceed \$100,000,000. The program does not have an expiration date. However, it may be discontinued by the Board at any time. Since commencing the program, the Corporation has repurchased a total of 2,294,568 shares of common stock for a total aggregate investment of \$81.6 million.

### EQUITY COMPENSATION PLAN INFORMATION

See Item 12 of Part III of this Annual Report on Form 10-K for information regarding securities authorized for issuance under equity compensation plans.

***PART II: ITEM 5. AND ITEM 6.***

**ITEM 6. [RESERVED]**



## **PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*The historical consolidated financial data discussed below reflects our historical results of operations and financial condition and should be read in conjunction with our financial statements and related notes thereto presented in Item 8 of this Annual Report on Form 10-K. In addition to historical financial data, this discussion includes certain forward-looking statements regarding events and trends that may affect our future results. Such statements are subject to risks and uncertainties that could cause our actual results to differ materially. See our cautionary "Statement Regarding Forward-Looking Statements." For a more complete discussion of the factors that could affect our future results, see "Risk Factors" under Item 1A of this Annual Report on Form 10-K.*

#### **OVERVIEW**

First Merchants Corporation (the "Corporation") is a financial holding company headquartered in Muncie, Indiana and was organized in September 1982. The Corporation's common stock is traded on the Nasdaq's Global Select Market System under the symbol FRME. The Corporation conducts its banking operations through First Merchants Bank (the "Bank"), a wholly-owned subsidiary that opened for business in Muncie, Indiana, in March 1893. The Bank also operates First Merchants Private Wealth Advisors (a division of First Merchants Bank). The Bank includes 110 banking locations in Indiana, Ohio, and Michigan. In addition to its branch network, the Corporation offers comprehensive electronic and mobile delivery channels to its customers. The Corporation's business activities are currently limited to one significant business segment, which is community banking.

Through the Bank, the Corporation offers a broad range of commercial and consumer banking services to meet the diverse needs of our customers. Our commercial banking team offers a full spectrum of debt capital, treasury management services and depository products. The consumer banking group offers a variety of consumer deposit and lending products. The mortgage banking team offers consumer mortgage solutions to assist with the purchase, refinance, construction or renovation of residential properties. Private Wealth Advisors offers personal wealth management services with expertise in investment management, private banking, fiduciary estate and financial planning.

#### **HIGHLIGHTS FOR 2024**

- Net income available to common stockholders for the year ended December 31, 2024 was \$199.5 million compared to \$221.9 million for the year ended 2023, a decrease of 10.1 percent. Earnings per fully diluted common share totaled \$3.41 for 2024 compared to \$3.73 for 2023, a decrease of 8.6 percent.
- When adjusting for certain non-recurring items, 2024 adjusted net income available to common stockholders was \$203.3 million and adjusted diluted earnings per common share totaled \$3.47, compared to 2023 adjusted net income available to common stockholders and adjusted diluted earnings per common share of \$236.7 million and \$3.98, respectively. These adjusted net income and earnings per share amounts are non-GAAP measures. For reconciliations of non-GAAP measures to their most comparable GAAP measures, see "NON-GAAP FINANCIAL MEASURES" within the "Results of Operations" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.
- Strong capital position with Common Equity Tier 1 Capital Ratio of 11.43 percent and Tangible Common Equity to Tangible Assets Ratio of 8.81 percent.
- Net interest margin was 3.19 percent during the year ended December 31, 2024 compared to 3.35 percent during the year ended December 31, 2023.
- Total loans grew \$368.1 million, or 2.9 percent, during the year ended December 31, 2024.
- Total deposits decreased \$299.8 million, or 2.0 percent, during the year ended December 31, 2024 primarily due to \$267.4 million of deposits sold with the Old Second National Bank branch sale.
- Nonperforming assets to total assets were 43 basis points at December 31, 2024 compared to 32 basis points at the year ended December 31, 2023.
- Completed the sale of five Illinois branches and certain loans and deposits to Old Second National Bank on December 6, 2024.

#### **CRITICAL ACCOUNTING ESTIMATES**

Generally accepted accounting principles require management to apply significant judgment to certain accounting, reporting and disclosure matters. Management must use assumptions and estimates to apply those principles where actual measurement is not possible or practical. The judgments and assumptions made are based upon historical experience or other factors that management believes to be reasonable under the circumstances. Because of the nature of the judgments and assumptions, actual results could differ from estimates, which could have a material effect on our financial condition and results of operations. For a complete discussion of the Corporation's significant accounting policies see NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

## **PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Allowance for Credit Losses - Loans**

As discussed in NOTE 5. LOANS AND ALLOWANCE FOR CREDIT LOSSES of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K, the allowance for credit losses on loans is a contra-asset valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The amount of allowance represents management's best estimate of current expected credit losses on loans considering available information, from internal and external sources, relevant to assessing exposure to credit loss over the contractual term of the instrument. Relevant available information includes historical credit loss experience, current conditions and reasonable and supportable economic forecasts. While historical credit loss experience provides the basis for the estimation of expected credit losses, the Corporation qualitatively adjusts model results for risk factors that are not inherently considered in the quantitative modeling process, but are nonetheless relevant in assessing the expected credit losses within the loan portfolio. These adjustments may increase or decrease the estimate of expected credit losses based upon the assessed level of risk for each qualitative factor. The various risks that may be considered in making qualitative adjustments include, among other things, the impact of (i) changes in the nature and volume of the loan portfolio, (ii) changes in the existence, growth and effect of any concentrations in credit, (iii) changes in lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries, (iv) changes in the quality of the credit review function, (v) changes in the experience, ability and depth of lending management and staff, and (vi) other environmental factors such as regulatory, legal and technological considerations, as well as competition.

While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond management's control, which includes, but is not limited to, the performance of the loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward classification of assets.

### **RESULTS OF OPERATIONS - 2024**

The Corporation reported net income available to common stockholders and diluted earnings per common share for the year ended 2024 of \$199.5 million and \$3.41 per diluted common share, respectively, compared to \$221.9 million and \$3.73 per diluted common share, respectively, for the year ended 2023.

When adjusting for certain non-recurring items, 2024 adjusted net income available to common stockholders was \$203.3 million and adjusted diluted earnings per common share totaled \$3.47, compared to 2023 \$236.7 million and \$3.98, respectively. These adjusted net income and earnings per share amounts are non-GAAP measures. For reconciliations of non-GAAP measures to their most comparable GAAP measures, see "NON-GAAP FINANCIAL MEASURES" within the "Results of Operations" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

As of December 31, 2024, total assets equaled \$18.3 billion, a decrease of \$93.9 million or 0.5 percent from December 31, 2023.

Cash and due from banks and interest-bearing deposits decreased from December 31, 2023 by \$162.2 million. Total investment securities decreased \$350.7 million from December 31, 2023, primarily due to the sales of \$268.5 million of investment securities during the year ended December 31, 2024. Scheduled paydowns and maturities and unrealized losses in available for sale securities decreased investment securities by \$147.9 million and \$18.7 million, respectively, which was offset by \$94.7 million in purchases of CRA eligible securities. The investment portfolio as a percentage of total assets was 18.9 percent at December 31, 2024 compared to 20.7 percent at December 31, 2023. During 2024, the Corporation repositioned the investment securities portfolio with a primary focus of using liquidity generated from sales of securities to fund loan growth, the sale of deposits to Old Second National Bank and reinvestment in higher-yielding assets. Additional details of the changes in the Corporation's investment securities portfolio are discussed within NOTE 4. INVESTMENT SECURITIES of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

The Corporation's total loan portfolio grew \$368.1 million or 2.9 percent since December 31, 2023. The composition of the loan portfolio is 75.0 percent commercial oriented with the largest loan classes of commercial and industrial and commercial real estate, non-owner occupied, representing 31.9 percent and 17.7 percent of the total loan portfolio, respectively. The increase was primarily driven by an increase in commercial and industrial, public finance and other commercial loans, and residential real estate loans. Partially offsetting those increases was a decrease in construction and non-owner occupied commercial real estate loans. Additional details of the changes in the Corporation's loan portfolio are discussed within NOTE 5. LOANS AND ALLOWANCE FOR CREDIT LOSSES of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K, and the "LOAN QUALITY AND PROVISION FOR CREDIT LOSSES ON LOANS" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Corporation's allowance for credit losses - loans ("ACL - loans") totaled \$192.8 million as of December 31, 2024 and equaled 1.50 percent of total loans, compared to \$204.9 million and 1.64 percent of total loans at December 31, 2023. During the year ended December 31, 2024, the Corporation recognized \$49.4 million of net charge-offs, or 39 basis points of average loans, compared to net charge-offs of \$25.6 million, or 21 basis points of average loans, for the year ended December 31, 2023. The increase in net charge-offs is primarily related to two commercial and industrial relationships that accounted for \$42.7 million of charge-offs during 2024. One borrower experienced a sudden change in revenue from the cancellation and inability to renegotiate their contracts with the U.S. Government. This negatively impacted the value of the borrower's business and resulted in their inability to repay principal and interest. The second borrower provided notification of its plans to cease operations, which resulted in their inability to repay principal and interest and a charge-off for the Corporation. The Corporation recorded \$35.7 million of provision for credit losses during 2024 compared to \$3.5 million during 2023. The increase in the provision for credit losses was primarily driven by the increase in net charge-offs described above. Nonaccrual loans as of December 31, 2024 totaled \$73.8 million, an increase of \$20.2 million from December 31, 2023, primarily due to a \$24.1 million increase in non-accrual balances within the construction loan class. The increase was offset by a \$3.6 million decrease in non-accrual balances within the residential loan class. The coverage ratio of ACL - Loans to nonaccrual loans is 261.3 percent at December 31, 2024. Additional details of the Corporation's allowance methodology and asset quality are discussed within NOTE 5. LOANS AND ALLOWANCE FOR CREDIT LOSSES of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K and within the "LOAN QUALITY AND PROVISION FOR CREDIT LOSSES ON LOANS" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

## **PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The Corporation's premises and equipment decreased \$4.2 million from December 31, 2023 primarily due to the sale of five Illinois branches. Additional details of the Corporation's divestiture of assets related to the Old Second National Bank branch sale is discussed within NOTE 2. ACQUISITIONS AND DIVESTITURES of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report.

The Corporation's tax asset, deferred and receivable decreased from \$99.9 million at December 31, 2023 to \$92.4 million at December 31, 2024. The \$7.5 million decrease was a combination of the Corporation's net deferred tax asset increasing from \$84.7 million at December 31, 2023 to \$85.9 million at December 31, 2024, and the income tax receivable decreasing from \$15.2 million at December 31, 2023 to \$6.5 million at December 31, 2024.

The Corporation's other assets increased \$64.8 million from December 31, 2023. The Corporation's continual investment in community redevelopment funds resulted in an increase of \$57.0 million when compared to December 31, 2023. Additionally, the prepaid pension asset at December 31, 2024 increased by \$4.0 million compared to the same period in 2023. Additional details of the Corporation's investments in community redevelopment funds and pension plan are discussed in NOTE 9. QUALIFIED AFFORDABLE HOUSING INVESTMENTS and NOTE 18. PENSION AND OTHER POST RETIREMENT BENEFIT PLANS of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Deposits decreased \$299.8 million from December 31, 2023. The decrease in deposits was primarily driven by the sale of \$267.4 million of deposits related to the Illinois branch sale that closed in the fourth quarter of 2024. Total deposits excluding time deposits greater than \$100,000 represented 92.8 percent of the deposit portfolio at December 31, 2024. Noninterest bearing deposits represents 16.0 percent of the deposit portfolio, down slightly from 16.9 percent as of December 31, 2023. The decline is the result of a mix shift occurring across the industry as clients move into higher yielding deposit products.

The average account balance within the deposit portfolio was \$35,000 at December 31, 2024. Insured deposits totaled 70.6 percent of total deposits, with the State of Indiana's Public Deposit Insurance Fund, which insures certain public deposits, providing insurance to 14.0 percent of deposits and the FDIC providing insurance to the remaining 56.6 percent. Only 29.4 percent of deposits are uninsured and our available liquidity is ample to cover those when considering both on balance sheet sources of liquidity and unused capacity from the Federal Reserve Discount Window, FHLB and unsecured borrowing sources.

Total borrowings increased \$129.4 million as of December 31, 2024, compared to December 31, 2023. Federal funds purchased and Federal Home Loan Bank advances increased \$99.2 million and \$109.7 million, respectively, compared to December 31, 2023 as the Corporation utilized borrowings to fund loan growth and supplement deposit balances in 2024. Offsetting these increases was a \$65.1 million decrease in subordinated debt and other borrowings due to the Corporation exercising its rights to redeem \$65.0 million in principal of subordinated debt in 2024. Additional details of the Corporation's borrowings are discussed within NOTE 11. BORROWINGS of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

The Corporation's other liabilities as of December 31, 2024 increased \$22.0 million from the same period in 2023, primarily due to an increase in unfunded commitments related to the Corporation's LIHTC partnerships which totaled \$35.8 million.

The Corporation continued to maintain all regulatory capital ratios in excess of the regulatory definition of "well-capitalized." Details of the regulatory capital ratios are discussed within the "CAPITAL" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

### **RESULTS OF OPERATIONS - 2023**

The Corporation reported net income available to common stockholders and diluted earnings per common share for the year ended 2023 of \$221.9 million and \$3.73 per diluted common share, respectively, compared to \$220.7 million and \$3.81 per diluted common share, respectively, for the year ended 2022.

Adjusted net income available to common stockholders for the year ended 2023, adjusting for certain non-recurring items, was \$236.7 million and adjusted diluted earnings per common share totaled \$3.98, compared to \$242.5 million and \$4.19, respectively, for the year ended 2022. These adjusted net income and earnings per share amounts are non-GAAP measures. For reconciliations of non-GAAP measures to their most comparable GAAP measures, see "NON-GAAP FINANCIAL MEASURES" within the "Results of Operations" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

As of December 31, 2023, total assets equaled \$18.4 billion, an increase of \$403.7 million, or 2.2 percent, from December 31, 2022.

Cash and due from banks and interest-bearing deposits decreased from December 31, 2022 by \$300.1 million, primarily due to deposit growth and proceeds from investment securities principal and interest cashflows in addition to sales, which were held in cash for liquidity purposes. Total investment securities decreased \$452.4 million from December 31, 2022, primarily due to the sales of \$395.2 million of investment securities during the year ended December 31, 2023. Scheduled paydowns and maturities decreased investment securities by \$161.2 million, which was offset by a decrease of \$77.0 million in unrealized losses in the available for sale portfolio during 2023. During 2023 the Corporation used cashflows from the investment portfolio to fund loan growth and pay down borrowings. The investment portfolio as a percentage of total assets was 20.8 percent at December 31, 2023 compared to 23.8 percent at December 31, 2022. This decrease reflected progress towards a more normalized earning asset mix. Additional details of the changes in the Corporation's investment securities portfolio are discussed within NOTE 4. INVESTMENT SECURITIES of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

## **PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The Corporation's total loan portfolio grew \$492.0 million or 4.1 percent since December 31, 2022. The loan classes that experienced the largest increases from December 31, 2022 were in commercial and industrial, residential real estate, and construction real estate loans. The loan classes that experienced the largest decreases from December 31, 2022 were in owner occupied commercial real estate and home equity loans. Additional details of the changes in the Corporation's loan portfolio are discussed within NOTE 5. LOANS AND ALLOWANCE FOR CREDIT LOSSES of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K, and the "LOAN QUALITY AND PROVISION FOR CREDIT LOSSES ON LOANS" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Corporation's allowance for credit losses - loans totaled \$204.9 million as of December 31, 2023 and equaled 1.64 percent of total loans, compared to \$223.3 million and 1.86 percent of total loans at December 31, 2022. During the year ended December 31, 2023, the Corporation recognized \$25.6 million of net charge-offs, compared to net charge-offs of \$2.7 million for the year ended December 31, 2022. The increase in net charge-offs is primarily related to a charge-off of a previously reported nonaccrual loan to a syndicated specialty finance company resulting from alleged fraud that impacted our borrower's ability to repay. The effect of the charge-offs on the ACL - loans was offset by provision expense on loans of \$7.3 million for the year ended December 31, 2023. Reserves for unfunded commitments were reduced by \$3.8 million, resulting in a net provision expense of \$3.5 million as of December 31, 2023. Nonaccrual loans as of December 31, 2023 totaled \$53.6 million, an increase of \$11.3 million from December 31, 2022. The coverage ratio of ACL - Loans to nonaccrual loans is 382.5 percent at December 31, 2023. Additional details of the Corporation's allowance methodology and asset quality are discussed within NOTE 5. LOANS AND ALLOWANCE FOR CREDIT LOSSES of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K and within the "LOAN QUALITY AND PROVISION FOR CREDIT LOSSES ON LOANS" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Corporation's premises and equipment increased \$16.8 million from December 31, 2022 primarily due to the \$15.9 million purchase of an Indianapolis regional headquarters building in the third quarter of 2023.

The Corporation's tax asset, deferred and receivable decreased from \$111.2 million at December 31, 2022 to \$99.9 million at December 31, 2023. The primary drivers of the decrease from December 31, 2022, were declines in the deferred tax asset for unrealized gains and losses on available for sale securities and the deferred tax asset related to loan losses, of \$16.2 million and \$6.8 million, respectively. These declines were offset by an increase of \$16.5 million in the income tax refundable when compared to December 31, 2022.

The Corporation's other assets increased \$36.8 million from December 31, 2022. The Corporation's continual investment in community redevelopment funds resulted in an increase of \$37.8 million when compared to December 31, 2022. Additionally, the prepaid pension asset at December 31, 2023 increased by \$4.1 million compared to the same period in 2022. Additional details of the Corporation's investments in community redevelopment funds and pension plan are discussed in NOTE 9. QUALIFIED AFFORDABLE HOUSING INVESTMENTS and NOTE 18. PENSION AND OTHER POST RETIREMENT BENEFIT PLANS of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K. The Corporation's derivative assets (recorded in other assets) and derivative liabilities (recorded in other liabilities) decreased \$13.7 million and \$13.8 million, respectively, from December 31, 2022. The decreases in valuations from December 31, 2022 were primarily driven by forward interest rate fluctuations, existing trades getting closer to maturity, terminations and maturities of existing trades which were partially offset by new production in 2023.

Deposits increased \$438.7 million from December 31, 2022. Total deposits less time deposits greater than \$100,000, or core deposits, represented 90.5 percent of the deposit portfolio at December 31, 2023. Noninterest bearing deposits represented 16.9 percent of the deposit portfolio, which is a decline from December 31, 2022 of 22.1 percent. The decline is the result of a mix shift which occurred across the industry as clients moved into higher yielding deposit products. The Corporation experienced increases from December 31, 2022 in certificates and other time deposits of \$100,000 or more of \$666.4 million, other certificates and time deposits of \$381.2 million and brokered certificates of deposit of \$14.7 million. Demand and savings accounts decreased from December 31, 2022 by \$482.9 million and \$140.7 million, respectively.

The average account within the deposit portfolio totaled only \$34,000. Insured deposits totaled 72.1 percent of total deposits, with the State of Indiana's Public Deposit Insurance Fund, which insures certain public deposits, providing insurance to 15.1 percent of deposits and the FDIC providing insurance to the remaining 57.0 percent. Only 27.9 percent of deposits were uninsured and our available liquidity was ample to cover those when considering both on balance sheet sources of liquidity and unused capacity from the Federal Reserve Discount Window, FHLB and unsecured borrowing sources.

Total borrowings decreased \$285.2 million as of December 31, 2023, compared to December 31, 2022. Federal funds purchased and Federal Home Loan Bank advances decreased \$171.6 million and \$110.8 million, respectively, compared to December 31, 2022 as the Corporation utilized liquidity sources to pay down borrowings in 2023. Additionally, there was a decrease in securities sold under repurchase agreements of \$10.1 million when compared to December 31, 2022. Slightly offsetting these decreases was a \$7.3 million increase in subordinated debt and other borrowings due to a secured borrowing acquired in conjunction with the purchase of the Indianapolis regional headquarters building. Additional details of the Corporation's borrowings are discussed within NOTE 11. BORROWINGS of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

The Corporation's other liabilities as of December 31, 2023 increased \$25.8 million from the same period in 2022, primarily due to an increase in unfunded commitments related to the Corporation's LIHTC partnerships \$32.5 million. The increase in other liabilities was offset by a decrease in the derivative liability of \$13.8 million, as noted in the other assets section above.

The Corporation continued to maintain all regulatory capital ratios in excess of the regulatory definition of "well-capitalized." Details of the regulatory capital ratios are discussed within the "CAPITAL" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

## PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### NON-GAAP FINANCIAL MEASURES

The Corporation's accounting and reporting policies conform to GAAP and general practices within the banking industry. As a supplement to GAAP, the Corporation provides non-GAAP performance measures, which management believes are useful because they assist investors in assessing the Corporation's performance. Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied, and are not audited. Although these non-GAAP financial measures are frequently used by investors to evaluate a company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure can be found in the following tables.

Adjusted earnings per share, excluding PPP loan income, net realized gains/losses on the sales of available for sale securities, acquisition-related expenses and non-core expenses, are meaningful non-GAAP financial measures for management, as they provide a meaningful foundation for period-to-period and company-to-company comparisons, which management believes will aid both investors and analysts in analyzing our financial measures and predicting future performance. These non-GAAP financial measures are also used by management to assess the performance of the Corporation's business, because management does not consider these items to be relevant to ongoing financial performance on a per share basis.

Non-GAAP financial measures such as tangible common equity to tangible assets, tangible earnings per share, return on average tangible assets and return on average tangible equity are important measures of the strength of the Corporation's capital and ability to generate earnings on tangible common equity invested by our shareholders. These non-GAAP measures provide useful supplemental information and may assist investors in analyzing the Corporation's financial position without regard to the effects of intangible assets and preferred stock, but do retain the effect of accumulated other comprehensive gains (losses) in shareholder's equity. Disclosure of these measures also allows analysts and banking regulators to assess our capital adequacy on these same bases.

#### ADJUSTED NET INCOME AND DILUTED EARNINGS PER COMMON SHARE - non-GAAP

(Dollars In Thousands, Except Per Share Amounts)

	Years Ended		
	December 31, 2024	December 31, 2023	December 31, 2022
<b>Net Income Available to Common Stockholders - GAAP</b>	<b>\$ 199,527</b>	<b>\$ 221,911</b>	<b>\$ 220,683</b>
Adjustments:			
PPP loan income	—	(49)	(3,207)
Net realized losses/(gains) on sales of available for sale securities	20,757	6,930	(1,194)
Gain on branch sale	(19,983)	—	—
Acquisition-related expenses	—	—	16,531
Acquisition-related provision expense	—	—	16,755
Non-core expenses <sup>1,2</sup>	4,243	12,682	—
Tax on adjustments	(1,229)	(4,767)	(7,084)
<b>Adjusted Net Income Available to Common Stockholders - non-GAAP</b>	<b>\$ 203,315</b>	<b>\$ 236,707</b>	<b>\$ 242,484</b>
Average Diluted Common Shares Outstanding (in thousands)	58,533	59,489	57,950
<b>Diluted Earnings Per Common Share - GAAP</b>	<b>\$ 3.41</b>	<b>\$ 3.73</b>	<b>\$ 3.81</b>
Adjustments:			
PPP loan income	—	—	(0.06)
Net realized losses/(gains) on sales of available for sale securities	0.35	0.12	(0.02)
Gain on branch sale	(0.34)	—	—
Acquisition-related expenses	—	—	0.28
Acquisition-related provision expense	—	—	0.30
Non-core expenses	0.07	0.21	—
Tax on adjustments	(0.02)	(0.08)	(0.12)
<b>Adjusted Diluted Earnings Per Common Share - non-GAAP</b>	<b>\$ 3.47</b>	<b>\$ 3.98</b>	<b>\$ 4.19</b>

<sup>1</sup> Non-core expenses in 2024 included \$0.8 million of costs directly related to the branch sale, \$1.1 million from the FDIC special assessment, and \$2.4 million from digital platform conversion costs.

<sup>2</sup> Non-core expenses in 2023 included \$4.3 million from the FDIC special assessment, \$6.3 million from early retirement and severance costs, and \$2.1 million from a lease termination.

## PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS - non-GAAP

(Dollars in thousands, except per share amounts)

	December 31, 2024	December 31, 2023
Total Stockholders' Equity (GAAP)	\$ 2,304,983	\$ 2,247,713
Less: Preferred stock (GAAP)	(25,125)	(25,125)
Less: Intangible assets (GAAP)	(731,830)	(739,101)
Tangible common equity (non-GAAP)	\$ 1,548,028	\$ 1,483,487
Total assets (GAAP)	\$ 18,311,969	\$ 18,405,887
Less: Intangible assets (GAAP)	(731,830)	(739,101)
Tangible assets (non-GAAP)	\$ 17,580,139	\$ 17,666,786
Stockholders' Equity to Assets (GAAP)	12.59 %	12.21 %
Tangible common equity to tangible assets (non-GAAP)	8.81 %	8.40 %
Tangible common equity (non-GAAP)	\$ 1,548,028	\$ 1,483,487
Plus: Tax benefit of intangibles (non-GAAP)	4,263	5,819
Tangible common equity, net of tax (non-GAAP)	\$ 1,552,291	\$ 1,489,306
Common Stock outstanding (in thousands)	57,975	59,424
Book Value (GAAP)	\$ 39.33	\$ 37.40
Tangible book value - common (non-GAAP)	\$ 26.78	\$ 25.06

### TANGIBLE EARNINGS PER SHARE, RETURN ON TANGIBLE ASSETS AND RETURN ON TANGIBLE EQUITY - non-GAAP

(Dollars in thousands, except per share amounts)

	December 31, 2024	December 31, 2023	December 31, 2022
Average goodwill (GAAP)	\$ 712,002	\$ 712,002	\$ 671,485
Average other intangibles (GAAP)	23,298	31,331	35,885
Average deferred tax on other intangibles (GAAP)	(5,005)	(6,731)	(7,567)
Intangible adjustment (non-GAAP)	\$ 730,295	\$ 736,602	\$ 699,803
Average stockholders' equity (GAAP)	\$ 2,252,491	\$ 2,127,262	\$ 1,972,445
Average preferred stock (GAAP)	(25,125)	(25,125)	(18,875)
Intangible adjustment (non-GAAP)	(730,295)	(736,602)	(699,803)
Average tangible capital (non-GAAP)	\$ 1,497,071	\$ 1,365,535	\$ 1,253,767
Average assets (GAAP)	\$ 18,400,495	\$ 18,186,507	\$ 17,220,002
Intangible adjustment (non-GAAP)	(730,295)	(736,602)	(699,803)
Average tangible assets (non-GAAP)	\$ 17,670,200	\$ 17,449,905	\$ 16,520,199
Net income available to common stockholders (GAAP)	\$ 199,527	\$ 221,911	\$ 220,683
Other intangible amortization, net of tax (GAAP)	5,744	6,907	6,537
Preferred stock dividend	1,875	1,875	1,406
Tangible net income available to common stockholders (non-GAAP)	\$ 207,146	\$ 230,693	\$ 228,626
<b>Per Share Data:</b>			
Diluted net income available to common stockholders (GAAP)	\$ 3.41	\$ 3.73	\$ 3.81
Diluted tangible net income available to common stockholders (non-GAAP)	\$ 3.51	\$ 3.85	\$ 3.95
<b>Ratios:</b>			
Return on average GAAP capital (ROE)	8.86 %	10.43 %	11.19 %
Return on average tangible capital	13.71 %	16.76 %	18.12 %
Return on average assets (ROA)	1.09 %	1.23 %	1.29 %
Return on average tangible assets	1.17 %	1.32 %	1.38 %

Return on average tangible capital is tangible net income available to common stockholders expressed as a percentage of average tangible capital. Return on average tangible assets is tangible net income available to common stockholders expressed as a percentage of average tangible assets.

## NET INTEREST INCOME

Net interest income is the most significant component of the Corporation's earnings, comprising 80.6 percent of revenues for the year ended December 31, 2024. Net interest income and margin are influenced by many factors, primarily the volume and mix of earning assets, funding sources, and interest rate fluctuations. Other factors include the level of accretion income on purchased loans, prepayment risk on loan and investment-related assets, and the composition and maturity of earning assets and interest-bearing liabilities. Loans typically generate more interest income than investment securities with similar maturities. Funding from customer deposits generally costs less than wholesale funding sources. Factors such as general economic activity, Federal Reserve Board monetary policy, and price volatility of competing alternative investments, can also exert significant influence on our ability to optimize the mix of assets and funding and the net interest income and margin.

Net interest income is the excess of interest received from earning assets over interest paid on interest-bearing liabilities. For analytical purposes, net interest income is also presented on an FTE basis in the tables that follow to reflect what our tax-exempt assets would need to yield in order to achieve the same after-tax yield as a taxable asset. The federal statutory rate of 21 percent was used for 2024, 2023, and 2022.

## **PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The FTE analysis portrays the income tax benefits associated with tax-exempt assets and helps to facilitate a comparison between taxable and tax-exempt assets. Management believes that it is a standard practice in the banking industry to present net interest margin and net interest income on a fully taxable equivalent basis. Therefore, management believes these measures provide useful information for both management and investors by allowing them to make peer comparisons.

Net interest margin, on an FTE basis, decreased 16 basis points to 3.19 percent for the year ended December 31, 2024 compared to 3.35 percent for the same period in 2023.

### Average Balance Sheet

Average earning assets for the year ended December 31, 2024 increased \$62.5 million compared to the same period in 2023. The increase for the year ended December 31, 2024 when compared to the same period in 2023 was driven by a \$336.4 million increase in average loans as a result of organic loan growth primarily within the commercial and residential real estate loan portfolios, the average balances of which increased \$167.9 million and \$123.3 million, respectively. The increase in average loans was partially offset by a \$260.9 million decrease in average investment securities as the Corporation repositioned the securities portfolio by selling \$268.5 million of lower-yielding securities.

Average total deposits increased \$95.1 million, or 0.6 percent, for the year ended December 31, 2024 compared to the year ended December 31, 2023. The increase was due to a \$508.1 million, or 4.3 percent, increase in average interest-bearing deposits partially offset by a \$413.0 million, or 14.8 percent, decrease in average noninterest-bearing deposits. The increase in the average balance of interest-bearing deposits was driven by certificates and other time deposits, money market deposits and interest-bearing deposits, which increased \$490.6 million, \$177.2 million and \$70.8 million, respectively but was partially offset by a \$230.5 million decrease in the average balance of savings deposits. The decrease in the average balance of noninterest-bearing deposits reflects clients moving funds from noninterest-bearing accounts into interest-bearing deposit products.

Average borrowings decreased \$106.5 million, or 9.6 percent, for the year ended December 31, 2024 compared to the same period of 2023. This decrease was primarily driven by decreases of \$53.8 million, \$35.3 million and \$18.2 million in the average balance of subordinated debt, repurchase agreements and fed funds purchased, respectively. The Corporation redeemed \$65.0 million of subordinated debt in the first half of 2024 which contributed to the decrease in the average balance of subordinated debt. The decreases in repurchase agreements and fed funds purchased were due primarily to the Corporation utilizing liquidity to pay down borrowings in 2024.

### Interest Income/Expense and Average Yields

FTE net interest income decreased \$24.9 million, or 4.4 percent, during the year ended December 31, 2024 compared to the year ended December 31, 2023. FTE interest income increased \$58.7 million, or 7.5 percent, compared to the same period in 2023 but was more than offset by a \$78.4 million, or 22.5 percent increase in total interest expense. The increase in FTE interest income was primarily due to a shift in the earning asset mix from securities to loans as well as a 29 basis point increase in the yield earned on earning assets. Most notably, the yield earned on loans increased 29 basis points in 2024 compared to 2023.

The increase in total interest expense was primarily due to an \$80.0 million, or 26.1 percent, increase in interest-bearing deposits coupled with a 54 basis point increase in the rate paid on those deposits. Interest costs increased during 2024 due to continued deposit pricing pressure and deposit portfolio mix changes due to customers migrating from noninterest-bearing deposit products into interest-bearing deposit products.



## PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table presents the Corporation's average balance sheet, interest income/interest expense, and the average rate as a percent of average earning assets/liabilities for the years ended December 31, 2024, 2023 and 2022.

	Interest			Interest			Interest								
	Average	Income /	Average	Average	Income /	Average	Average	Income /	Average						
	Balance	Expense	Rate	Balance	Expense	Rate	Balance	Expense	Rate						
(Dollars in Thousands)	2024			2023			2022								
Assets:															
Interest-bearing deposits	\$	418,163	\$	16,992	4.06 %	\$	431,581	\$	17,719	4.11 %	\$	296,863	\$	2,503	0.84 %
Federal Home Loan Bank stock		41,736		3,527	8.45		41,319		3,052	7.39		35,580		1,176	3.31
Investment securities: <sup>(1)</sup>															
Taxable		1,759,578		36,086	2.05		1,854,438		35,207	1.90		2,056,586		38,354	1.86
Tax-exempt <sup>(2)</sup>		2,200,466		67,705	3.08		2,366,475		73,566	3.11		2,653,611		85,292	3.21
Total Investment Securities		3,960,044		103,791	2.62		4,220,913		108,773	2.58		4,710,197		123,646	2.63
Loans held for sale		29,650		1,792	6.04		21,766		1,292	5.94		14,715		692	4.70
Loans: <sup>(3)</sup>															
Commercial		8,687,638		641,393	7.38		8,519,706		603,611	7.08		7,877,271		380,621	4.83
Real estate mortgage		2,158,743		94,890	4.40		2,035,488		82,183	4.04		1,471,802		51,853	3.52
HELOC and installment		830,079		65,577	7.90		830,006		60,751	7.32		785,520		37,302	4.75
Tax-exempt <sup>(2)</sup>		928,214		43,370	4.67		891,008		40,448	4.54		793,743		31,803	4.01
Total Loans		12,634,324		847,022	6.70		12,297,974		788,285	6.41		10,943,051		502,271	4.59
Total Earning Assets		17,054,267		971,332	5.69 %		16,991,787		917,829	5.40 %		15,985,691		629,596	3.94 %
Total Non-earning Assets		1,346,228					1,194,720					1,234,311			
Total Assets	\$	18,400,495				\$	18,186,507				\$	17,220,002			
Liabilities:															
Interest-bearing deposits:															
Interest-bearing deposits	\$	5,506,492	\$	157,984	2.87 %	\$	5,435,733	\$	138,012	2.54 %	\$	5,206,131	\$	32,511	0.62 %
Money market deposits		3,061,461		106,026	3.46		2,884,271		83,777	2.90		2,915,397		19,170	0.66
Savings deposits		1,463,707		14,587	1.00		1,694,230		14,606	0.86		1,927,122		5,019	0.26
Certificates and other time deposits		2,413,900		107,530	4.45		1,923,268		69,697	3.62		881,176		6,239	0.71
Total Interest-bearing Deposits		12,445,560		386,127	3.10		11,937,502		306,092	2.56		10,929,826		62,939	0.58
Borrowings		1,005,017		40,765	4.06		1,111,472		42,394	3.81		888,392		21,864	2.46
Total Interest-bearing Liabilities		13,450,577		426,892	3.17		13,048,974		348,486	2.67		11,818,218		84,803	0.72
Noninterest-bearing deposits		2,371,004					2,783,996					3,268,417			
Other liabilities		326,423					226,275					160,922			
Total Liabilities		16,148,004					16,059,245					15,247,557			
Stockholders' Equity		2,252,491					2,127,262					1,972,445			
Total Liabilities and Stockholders' Equity	\$	18,400,495		426,892		\$	18,186,507		348,486		\$	17,220,002		84,803	
Net Interest Income (FTE)			\$	544,440				\$	569,343				\$	544,793	
Net Interest Spread (FTE) <sup>(4)</sup>					2.52 %					2.73 %					3.22 %
Net Interest Margin (FTE):															
Interest Income (FTE) / Average Earning Assets					5.69 %					5.40 %					3.94 %
Interest Expense / Average Earning Assets					2.50 %					2.05 %					0.53 %
Net Interest Margin (FTE) <sup>(5)</sup>					3.19 %					3.35 %					3.41 %

<sup>(1)</sup> Average balance of securities is computed based on the average of the historical amortized cost balances without the effects of the fair value adjustment. Annualized amounts are computed using a 30/360 day basis.

<sup>(2)</sup> Tax-exempt securities and loans are presented on a fully taxable equivalent basis, using a marginal tax rate of 21 percent for 2024, 2023 and 2022. These totals equal \$23.3 million, \$23.9 million and \$24.6 million, respectively.

<sup>(3)</sup> Non accruing loans have been included in the average balances.

<sup>(4)</sup> Net Interest Spread (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average interest-bearing liabilities.

<sup>(9)</sup> Net Interest Margin (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average earning assets.

## **PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **NONINTEREST INCOME**

Noninterest income totaled \$125.6 million in 2024, an increase of \$20.0 million, or 18.9 percent, from 2023. The Corporation recorded a \$20.0 million gain on the Illinois branch sale during the fourth quarter of 2024. This was partially offset by a \$13.8 million increase in net realized losses on sales of available for sale securities. Additionally, the Corporation realized higher gains on the sales of mortgage loans and increased private wealth fees of \$5.2 million and a \$3.4 million, respectively, for the year ended December 31, 2024 compared to 2023. Other income increased \$3.6 million primarily related to an increase in the valuation of CRA fund investments for the year ended December 31, 2024 compared to 2023.

Noninterest income totaled \$105.6 million in 2023, a decrease of \$2.3 million, or 2.2 percent, from 2022. The decrease was primarily due to \$6.9 million in net losses realized on the sale of \$395.2 million of available for sale securities during the year ended December 31, 2023, compared to \$1.2 million in net realized gains during the year ended December 31, 2022. Additionally, gains on life insurance benefits decreased \$2.9 million during the year ended December 31, 2023 compared to 2022. Offsetting these declines was an increase of \$5.6 million in net gains and fees on sales of mortgage loans. Service charges on deposit accounts increased \$2.5 million from 2022, primarily due to the Level One acquisition in the second quarter of 2022.

### **NONINTEREST EXPENSES**

Noninterest expense totaled \$379.3 million in 2024, a decrease of \$9.0 million, or 2.3 percent from 2023. The largest decrease of \$7.6 million was in salaries and employee benefits which resulted primarily from \$6.3 million in charges in 2023 related to early retirement and severance costs. Other notable decreases include professional and other outside services of \$1.6 million, net occupancy of \$1.5 million, intangible asset amortization of \$1.5 million and other real estate owned and foreclosure expenses of \$1.2 million. These decreases were offset by a \$2.7 million increase in equipment expense and a \$2.0 million increase in outside data processing expenses as the Corporation continued to invest in customer facing digital solutions throughout 2024.

Noninterest expense totaled \$388.3 million in 2023, an increase of \$32.6 million, or 9.2 percent from 2022. The largest increase of \$21.9 million was in salaries and employee benefits which resulted primarily from the addition of Level One staff for the full year ended December 31, 2023 as compared to only nine months of 2022, and charges of \$6.3 million from employee early retirement and severance costs during the fourth quarter of 2023. In addition, occupancy and equipment expenses in 2023 increased by \$3.8 million from 2022 as a result of the larger franchise footprint, and a \$2.1 million expense from a lease termination during the fourth quarter. The Corporation continues to invest in customer-facing digital solutions that contributed to increases in outside data processing expenses of \$3.5 million. FDIC assessments increased \$4.4 million in 2023 from 2022 due to an FDIC special assessment of \$4.3 million. The increase in other real estate and foreclosure expenses of \$2.5 million, when compared to the year ended December 31, 2022, was the result of higher property value write-downs, higher forced-placed insurance expenses, and less credit-related expense recoveries. The increase in other expenses is primarily due to higher customer-related contingent losses during the year ended December 31, 2023 as compared to the year ended December 31, 2022. These increases were offset by a \$5.5 million decrease in professional and other outside services due primarily to \$7.1 million of transaction costs related to the Level One acquisition that were recorded in 2022.

### **INCOME TAXES**

The Corporation's federal statutory income tax rate for 2024 is 21 percent and its state tax rate varies from 0 to 9.5 percent depending on the state in which the subsidiary company operates. The Corporation's effective tax rate, which was 13.1 percent in 2024 and 13.7 percent in 2023, is lower than the blended effective statutory federal and state rates primarily due to the Corporation's income on tax-exempt securities and loans, income generated by the subsidiaries operating in a state with no state or local income tax, income tax credits generated from investments in affordable housing projects, and tax-exempt earnings from bank-owned life insurance contracts.

Income tax expense in 2024 was \$30.3 million on pre-tax income of \$231.7 million, or 13.1 percent. For 2023, income tax expense was \$35.4 million on pre-tax income of \$259.2 million, or 13.7 percent. The lower effective income tax rate in 2024 compared to 2023 was primarily driven by an increase in income tax credits generated from investments in affordable housing projects. The detailed reconciliation of federal statutory to actual tax expense is shown in NOTE 19. INCOME TAX of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

The Corporation's tax asset, deferred and receivable decreased from \$99.9 million at December 31, 2023 to \$92.4 million at December 31, 2024. The \$7.5 million decrease was a combination of the Corporation's net deferred tax asset increasing from \$84.7 million at December 31, 2023 to \$85.9 million at December 31, 2024, and the income tax receivable decreasing from \$15.2 million at December 31, 2023 to \$6.5 million at December 31, 2024.

### **CAPITAL**

#### Preferred Stock

As part of the Level One acquisition, the Corporation issued 10,000 shares of newly created 7.5 percent non-cumulative perpetual preferred stock, with a liquidation preference of \$2,500 per share, in exchange for the outstanding Level One Series B preferred stock, and as part of that exchange, each outstanding Level One depositary share representing a 1/100th interest in a share of the Level One preferred stock was converted into a depositary share of the Corporation representing a 1/100th interest in a share of its newly issued preferred stock. The Corporation had \$25.0 million of outstanding preferred stock at December 31, 2024 and 2023. During the twelve months ended December 31, 2024, the Corporation declared and paid dividends of \$187.52 per share (equivalent to \$1.88 per depositary share), equal to \$1.9 million. During the twelve months ended December 31, 2023, the Corporation declared and paid dividends of \$187.52 per share (equivalent to \$1.88 per depositary share), equal to \$1.9 million. The Series A preferred stock qualifies as tier 1 capital for purposes of the regulatory capital calculations.

## **PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### Stock Repurchase Program

On January 27, 2021, the Board of Directors of the Corporation approved a stock repurchase program of up to 3,333,000 shares of the Corporation's outstanding common stock; provided, however, that the total aggregate investment in shares repurchased under the program may not exceed \$100,000,000. On a share basis, the amount of common stock subject to the repurchase program represented approximately 6 percent of the Corporation's outstanding shares at the time the program became effective. The Corporation repurchased 1,648,466 shares of its common stock pursuant to the repurchase program during 2024. As of December 31, 2024, the Corporation had approximately 1.0 million shares at an aggregate value of \$18.4 million available to repurchase under the program. The Corporation did not repurchase any shares of its common stock pursuant to the repurchase program during 2022 or 2023.

In August 2022, the Inflation Reduction Act of 2022 (the "IRA") was enacted. Among other things, the IRA imposes a new 1 percent excise tax on the fair market value of stock repurchased after December 31, 2022 by publicly traded U.S. corporations (like the Corporation). With certain exceptions, the value of stock repurchased is determined net of stock issued in the year, including shares issued pursuant to compensatory arrangements. For the twelve months ended December 31, 2024, the Corporation recorded excise tax of \$0.5 million, related to its share repurchase during the period, which is reflected in Stockholders' Equity as a component of additional paid-in capital.

### Regulatory Capital

Capital adequacy is an important indicator of financial stability and performance. The Corporation and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies and are assigned to a capital category. The assigned capital category is largely determined by four ratios that are calculated according to the regulations: total risk-based capital, tier 1 risk-based capital, common equity tier 1 ("CET1"), and tier 1 leverage ratios. The ratios are intended to measure capital relative to assets and credit risk associated with those assets and off-balance sheet exposures of the entity. The capital category assigned to an entity can also be affected by qualitative judgments made by regulatory agencies about the risk inherent in the entity's activities that are not part of the calculated ratios.

There are five capital categories defined in the regulations, ranging from well capitalized to critically undercapitalized. Classification of a bank in any of the undercapitalized categories can result in actions by regulators that could have a material effect on a bank's operations. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total risk-based capital, tier 1 capital, and common equity tier 1 capital, in each case, to risk-weighted assets, and of tier 1 capital to average assets, or leverage ratio, all of which are calculated as defined in the regulations. Banks with lower capital levels are deemed to be undercapitalized, significantly undercapitalized or critically undercapitalized, depending on their actual levels. The appropriate federal regulatory agency may also downgrade a bank to the next lower capital category upon a determination that the bank is in an unsafe or unsound practice. Banks are required to monitor closely their capital levels and to notify their appropriate regulatory agency of any basis for a change in capital category.

Basel III requires the Corporation and the Bank to maintain the minimum capital and leverage ratios as defined in the regulation and as illustrated in the table below, which capital to risk-weighted asset ratios include a 2.5 percent capital conservation buffer. Under Basel III, in order to avoid limitations on capital distributions, including dividends, the Corporation must hold a 2.5 percent capital conservation buffer above the adequately capitalized CET1 to risk-weighted assets ratio (which buffer is reflected in the required ratios below). Under Basel III, the Corporation and Bank elected to opt-out of including accumulated other comprehensive income in regulatory capital. As of December 31, 2024, the Bank met all capital adequacy requirements to be considered well capitalized under the fully phased-in Basel III capital rules. There is no threshold for well capitalized status for bank holding companies.

As part of a March 27, 2020 joint statement of federal banking regulators, an interim final rule that allowed banking organizations to mitigate the effects of the CECL accounting standard on their regulatory capital was announced. Banking organizations could elect to mitigate the estimated cumulative regulatory capital effects of CECL for up to two years. This two-year delay was to be in addition to the three-year transition period that federal banking regulators had already made available. While the Consolidated Appropriations Act of 2021 provided for a further extension of the mandatory adoption of CECL until January 1, 2022, the federal banking regulators elected to not provide a similar extension to the two year mitigation period applicable to regulatory capital effects. Instead, the federal banking regulators require that, in order to utilize the additional two-year delay, banking organizations must have adopted the CECL standard no later than December 31, 2020, as required by the Coronavirus Aid, Relief and Economic Security Act, or CARES Act. As a result, because implementation of the CECL standard was delayed by the Corporation until January 1, 2021, it began phasing in the cumulative effect of the adoption on its regulatory capital, at a rate of 25 percent per year, over a three-year transition period that began on January 1, 2021. Under that phase-in schedule, the cumulative effect of the adoption was fully reflected in regulatory capital on January 1, 2024.

## PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Corporation's and Bank's actual and required capital ratios as of December 31, 2024 and December 31, 2023 were as follows:

December 31, 2024	Prompt Corrective Action Thresholds					
	Actual		Basel III Minimum Capital Required		Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital to risk-weighted assets						
First Merchants Corporation	\$ 2,030,362	13.31 %	\$ 1,601,175	10.50 %	N/A	N/A
First Merchants Bank	1,967,738	12.89	1,602,417	10.50	\$ 1,526,112	10.00 %
Tier 1 capital to risk-weighted assets						
First Merchants Corporation	\$ 1,767,468	11.59 %	\$ 1,296,189	8.50 %	N/A	N/A
First Merchants Bank	1,776,738	11.64	1,297,195	8.50	\$ 1,220,889	8.00 %
Common equity tier 1 capital to risk-weighted assets						
First Merchants Corporation	\$ 1,742,468	11.43 %	\$ 1,067,450	7.00 %	N/A	N/A
First Merchants Bank	1,776,738	11.64	1,068,278	7.00	\$ 991,973	6.50 %
Tier 1 capital to average assets						
First Merchants Corporation	\$ 1,767,468	9.96 %	\$ 710,089	4.00 %	N/A	N/A
First Merchants Bank	1,776,738	9.92	716,172	4.00	\$ 895,215	5.00 %

December 31, 2023	Prompt Corrective Action Thresholds					
	Actual		Basel III Minimum Capital Required		Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital to risk-weighted assets						
First Merchants Corporation	\$ 2,021,124	13.67 %	\$ 1,552,685	10.50 %	N/A	N/A
First Merchants Bank	1,931,810	13.06	1,553,600	10.50	\$ 1,479,619	10.00 %
Tier 1 capital to risk-weighted assets						
First Merchants Corporation	\$ 1,703,626	11.52 %	\$ 1,256,935	8.50 %	N/A	N/A
First Merchants Bank	1,746,299	11.80	1,257,676	8.50	\$ 1,183,695	8.00 %
Common equity tier 1 capital to risk-weighted assets						
First Merchants Corporation	\$ 1,678,626	11.35 %	\$ 1,035,123	7.00 %	N/A	N/A
First Merchants Bank	1,746,299	11.80	1,035,733	7.00	\$ 961,752	6.50 %
Tier 1 capital to average assets						
First Merchants Corporation	\$ 1,703,626	9.64 %	\$ 707,091	4.00 %	N/A	N/A
First Merchants Bank	1,746,299	9.89	706,331	4.00	\$ 882,913	5.00 %

On November 1, 2013, the Corporation completed the private issuance and sale to four institutional investors of an aggregate of \$70.0 million of debt comprised of (a) 5.00 percent Fixed-to-Floating Rate Senior Notes due 2028 in the aggregate principal amount of \$5 million and (b) 6.75 percent Fixed-to-Floating Rate Subordinated Notes due October 30, 2028 in the aggregate principal amount of \$65.0 million. The Corporation exercised its right to redeem \$65 million of the subordinated debt on the scheduled interest payment date during the first half of 2024.

On April 1, 2022, the Corporation assumed \$30.0 million of subordinated notes in conjunction with its acquisition of Level One. The notes mature on December 18, 2029, and the Corporation has the option to redeem any or all of the subordinated notes without premium or penalty any time after December 18, 2024 or upon the occurrence of a tier 2 capital event or tax event. As of December 31, 2024, these subordinated debentures were classified as tier 2 capital and were subject to the five year phase-out.

Management believes the disclosed capital ratios are meaningful measurements for evaluating the safety and soundness of the Corporation. Traditionally, the banking regulators have assessed bank and bank holding company capital adequacy based on both the amount and the composition of capital, the calculation of which is prescribed in federal banking regulations. The Federal Reserve focuses its assessment of capital adequacy on a component of tier 1 capital known as CET1. Because the Federal Reserve has long indicated that voting common stockholders' equity (essentially tier 1 risk-based capital less preferred stock and non-controlling interest in subsidiaries) generally should be the dominant element in tier 1 risk-based capital, this focus on CET1 is consistent with existing capital adequacy categories. Tier I regulatory capital consists primarily of total common stockholders' equity and subordinated debentures issued to business trusts categorized as qualifying borrowings, less non-qualifying intangible assets and unrealized net securities gains or losses.

## PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A reconciliation of GAAP measures to regulatory measures (non-GAAP) are detailed in the following table for the periods indicated.

(Dollars in Thousands)	December 31, 2024		December 31, 2023	
	First Merchants Corporation	First Merchants Bank	First Merchants Corporation	First Merchants Bank
<u>Total Risk-Based Capital</u>				
Total Stockholders' Equity (GAAP)	\$ 2,304,983	\$ 2,315,701	\$ 2,247,713	\$ 2,291,788
Adjust for Accumulated Other Comprehensive (Income) Loss <sup>(1)</sup>	188,685	186,808	175,970	174,103
Less: Preferred Stock	(25,125)	(125)	(25,125)	(125)
Add: Qualifying Capital Securities	25,000	—	25,000	—
Less: Disallowed Goodwill and Intangible Assets	(725,504)	(725,056)	(731,315)	(730,867)
Add: Modified CECL Transition Amount	—	—	11,514	11,514
Less: Disallowed Deferred Tax Assets	(571)	(590)	(131)	(114)
<b>Total Tier 1 Capital (Regulatory)</b>	<b>1,767,468</b>	<b>1,776,738</b>	<b>1,703,626</b>	<b>1,746,299</b>
Qualifying Subordinated Debentures	72,040	—	132,174	—
Allowance for Loan Losses Includible in Tier 2 Capital	190,854	191,000	185,324	185,511
<b>Total Risk-Based Capital (Regulatory)</b>	<b>\$ 2,030,362</b>	<b>\$ 1,967,738</b>	<b>\$ 2,021,124</b>	<b>\$ 1,931,810</b>
<b>Net Risk-Weighted Assets (Regulatory)</b>	<b>\$ 15,249,287</b>	<b>\$ 15,261,118</b>	<b>\$ 14,787,474</b>	<b>\$ 14,796,189</b>
<b>Average Assets (Regulatory)</b>	<b>\$ 17,752,227</b>	<b>\$ 17,904,307</b>	<b>\$ 17,677,268</b>	<b>\$ 17,658,269</b>
<b>Total Risk-Based Capital Ratio (Regulatory)</b>	<b>13.31 %</b>	<b>12.89 %</b>	<b>13.67 %</b>	<b>13.06 %</b>
<b>Tier 1 Capital to Risk-Weighted Assets (Regulatory)</b>	<b>11.59 %</b>	<b>11.64 %</b>	<b>11.52 %</b>	<b>11.80 %</b>
<b>Tier 1 Capital to Average Assets (Regulatory)</b>	<b>9.96 %</b>	<b>9.92 %</b>	<b>9.64 %</b>	<b>9.89 %</b>
<u>Common Equity Tier 1 Capital Ratio</u>				
Total Tier 1 Capital (Regulatory)	\$ 1,767,468	\$ 1,776,738	\$ 1,703,626	\$ 1,746,299
Less: Qualified Capital Securities	(25,000)	—	(25,000)	—
<b>Common Equity Tier 1 Capital (Regulatory)</b>	<b>\$ 1,742,468</b>	<b>\$ 1,776,738</b>	<b>\$ 1,678,626</b>	<b>\$ 1,746,299</b>
<b>Net Risk-Weighted Assets (Regulatory)</b>	<b>\$ 15,249,287</b>	<b>\$ 15,261,118</b>	<b>\$ 14,787,474</b>	<b>\$ 14,796,189</b>
<b>Common Equity Tier 1 Capital Ratio (Regulatory)</b>	<b>11.43 %</b>	<b>11.64 %</b>	<b>11.35 %</b>	<b>11.80 %</b>

<sup>(1)</sup> Includes net unrealized gains or losses on available for sale securities, 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.

In management's view, certain non-GAAP financial measures, when taken together with the corresponding GAAP financial measures and ratios, provide meaningful supplemental information regarding our performance. We believe investors benefit from referring to these non-GAAP financial measures and ratios in assessing our operating results and related trends, and when forecasting future periods. However, these non-GAAP financial measures should be considered in addition to, and not a substitute for or preferable to, financial measures and ratios presented in accordance with GAAP.

The Corporation's tangible common equity measures are capital adequacy metrics that are meaningful to the Corporation, as well as analysts and investors, in assessing the Corporation's use of equity and in facilitating period-to-period and company-to-company comparisons. Tangible common equity to tangible assets ratio was 8.81 percent at December 31, 2024, and 8.40 percent at December 31, 2023. The increase in the tangible common equity to tangible assets ratio was primarily due to tangible common equity increasing \$64.5 million, or 4.4 percent, while tangible assets decreased \$86.6 million, or 0.5 percent, from 2023. The growth in tangible common equity was primarily due to 2024 net income earned of \$201.4 million partially offset by dividends declared of \$83.5 million and common stock repurchases totaling \$56.2 million. The decline in tangible assets was mostly attributable to a \$350.7 million decrease in the balance of investment securities and a \$162.2 million decrease in total cash balances partially offset by a \$368.1 million increase in loans and a \$64.8 million increase in other assets.

Non-GAAP financial measures such as tangible common equity to tangible assets, tangible earnings per share, return on average tangible assets and return on average tangible equity are important measures of the strength of the Corporation's capital and ability to generate earnings on tangible common equity invested by our shareholders. These non-GAAP measures provide useful supplemental information and may assist investors in analyzing the Corporation's financial position without regard to the effects of intangible assets and preferred stock, but retain the effect of accumulated other comprehensive losses in stockholders' equity. Disclosure of these measures also allows analysts and banking regulators to assess our capital adequacy on these same bases.

The tables within the "NON-GAAP FINANCIAL MEASURES" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations reconcile traditional GAAP measures to these non-GAAP financial measures at December 31, 2024 and December 31, 2023.



## **PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **LOAN QUALITY AND PROVISION FOR CREDIT LOSSES ON LOANS**

The Corporation's primary lending focus is small business and middle market commercial, commercial real estate, public finance and residential real estate, which results in portfolio diversification. Commercial loans are individually underwritten and judgmentally risk rated. They are periodically monitored and prompt corrective actions are taken on deteriorating loans. Consumer loans are typically underwritten with statistical decision-making tools and are managed throughout their life cycle on a portfolio basis.

#### **Loan Quality**

The quality of the loan portfolio and the amount of nonperforming loans may increase or decrease as a result of acquisitions, organic portfolio growth, problem loan recognition and resolution through collections, sales or charge-offs. The performance of any loan can be affected by external factors such as economic conditions, or internal factors specific to a particular borrower, such as the actions of a customer's internal management.

At December 31, 2024, non-accrual loans totaled \$73.8 million, an increase of \$20.2 million from December 31, 2023, primarily due to a \$24.1 million increase in non-accrual balances within the construction loan class. The increase was offset by a \$3.6 million decrease in non-accrual balances within the residential loan class.

At December 31, 2024, loans 90-days or more delinquent and still accruing totaled \$5.9 million, an increase of \$5.7 million from December 31, 2023. The increase was primarily driven by two loans totaling \$5.3 million, including \$3.7 million and \$1.6 million within the construction and commercial and industrial loan classes, respectively.

According to applicable accounting guidance, loans that no longer exhibit similar risk characteristics are evaluated individually to determine if there is a need for a specific reserve. Commercial loans under \$500,000 and consumer loans are not individually evaluated. The determination for individual evaluation is made based on current information or events that may suggest it is probable that not all amounts due of principal and interest, according to the contractual terms of the loan agreement, will be substantially collected.

The Corporation's nonperforming assets plus accruing loans 90 days or more delinquent and individually evaluated loans are presented in the table below.

(Dollars in Thousands)	December 31, 2024	December 31, 2023
Nonperforming assets:		
Nonaccrual loans	\$ 73,773	\$ 53,580
OREO and Repossessions	4,948	4,831
Nonperforming assets (NPA)	78,721	58,411
Loans 90-days or more delinquent and still accruing	5,902	172
NPAs and loans 90-days or more delinquent	<u>\$ 84,623</u>	<u>\$ 58,583</u>

The composition of nonperforming assets plus accruing loans 90-days or more delinquent is reflected in the following table by loan class.

(Dollars in Thousands)	December 31, 2024	December 31, 2023
Nonperforming assets and loans 90-days or more delinquent:		
Commercial and industrial loans	\$ 10,100	\$ 9,136
Agricultural land, production and other loans to farmers	75	58
Real estate loans		
Construction	28,312	520
Commercial real estate, non-owner occupied	16,838	16,652
Commercial real estate, owner occupied	2,440	3,041
Residential	21,927	25,178
Home equity	4,924	3,945
Individual's loans for household and other personal expenditures	7	19
Public finance and other commercial loans	—	34
Nonperforming assets and loans 90-days or more delinquent	<u>\$ 84,623</u>	<u>\$ 58,583</u>

### **PROVISION EXPENSE AND ALLOWANCE FOR CREDIT LOSSES ON LOANS**

The CECL model requires the measurement of all expected credit losses for financial assets measured at amortized cost based on historical experiences, current conditions and reasonable and supportable forecasts. CECL also requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as credit quality and underwriting standards of an organization's portfolio. Additional details of the Corporation's CECL methodology and allowance calculation are discussed within NOTE 5.

LOANS AND ALLOWANCE FOR CREDIT LOSSES of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

The CECL allowance is maintained through the provision for credit losses - loans, which is a charge against earnings. Based on management's judgment as to the appropriate level of the ACL - Loans, the amount provided in any period may be greater or less than net loan losses for the same period. The determination of the provision amount and the adequacy of the allowance in any period is based on management's continuing review and evaluation of the loan portfolio.





## PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Corporation's total loan balance, excluding loans held for sale, increased \$368.3 million, ending December 31, 2024 at \$12.9 billion. At December 31, 2024, the ACL - Loans totaled \$192.8 million, which represents a decrease of \$12.2 million from December 31, 2023. The allowance decreased primarily due to \$49.4 million of net charge-offs during the year ended December 31, 2024. As a percentage of loans, the ACL - Loans was 1.50 percent at December 31, 2024, compared to 1.64 percent at December 31, 2023 and 1.86 percent at December 31, 2022. The Corporation deems the current estimate for loan portfolio credit exposure as appropriate.

The Corporation's credit loss experience is presented in the table below for the years indicated.

(Dollars in Thousands)	2024	2023	2022
Allowance for credit losses - loans:			
Balances, December 31	\$ 204,934	\$ 223,277	\$ 195,397
Loans charged off	(54,243)	(28,039)	(6,601)
Recoveries on loans	4,866	2,396	3,927
Net charge-offs	(49,377)	(25,643)	(2,674)
Provision for credit losses - loans	37,200	7,300	—
CECL Day 1 non-PCD provision for credit losses - loans	—	—	13,955
CECL Day 1 PCD ACL - loans	—	—	16,599
Ending balance, December 31	\$ 192,757	\$ 204,934	\$ 223,277
Ratio of net charge-offs during the period to average loans outstanding during the period	0.39 %	0.21 %	0.02 %
Ratio of allowance for credit losses - loans to nonaccrual loans	261.3 %	382.5 %	527.5 %
Ratio of allowance for credit losses - loans to total loans outstanding	1.50 %	1.64 %	1.86 %

In 2024, the Corporation recorded \$37.2 million in provision for credit losses - loans, which was offset by a release in reserve of \$1.5 million related to the allowance for unfunded commitments, resulting in a net provision expense for the year ended December 31, 2024 of \$35.7 million. In 2023, the Corporation recorded a \$7.3 million provision for credit losses - loans, which was offset by a release in reserve of \$3.8 million related to the allowance for unfunded commitments, resulting in a net provision expense for the year ended December 31, 2023 of \$3.5 million.

Net charge-offs totaling \$49.4 million, \$25.6 million, and \$2.7 million were recognized for the years ended December 31, 2024, 2023, and 2022, respectively. The increase in net charge-offs was primarily related to two commercial relationships that accounted for \$42.7 million of charge-offs during the year ended December 31, 2024. One borrower experienced a sudden change in revenue from the cancellation and inability to renegotiate their contracts with the U.S. Government. This negatively impacted the value of the borrower's business and resulted in their inability to repay principal and interest. The second borrower provided notification of its plans to cease operations, which resulted in their inability to repay principal and interest and a charge-off for the Corporation. The Corporation does not believe these charge-offs are indicative of the portfolio as a whole. The distribution of the net charge-offs (recoveries) for the twelve months ended December 31, 2024, 2023, and 2022 are reflected in the following table.

(Dollars in Thousands)	December 31, 2024	December 31, 2023	December 31, 2022
Net charge-offs:			
Commercial and industrial loans	\$ 47,046	\$ 22,269	\$ 347
Agricultural land, production and other farm loans	—	—	(4)
Real estate loans			
Construction	—	—	(863)
Commercial real estate, non-owner occupied	193	20	2,817
Commercial real estate, owner occupied	(77)	36	(896)
Residential	1,235	471	(4)
Home equity	(405)	1,856	526
Individuals loans for household and other personal expenditures	1,385	991	751
Total net charge-offs	\$ 49,377	\$ 25,643	\$ 2,674

Management continually evaluates the commercial loan portfolio by including consideration of specific borrower cash flow analysis and estimated collateral values, types and amounts on nonperforming loans, past and anticipated credit loss experience, changes in the composition of the loan portfolio, and the current condition and amount of loans outstanding. The determination of the provision for credit losses in any period is based on management's continuing review and evaluation of the loan portfolio, and its judgment as to the impact of current economic conditions on the portfolio. The Corporation continues to monitor economic forecast changes, loan growth and credit quality to determine provision needs in the future.

### GOODWILL

During the fourth quarter of 2024 and 2023, the Corporation performed its annual goodwill impairment testing and the fair value exceeded the Corporation's carrying value. Based on the analysis performed, the Corporation concluded goodwill was not impaired as of December 31, 2024 and 2023.



## PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### LIQUIDITY

Liquidity management is the process by which the Corporation ensures that adequate liquid funds are available for the holding company and its subsidiaries. These funds are necessary in order to meet financial commitments on a timely basis. These commitments include withdrawals by depositors, funding credit obligations to borrowers, paying dividends to stockholders, paying operating expenses, funding capital expenditures, and maintaining deposit reserve requirements. Liquidity is monitored and closely managed by the asset/liability committee.

The Corporation's liquidity is dependent upon the receipt of dividends from the Bank, which is subject to certain regulatory limitations and access to other funding sources. Liquidity of the Bank is derived primarily from core deposit growth, principal payments received on loans, the sale and maturity of investment securities, net cash provided by operating activities, and access to other funding sources.

The principal source of asset-funded liquidity is investment securities classified as available for sale, the market values of which totaled \$1.4 billion at December 31, 2024, a decrease of \$240.6 million, or 14.8 percent, from December 31, 2023. Securities classified as held to maturity that are maturing within a short period of time can also be a source of liquidity. Securities classified as held to maturity and that are maturing in one year or less totaled \$5.3 million at December 31, 2024. In addition, other types of assets such as cash and interest-bearing deposits with other banks, federal funds sold and loans maturing within one year are sources of liquidity.

The most stable source of liability-funded liquidity for both the long-term and short-term is deposit growth and retention in the core deposit base. Federal funds purchased and securities sold under agreements to repurchase are also considered a source of liquidity. In addition, FHLB advances and Federal Reserve Discount Window borrowings are utilized as a funding source. At December 31, 2024, total borrowings from the FHLB were \$822.6 million and there was \$10,000 of outstanding borrowings from the Federal Reserve Discount Window. The Bank has pledged certain mortgage loans and investments to the FHLB and Federal Reserve. The total available remaining borrowing capacity from the FHLB and Federal Reserve at December 31, 2024 was \$733.1 million and \$2.5 billion, respectively.

The following table presents the Corporation's material cash requirements from known contractual and other obligations at December 31, 2024:

(Dollars in Thousands)	Payments Due In		
	One Year or Less	Over One Year	Total
Deposits without stated maturity	\$ 12,502,819	\$ —	\$ 12,502,819
Certificates and other time deposits	1,746,640	272,167	2,018,807
Securities sold under repurchase agreements	142,876	—	142,876
Federal Home Loan Bank advances	95,000	727,554	822,554
Federal Funds Purchased	99,226	—	99,226
Subordinated debentures and term loans	1,333	92,196	93,529
Total	\$ 14,587,894	\$ 1,091,917	\$ 15,679,811

For further details related to the Corporation's deposits and borrowings, see NOTE 10. DEPOSITS and NOTE 11. BORROWINGS of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Also, in the normal course of business, the Bank is a party to a number of other off-balance sheet activities that contain credit, market and operational risk that are not reflected in whole or in part in the consolidated financial statements. These activities primarily consist of traditional off-balance sheet credit-related financial instruments such as loan commitments and standby letters of credit.

Summarized credit-related financial instruments at December 31, 2024 are as follows:

(Dollars in Thousands)	December 31, 2024
Amounts of Commitments:	
Loan commitments to extend credit	\$ 5,006,085
Standby letters of credit	71,271
	\$ 5,077,356

Since many of the commitments are expected to expire unused or be only partially used, the total amount of unused commitments in the preceding table does not necessarily represent future cash requirements.

### INTEREST SENSITIVITY AND DISCLOSURES ABOUT MARKET RISK

Asset/Liability management has been an important factor in the Corporation's ability to record consistent earnings growth through periods of interest rate volatility and product deregulation. Management and the Board of Directors monitor the Corporation's liquidity and interest sensitivity positions at regular meetings to review how changes in interest rates may affect earnings. Decisions regarding investment and the pricing of loan and deposit products are made after analysis of reports designed to measure liquidity, rate sensitivity, the Corporation's exposure to changes in net interest income given various rate scenarios and the economic and competitive environments.

It is the objective of the Corporation to monitor and manage risk exposure to net interest income caused by changes in interest rates. It is the goal of the Corporation's Asset/Liability

management function to provide optimum and stable net interest income. To accomplish this, management uses two asset liability tools. GAP/Interest Rate Sensitivity Reports and Net Interest Income Simulation Modeling are constructed, presented and monitored quarterly. Management believes that the Corporation's liquidity and interest sensitivity position at December 31, 2024, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk.

## PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table presents the Corporation's interest rate sensitivity analysis as of December 31, 2024.

(Dollars in Thousands)	December 31, 2024				
	1-180 Days	181-365 Days	1-5 Years	Beyond 5 Years	Total
<b>Rate-Sensitive Assets:</b>					
Interest-bearing deposits	\$ 298,891	\$ —	\$ —	\$ —	\$ 298,891
Investment securities	107,761	95,984	706,402	2,550,548	3,460,695
Loans	7,292,772	639,170	3,229,061	1,519,262	12,680,265
Federal Home Loan Bank stock	—	—	41,690	—	41,690
Total rate-sensitive assets	\$ 7,699,424	\$ 735,154	\$ 3,977,153	\$ 4,069,810	\$ 16,481,541
<b>Rate-Sensitive Liabilities:</b>					
Interest-bearing deposits	\$ 11,781,149	\$ 142,869	\$ 272,029	\$ —	\$ 12,196,047
Federal funds purchased	99,226	—	—	—	99,226
Securities sold under repurchase agreements	142,876	—	—	—	142,876
Federal Home Loan Bank advances	70,000	25,000	665,000	62,554	822,554
Subordinated debentures and term loans	58,169	—	30,000	5,360	93,529
Total rate-sensitive liabilities	\$ 12,151,420	\$ 167,869	\$ 967,029	\$ 67,914	\$ 13,354,232
Interest rate sensitivity gap by period	\$ (4,451,996)	\$ 567,285	\$ 3,010,124	\$ 4,001,896	
Cumulative rate sensitivity gap	\$ (4,451,996)	\$ (3,884,711)	\$ (874,587)	\$ 3,127,309	
<b>Cumulative rate sensitivity gap ratio</b>					
at December 31, 2024	63.4 %	68.5 %	93.4 %	123.4 %	
at December 31, 2023	66.7 %	66.5 %	96.4 %	125.7 %	

The Corporation had a cumulative negative gap of \$3.9 billion in the one-year horizon at December 31, 2024, or 21.2 percent of total assets.

Net interest income simulation modeling, or earnings-at-risk, measures the sensitivity of net interest income to various interest rate movements. The Corporation's asset liability process monitors simulated net interest income under three separate interest rate scenarios; base, rising and falling. Estimated net interest income for each scenario is calculated over a twelve-month horizon. The immediate and parallel changes to the base case scenario used in the model are presented below. The interest rate scenarios are used for analytical purposes and do not necessarily represent management's view of future market movements. Rather, these are intended to provide a measure of the degree of volatility interest rate movements may introduce into the earnings of the Corporation.

The base scenario is highly dependent on numerous assumptions embedded in the model, including assumptions related to future interest rates. While the base sensitivity analysis incorporates management's best estimate of interest rate and balance sheet dynamics under various market rate movements, the actual behavior and resulting earnings impact will likely differ from that projected. For certain assets, the base simulation model captures the expected prepayment behavior under changing interest rate environments. Assumptions and methodologies regarding the interest rate or balance behavior of indeterminate maturity products, such as savings, money market, interest-bearing and demand deposits, reflect management's best estimate of expected future behavior. Historical retention rate assumptions are applied to nonmaturity deposits for modeling purposes.

The comparative rising 200 and 100 basis points and falling 200 and 100 basis points scenarios below, as of December 31, 2024 and 2023, assume further interest rate changes in addition to the base simulation discussed above. These changes are immediate and parallel changes to the base case scenario.

Results for rising 200 and 100 basis points and falling 200 and 100 basis points interest rate scenarios are listed below based upon the Corporation's rate sensitive assets and liabilities at December 31, 2024 and 2023. The change from the base case represents cumulative net interest income over a twelve-month time horizon. Balance sheet assumptions used for the base scenario are the same for the rising and falling simulations.

	December 31, 2024	December 31, 2023
Rising 200 basis points from base case	4.1%	4.0 %
Rising 100 basis points from base case	2.5%	2.1 %
Falling 100 basis points from base case	(2.2)%	(5.0) %
Falling 200 basis points from base case	(4.5)%	(7.8) %



## PART II: ITEM 7. AND ITEM 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### DEPOSITS AND BORROWINGS

The table below reflects the level of deposits and borrowed funds at December 31, 2024 and 2023.

	December 31, 2024	December 31, 2023
(Dollars in Thousands)		
Deposits:		
Demand deposits	\$ 7,980,061	\$ 7,965,862
Savings deposits	4,522,758	4,516,433
Certificates and other time deposits of \$100,000 or more	1,043,068	1,408,985
Other certificates and time deposits	692,068	849,906
Brokered certificates of deposits	283,671	80,267
Total deposits	14,521,626	14,821,453
Federal funds purchased	99,226	—
Securities sold under repurchase agreements	142,876	157,280
Federal Home Loan Bank advances	822,554	712,852
Subordinated debentures and term loans	93,529	158,644
	<u>\$ 15,679,811</u>	<u>\$ 15,850,229</u>

Deposits decreased \$299.8 million from December 31, 2023. The majority of the decrease was due to the sale of the Illinois branch deposits of \$267.4 million. In addition to the overall balance decline resulting from the Illinois branch sale, as interest rates declined in the second half of 2024, customers began migrating funds from maturity time deposit products into nonmaturity deposit products.

Federal funds purchased increased \$99.2 million, and securities sold under repurchase agreements decreased \$14.4 million from December 31, 2023, respectively. The Corporation utilized the funds due to increased loan growth during the year ended December 31, 2024. Further discussion regarding federal funds purchased and repurchase agreements is included in NOTE 11. BORROWINGS of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Federal Home Loan Bank advances increased \$109.7 million compared to December 31, 2023 as the Corporation utilized FHLB advances in order to fund loan growth and supplement deposit balances in 2024. Further discussion regarding FHLB advances is included in NOTE 11. BORROWINGS of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K and Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading "LIQUIDITY". Additionally, the interest rate risk is included as part of the Corporation's interest simulation discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading "INTEREST SENSITIVITY AND DISCLOSURES ABOUT MARKET RISK".

Subordinated debentures and term loans decreased \$65.1 million compared to December 31, 2023. During the first half of 2024, the Corporation exercised its rights to redeem \$65.0 million in principal of the US Bank Subordinated Debt Notes ("Subordinated Debt") and paid the debt in full on the scheduled interest payment dates. During the first quarter of 2025, the Corporation distributed notice of redemption of \$30.0 million in principal amount. The redemption is permitted under the optional redemptions provisions of the Subordinated Notes and will occur in the first quarter of 2025 on the scheduled interest payment date. Additional details regarding the subordinated debentures and other borrowings are discussed within NOTE 11. BORROWINGS of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The quantitative and qualitative disclosures about market risk information are presented in the "INTEREST SENSITIVITY AND DISCLOSURES ABOUT MARKET RISK" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included as Item 7 of this Annual Report on Form 10-K.



## **PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

#### **Report of Independent Registered Public Accounting Firm**

To the Stockholders, Board of Directors and Audit Committee  
First Merchants Corporation  
Muncie, Indiana

#### ***Opinion on the Consolidated Financial Statements***

We have audited the accompanying consolidated balance sheets of First Merchants Corporation (the "Corporation") as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2025, expressed an unqualified opinion thereon.

#### ***Basis for Opinion***

These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's financial statements based on our audits.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### ***Critical Audit Matter***

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### ***Allowance for Credit Losses***

As described in Note 5 to the consolidated financial statements, the Corporation's allowance for credit losses (ACL) on loans was \$192.8 million at December 31, 2024. The ACL is an estimate of current expected credit losses in the loan portfolio. The determination of the ACL requires significant judgment reflecting the Corporation's best estimate of expected future losses for the loan's entire contractual term adjusted for expected payments when appropriate.

We identified the econometric component of the ACL as a critical audit matter. The econometric component involves a high degree of subjectivity in evaluating management's estimates, such as evaluating management's assessment of economic forecasts and conditions and other environmental factors used to adjust historical loss rates.

## ***PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM***

### *How We Addressed the Matter in Our Audit*

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of internal controls over the econometric component of the ACL
- Obtained an understanding of the Corporation's process over the selection of reasonable and supportable forecasts
- Testing clerical and computational accuracy of the formulas within the econometric component of the calculation.
- Testing of completeness and accuracy of the information and reports utilized in the econometric component of the ACL, including reports used in management review controls over the econometric component of the ACL.
- Evaluating the forecast adjustment, including assessing that it is reasonable and supportable

### **Forvis Mazars, LLP**

We have served as the Corporation's auditor since at least 1982; however, an earlier year cannot be reliably determined.

Indianapolis, Indiana

February 24, 2025

***PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***  
***CONSOLIDATED FINANCIAL STATEMENTS***

**CONSOLIDATED BALANCE SHEETS**

	December 31,	December 31,
(Dollars in Thousands, Except Share Data)	2024	2023
<b>ASSETS</b>		
Cash and due from banks	\$ 87,616	\$ 112,649
Interest-bearing deposits	298,891	436,080
Investment securities available for sale	1,386,475	1,627,112
Investment securities held to maturity, net of allowance for credit losses of \$ 245 and \$ 245 (fair value of \$ 1,723,520 and \$ 1,870,374 )	2,074,220	2,184,252
Loans held for sale	18,663	18,934
Loans	12,854,359	12,486,027
Less: Allowance for credit losses - loans	( 192,757 )	( 204,934 )
Net loans	12,661,602	12,281,093
Premises and equipment	129,743	133,896
Federal Home Loan Bank stock	41,690	41,769
Interest receivable	91,829	97,664
Goodwill	712,002	712,002
Other intangibles	19,828	27,099
Cash surrender value of life insurance	304,906	306,301
Other real estate owned	4,948	4,831
Tax asset, deferred and receivable	92,387	99,883
Other assets	387,169	322,322
<b>TOTAL ASSETS</b>	<b>\$ 18,311,969</b>	<b>\$ 18,405,887</b>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing	\$ 2,325,579	\$ 2,500,062
Interest-bearing	12,196,047	12,321,391
<b>Total Deposits</b>	<b>14,521,626</b>	<b>14,821,453</b>
Borrowings:		
Federal funds purchased	99,226	—
Securities sold under repurchase agreements	142,876	157,280
Federal Home Loan Bank advances	822,554	712,852
Subordinated debentures and other borrowings	93,529	158,644
<b>Total Borrowings</b>	<b>1,158,185</b>	<b>1,028,776</b>
Interest payable	16,102	18,912
Other liabilities	311,073	289,033
<b>Total Liabilities</b>	<b>16,006,986</b>	<b>16,158,174</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Cumulative Preferred Stock, \$ 1,000 par value, \$ 1,000 liquidation value:		
Authorized - 600 cumulative shares		
Issued and outstanding - 125 cumulative shares	125	125
Preferred Stock, Series A, no par value, \$ 2,500 liquidation preference:		
Authorized - 10,000 non-cumulative perpetual shares		
Issued and outstanding - 10,000 non-cumulative perpetual shares	25,000	25,000
Common Stock, \$ 0.125 stated value:		
Authorized - 100,000,000 shares		
Issued and outstanding - 57,974,535 and 59,424,122 shares	7,247	7,428
Additional paid-in capital	1,188,768	1,236,506
Retained earnings	1,272,528	1,154,624
Accumulated other comprehensive loss	( 188,685 )	( 175,970 )
<b>Total Stockholders' Equity</b>	<b>2,304,983</b>	<b>2,247,713</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 18,311,969</b>	<b>\$ 18,405,887</b>

See notes to consolidated financial statements.



# **PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA** **CONSOLIDATED FINANCIAL STATEMENTS**

## **CONSOLIDATED STATEMENTS OF INCOME**

	December 31, 2024	December 31, 2023	December 31, 2022
(Dollars in Thousands, Except Share Data)			
<b>INTEREST INCOME</b>			
Loans receivable:			
Taxable	\$ 803,652	\$ 747,837	\$ 470,468
Tax-exempt	34,262	31,954	25,124
Investment securities:			
Taxable	36,086	35,207	38,354
Tax-exempt	53,487	58,117	67,381
Deposits with financial institutions	16,992	17,719	2,503
Federal Home Loan Bank stock	3,527	3,052	1,176
<b>Total Interest Income</b>	<b>948,006</b>	<b>893,886</b>	<b>605,006</b>
<b>INTEREST EXPENSE</b>			
Deposits	386,127	306,092	62,939
Federal funds purchased	481	1,421	1,302
Securities sold under repurchase agreements	3,057	3,451	1,136
Federal Home Loan Bank advances	29,886	27,206	11,417
Subordinated debentures and other borrowings	7,341	10,316	8,009
<b>Total Interest Expense</b>	<b>426,892</b>	<b>348,486</b>	<b>84,803</b>
<b>NET INTEREST INCOME</b>	<b>521,114</b>	<b>545,400</b>	<b>520,203</b>
Provision for credit losses	35,700	3,500	16,755
<b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES</b>	<b>485,414</b>	<b>541,900</b>	<b>503,448</b>
<b>NONINTEREST INCOME</b>			
Service charges on deposit accounts	32,606	30,837	28,371
Fiduciary and wealth management fees	34,215	30,840	29,688
Card payment fees	19,317	18,862	20,207
Net gains and fees on sales of loans	20,840	15,659	10,055
Derivative hedge fees	3,082	3,385	3,388
Other customer fees	1,547	1,880	1,935
Increase in cash surrender value of life insurance	5,655	5,320	5,210
Gains on life insurance benefits	2,809	3,027	5,964
Net realized gains (losses) on sales of available for sale securities	( 20,757 )	( 6,930 )	1,194
Gain on branch sale	19,983	—	—
Other income	6,283	2,722	1,929
<b>Total Noninterest Income</b>	<b>125,580</b>	<b>105,602</b>	<b>107,941</b>
<b>NONINTEREST EXPENSES</b>			
Salaries and employee benefits	221,167	228,745	206,893
Net occupancy	28,387	29,859	26,211
Equipment	26,802	24,113	23,945
Marketing	7,389	7,427	7,708
Outside data processing fees	27,140	25,165	21,682
Printing and office supplies	1,462	1,552	1,588
Intangible asset amortization	7,271	8,743	8,275
FDIC assessments	15,029	14,674	10,235
Other real estate owned and foreclosure expenses	2,076	3,318	823
Professional and other outside services	14,586	16,172	21,642
Other expenses	27,957	28,502	26,713
<b>Total Noninterest Expenses</b>	<b>379,266</b>	<b>388,270</b>	<b>355,715</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>231,728</b>	<b>259,232</b>	<b>255,674</b>
Income tax expense	30,326	35,446	33,585
<b>NET INCOME</b>	<b>201,402</b>	<b>223,786</b>	<b>222,089</b>

Preferred stock dividends		1,875	1,875	1,406
<b>NET INCOME AVAILABLE TO COMMON STOCKHOLDERS</b>	<b>\$</b>	<b>199,527</b>	<b>\$ 221,911</b>	<b>\$ 220,683</b>
<b>NET INCOME AVAILABLE TO COMMON STOCKHOLDERS PER SHARE DATA:</b>				
Basic Net Income Available to Common Stockholders	\$	3.42	\$ 3.74	\$ 3.83
Diluted Net Income Available to Common Stockholders	\$	3.41	\$ 3.73	\$ 3.81
Cash Dividends Paid to Common Stockholders	\$	1.39	\$ 1.34	\$ 1.25
Average Diluted Common Shares Outstanding (in thousands)		58,533	59,489	57,950

See notes to consolidated financial statements.

## PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### CONSOLIDATED FINANCIAL STATEMENTS

#### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in Thousands)	December 31, 2024	December 31, 2023	December 31, 2022
Net income	\$ 201,402	\$ 223,786	\$ 222,089
Other comprehensive income (loss):			
Unrealized gain (loss) on securities available-for-sale:			
Unrealized holding gain (loss) arising during the period	( 39,438 )	70,084	( 371,299 )
Reclassification adjustment for (gain) loss included in net income	20,757	6,930	( 1,194 )
Tax effect	3,923	( 16,173 )	78,224
Net of tax	( 14,758 )	60,841	( 294,269 )
Unrealized gain (loss) on cash flow hedges:			
Unrealized holding gain (loss) arising during the period	—	( 179 )	479
Reclassification adjustment for (gain) loss included in net income	—	15	521
Tax effect	—	34	( 210 )
Net of tax	—	( 130 )	790
Defined benefit pension plans:			
Net gain (loss) arising during the period	2,586	3,045	( 1,076 )
Reclassification adjustment for amortization of prior service cost	—	82	82
Tax effect	( 543 )	( 657 )	209
Net of tax	2,043	2,470	( 785 )
Total other comprehensive income (loss), net of tax	( 12,715 )	63,181	( 294,264 )
Comprehensive income (loss)	\$ 188,687	\$ 286,967	\$ ( 72,175 )

See notes to consolidated financial statements.



## PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### CONSOLIDATED FINANCIAL STATEMENTS

#### CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Dollars in Thousands, Except Share Data)	Cumulative Preferred		Non-Cumulative Preferred		Common Stock		Additional	Accumulated Other		
	Stock		Stock							
	Shares	Amount	Shares	Amount	Shares	Amount	Paid in Capital	Retained Earnings	Comprehensive Income (Loss)	Total
Balance, December 31, 2021	125	\$ 125	—	\$ —	53,410,411	\$ 6,676	\$ 985,818	\$ 864,839	\$ 55,113	\$ 1,912,571
Comprehensive loss:										
Net income	—	—	—	—	—	—	—	222,089	—	222,089
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	—	( 294,264 )	( 294,264 )
Cash dividends on preferred stock (\$ 140.64 per share)	—	—	—	—	—	—	—	( 1,406 )	—	( 1,406 )
Cash dividends on common stock (\$ 1.25 per share)	—	—	—	—	—	—	—	( 72,748 )	—	( 72,748 )
Issuance of stock related to acquisition	—	—	10,000	25,000	5,588,962	699	236,690	—	—	262,389
Share-based compensation	—	—	—	—	118,046	15	4,637	—	—	4,652
Stock issued under employee benefit plans	—	—	—	—	20,267	3	703	—	—	706
Stock issued under dividend reinvestment and stock purchase plan	—	—	—	—	50,559	6	2,050	—	—	2,056
Stock options exercised	—	—	—	—	22,000	3	355	—	—	358
Restricted shares withheld for taxes	—	—	—	—	( 39,662 )	( 6 )	( 1,627 )	—	—	( 1,633 )
Balances, December 31, 2022	125	\$ 125	10,000	\$ 25,000	59,170,583	\$ 7,396	\$ 1,228,626	\$ 1,012,774	\$ ( 239,151 )	\$ 2,034,770
Comprehensive income:										
Net income	—	—	—	—	—	—	—	223,786	—	223,786
Other comprehensive income, net of tax	—	—	—	—	—	—	—	—	63,181	63,181
Cash dividends on preferred stock (\$ 187.52 per share)	—	—	—	—	—	—	—	( 1,875 )	—	( 1,875 )
Cash dividends on common stock (\$ 1.34 per share)	—	—	—	—	—	—	—	( 80,061 )	—	( 80,061 )
Share-based compensation	—	—	—	—	133,877	17	5,141	—	—	5,158
Stock issued under employee benefit plans	—	—	—	—	27,902	3	751	—	—	754
Stock issued under dividend reinvestment and stock purchase plan	—	—	—	—	67,135	8	2,172	—	—	2,180
Stock options exercised	—	—	—	—	65,025	8	1,102	—	—	1,110
Restricted shares withheld for taxes	—	—	—	—	( 40,400 )	( 4 )	( 1,286 )	—	—	( 1,290 )
Balances, December 31, 2023	125	\$ 125	10,000	\$ 25,000	59,424,122	\$ 7,428	\$ 1,236,506	\$ 1,154,624	\$ ( 175,970 )	\$ 2,247,713
Comprehensive income:										
Net income	—	—	—	—	—	—	—	201,402	—	201,402
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	—	( 12,715 )	( 12,715 )
Cash dividends on preferred stock (\$ 187.52 per share)	—	—	—	—	—	—	—	( 1,875 )	—	( 1,875 )
Cash dividends on common stock (\$ 1.39 per share)	—	—	—	—	—	—	—	( 81,623 )	—	( 81,623 )
Repurchases of common stock	—	—	—	—	( 1,648,466 )	( 206 )	( 55,962 )	—	—	( 56,168 )
Excise tax on common stock repurchases	—	—	—	—	—	—	( 517 )	—	—	( 517 )
Share-based compensation	—	—	—	—	89,886	11	5,807	—	—	5,818
Stock issued under employee benefit plans	—	—	—	—	21,330	3	653	—	—	656
Stock issued under dividend reinvestment and stock purchase plan	—	—	—	—	62,825	8	2,253	—	—	2,261
Stock options exercised	—	—	—	—	49,084	6	894	—	—	900
Restricted shares withheld for taxes	—	—	—	—	( 24,246 )	( 3 )	( 866 )	—	—	( 869 )
Balances, December 31, 2024	125	\$ 125	10,000	\$ 25,000	57,974,535	\$ 7,247	\$ 1,188,768	\$ 1,272,528	\$ ( 188,685 )	\$ 2,304,983

See notes to consolidated financial statements.

## PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### CONSOLIDATED FINANCIAL STATEMENTS

#### CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)	December 31, 2024	December 31, 2023	December 31, 2022
Cash Flow From Operating Activities:			
Net income	\$ 201,402	\$ 223,786	\$ 222,089
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	35,700	3,500	16,755
Depreciation and amortization	26,849	11,711	11,815
Change in deferred taxes	1,624	6,599	9,065
Share-based compensation	5,818	5,158	4,652
Loans originated for sale	( 1,171,131 )	( 793,125 )	( 251,306 )
Proceeds from sales of loans held for sale	1,183,481	791,764	265,723
Gains on sales of loans held for sale	( 12,079 )	( 8,479 )	( 4,373 )
Gain on branch sale	( 19,983 )	—	—
Net (gains) losses on sales of securities available for sale	20,757	6,930	( 1,194 )
Increase in cash surrender of life insurance	( 5,655 )	( 5,320 )	( 5,210 )
Gains on life insurance benefits	( 2,809 )	( 3,027 )	( 5,964 )
Change in interest receivable	5,835	( 12,594 )	( 20,695 )
Change in interest payable	( 2,810 )	11,382	3,703
Operating lease right-of-use abandonment	—	2,083	—
Other adjustments	( 789 )	18,465	39,229
Net cash provided by operating activities	266,210	258,833	284,289
Cash Flows from Investing Activities:			
Net change in interest-bearing deposits	137,189	( 310,019 )	348,093
Purchases of:			
Securities available for sale	( 94,713 )	( 32,852 )	( 451,203 )
Securities held to maturity	—	( 5,653 )	( 292,493 )
Proceeds from sales of securities available for sale	247,747	388,254	606,873
Proceeds from maturities and redemptions of:			
Securities available for sale	51,424	56,182	201,846
Securities held to maturity	96,485	104,865	154,689
Change in Federal Home Loan Bank stock	79	( 3,244 )	1,899
Payment of capital calls to qualified affordable housing investments	( 29,682 )	( 11,685 )	( 11,589 )
Net change in loans	( 419,410 )	( 621,786 )	( 1,165,548 )
Net cash and cash equivalents received in acquisition	—	—	137,780
Net cash and cash equivalents paid in divestiture of branches	( 243,504 )	—	—
Proceeds from the sale of other real estate owned	781	1,748	496
Proceeds from life insurance benefits	9,859	10,357	24,047
Proceeds from mortgage portfolio loan sale	1,716	—	—
Proceeds from commercial portfolio loan sale	3,273	113,313	—
Other adjustments	( 13,668 )	( 33,905 )	( 17,575 )
Net cash used in investing activities	( 252,424 )	( 344,425 )	( 462,685 )
Cash Flows from Financing Activities:			
Net change in :			
Demand and savings deposits	203,261	( 623,642 )	( 513,496 )
Certificates of deposit and other time deposits	( 235,640 )	1,062,350	232,874
Borrowings	639,117	834,031	1,818,389
Repayment of borrowings	( 509,708 )	( 1,119,200 )	( 1,332,889 )
Cash dividends on preferred stock	( 1,875 )	( 1,875 )	( 1,406 )
Cash dividends on common stock	( 81,623 )	( 80,061 )	( 72,748 )
Stock issued under employee benefit plans	656	754	706
Stock issued under dividend reinvestment and stock purchase plans	2,261	2,180	2,056

Stock options exercised	900	1,110	358
Repurchase of common stock	( 56,168 )	—	—
Net cash provided (used) by financing activities	( 38,819 )	75,647	133,844
Net Change in Cash and Cash Equivalents	( 25,033 )	( 9,945 )	( 44,552 )
Cash and Cash Equivalents, January 1	112,649	122,594	167,146
Cash and Cash Equivalents, December 31	\$ 87,616	\$ 112,649	\$ 122,594
Additional cash flow information:			
Interest paid	\$ 429,702	\$ 337,104	\$ 80,035
Income tax paid	7,627	34,838	13,819
Loans transferred to other real estate owned	820	1,224	6,469
Premises and equipment transferred to other real estate owned	69	5,020	1,490
Non-cash investing activities using trade date accounting	10,018	3,273	46,106
ROU assets obtained in exchange for new operating lease liabilities	7,102	2,253	10,516
Qualified affordable housing investments obtained in exchange for funding commitments	65,500	44,200	36,500

## CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

In conjunction with the acquisition, liabilities were assumed as follows:

	December 31, 2024	December 31, 2023	December 31, 2022
Fair value of assets acquired	\$ —	\$ —	\$ 2,510,576
Cash paid in acquisition	—	—	( 79,324 )
Less: Common stock issued	—	—	237,389
Less: Preferred stock issued	—	—	25,000
Liabilities assumed	\$ —	\$ —	\$ 2,168,863

In conjunction with the divestiture, liabilities were divested as follows:

	December 31, 2024	December 31, 2023	December 31, 2022
Non-cash assets divested	\$ 10,664	\$ —	\$ —
Cash paid in divestiture	243,504	—	—
Less: Final settlement receivable	6,011	—	—
Net gain on divestiture	19,983	—	—
Liabilities divested	\$ 268,140	\$ —	\$ —

See notes to consolidated financial statements.

## **PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(table dollar amounts in thousands, except share data)*

#### **NOTE 1**

##### **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

###### **FINANCIAL STATEMENT PREPARATION**

The accounting and reporting policies of the Corporation and the Bank, conform to accounting principles generally accepted in the United States of America and reporting practices followed by the banking industry. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses.

The Corporation is a financial holding company whose principal activity is the ownership and management of the Bank and operates in a single significant business segment. The Bank provides full banking services under an Indiana state-charter. Additionally, the Bank operates as First Merchants Private Wealth Advisors (a division of First Merchants Bank). The Bank generates commercial, mortgage, and consumer loans and receives deposits from customers located primarily in central and northern Indiana, northeast Illinois, central Ohio and southeast Michigan counties. The Bank's loans are generally secured by specific items of collateral, including real property, consumer assets and business assets.

A brief description of current accounting practices and current valuation methodologies are presented below.

###### **CONSOLIDATION**

The consolidation of the Corporation's financial statements include the accounts of the Corporation and all its subsidiaries, after elimination of all material intercompany transactions.

###### **BUSINESS COMBINATIONS**

Business combinations are accounted for under the acquisition method of accounting. Under the acquisition method, assets and liabilities of the business acquired are recorded at their estimated fair values as of the date of acquisition with any excess of the cost of the acquisition over the fair value of the net tangible and intangible assets acquired recorded as goodwill. Results of operations of the acquired business are included in the income statement from the date of acquisition. Details of the Corporation's acquisitions are included in NOTE 2. ACQUISITIONS AND DIVESTITURES of these Notes to Consolidated Financial Statements.

###### **CASH AND CASH EQUIVALENTS**

Cash on hand, cash items in process of collection and noninterest bearing cash held at various banks are included in cash and cash equivalents and have a maturity of less than three months. The Corporation maintains deposits with other financial institutions in amounts that exceed federal deposit insurance coverage. Management regularly evaluates the credit risk associated with the counterparties to these transactions and believes there is not significant credit risk on cash and cash equivalents.

###### **INTEREST-BEARING DEPOSITS**

Interest-bearing cash held at other banks, the Federal Reserve Bank and federal funds sold are included in interest-bearing deposits and have a maturity of less than three months. The Corporation maintains deposits with other financial institutions in amounts that exceed federal deposit insurance coverage. Management regularly evaluates the credit risk associated with the counterparties to these transactions and believes there is not significant credit risk on interest-bearing deposits.

###### **INVESTMENT SECURITIES**

Held to maturity securities are carried at amortized cost when the Corporation has the positive intent and ability to hold them until maturity. Available for sale securities are recorded at fair value on a recurring basis with the unrealized gains and losses, net of applicable income taxes, recorded in other comprehensive income (loss). Realized gains and losses are recorded in earnings and the prior fair value adjustments are reclassified within stockholders' equity. Gains and losses on sales of securities are determined on the specific-identification method. Amortization of premiums are amortized to their earliest call date and accretion of discounts are amortized to the maturity date. The amortization is recorded as interest income from securities. Details of the Corporation's investment securities portfolio are included in NOTE 4. INVESTMENT SECURITIES of these Notes to Consolidated Financial Statements.

## **PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(table dollar amounts in thousands, except share data)*

#### **ALLOWANCE FOR CREDIT LOSSES ON INVESTMENT SECURITIES AVAILABLE FOR SALE**

For investment securities available for sale in an unrealized loss position, the Corporation first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For investment securities available for sale that do not meet the aforementioned criteria, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Corporation considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded, limited by the amount that the fair value is less than the amortized cost basis. Unrealized losses that have not been recorded through an allowance for credit losses are recognized in other comprehensive income (loss). Adjustments to the allowance for credit losses are reported in the income statement as a component of the provision for credit loss. The Corporation has made the accounting policy election to exclude accrued interest receivable on investment securities available for sale from the estimate of credit losses. Investment securities available for sale are charged off against the allowance or, in the absence of any allowance, written down through the income statement when deemed uncollectible or when either of the aforementioned criteria regarding intent or requirement to sell is met. The Corporation did not record an allowance for credit losses on its investment securities available for sale as the unrealized losses were attributable to changes in interest rates, not credit quality. Details of the Corporation's allowance for credit losses on investment securities available for sale are included in NOTE 4. INVESTMENT SECURITIES of these Notes to Consolidated Financial Statements.

#### **ALLOWANCE FOR CREDIT LOSSES ON INVESTMENT SECURITIES HELD TO MATURITY ("ACL - INVESTMENTS")**

The ACL - Investments is a contra asset-valuation account that is deducted from the amortized cost basis of investment securities held to maturity to present the net amount expected to be collected. Investment securities held to maturity are charged off against the ACL - Investments when deemed uncollectible. Adjustments to the ACL - Investments are reported in the income statement as a component of the provision for credit loss. The Corporation measures expected credit losses on held to maturity debt securities on a collective basis by major security type with each type sharing similar risk characteristics, and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The Corporation has made the accounting policy election to exclude accrued interest receivable on investment securities held to maturity from the estimate of credit losses. With regard to U.S. Government-sponsored agency and mortgage-backed securities, all these securities are issued by a U.S. government-sponsored entity and have an implicit or explicit government guarantee. With regard to securities issued by states and municipalities and other investment securities held to maturity, management considers (1) issuer bond ratings, (2) the financial condition of the issuer, (3) historical loss rates for given bond ratings, and (4) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities. Historical loss rates associated with securities having similar grades as those in the Corporation's portfolio have generally not been significant. An allowance for credit losses of \$ 245,000 was recorded on state and municipal securities classified as held to maturity based on applying the long-term historical credit loss rate, as published by Moody's, for similarly rated securities. Details of the Corporation's ACL - Investments are included in NOTE 4. INVESTMENT SECURITIES of these Notes to Consolidated Financial Statements.

#### **LOANS HELD FOR SALE**

Loans held for sale are carried at the lower of aggregate cost or market value. Loan fees (net of certain direct loan origination costs) on loans held for sale are deferred until the related loans are sold or repaid. Gains or losses on loan sales are recognized at the time of sale and determined using the specific identification method.

#### **LOANS**

The Corporation's loan portfolio is carried at the principal amount outstanding, net of unearned income and principal charge-offs. Loan origination fees, net of direct loan origination costs, and commitment fees are deferred and amortized as an adjustment to yield over the life of the loan, or over the commitment period, as applicable. Interest income is accrued on the principal balances of loans. The accrual of interest is discontinued on a loan when, in management's opinion, the borrower may be unable to meet payments as they become due. When the interest accrual is discontinued, all unpaid accrued interest is reversed against earnings when considered uncollectible. Interest income accrued in the prior year, if any, is charged to the allowance for credit losses. Interest income is subsequently recognized only to the extent cash payments are received and the loan is returned to accruing status. Details of the Corporation's loan portfolio are included in NOTE 5. LOANS AND ALLOWANCE FOR CREDIT LOSSES of these Notes to Consolidated Financial Statements.

#### **PURCHASED CREDIT DETERIORATED ("PCD") LOANS**

The Corporation accounts for its acquisitions under ASC Topic 805, *Business Combinations*, which requires the use of the acquisition method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. The fair value of acquired loans at the time of acquisition is based on a variety of factors including discounted expected cash flows, adjusted for estimated prepayments and credit losses. In accordance with ASC 326, Financial Instruments – Credit Losses, the fair value adjustment is recorded as a premium or discount to the unpaid principal balance of each acquired loan. Acquired loans are classified into two categories: loans with more than insignificant credit deterioration ("PCD") since origination, and loans with insignificant credit deterioration ("non-PCD") since origination. Factors considered when determining whether a loan has a more-than-insignificant deterioration since origination include, but are not limited to, the materiality of the credit, risk grade, delinquency, nonperforming status, bankruptcies, and other qualitative factors. The net premium or discount on PCD loans is recorded in the Corporation's allowance for credit losses on loans at the time of acquisition. The remaining net premium or discount is accreted or amortized into interest income over the remaining life of the loan using an effective yield method. The net premium or discount on non-PCD loans, that includes credit and non-credit components, is accreted or amortized into interest income over the remaining life of the loan using an effective yield method. Additionally, non-PCD loans have an allowance for credit loss established on acquisition date, which is recognized in the current period provision for credit loss expense. In the event of prepayment, unamortized discounts or premiums on PCD and non-PCD loans are recognized in interest income.

## **PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(table dollar amounts in thousands, except share data)*

#### **ALLOWANCE FOR CREDIT LOSSES - LOANS ("ACL - LOANS")**

The ACL - Loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on loans over the contractual term. Loans are charged off against the allowance when the collectibility of the loan is unlikely. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off. Adjustments to the ACL - Loans are reported in the income statement as a component of provision for credit loss. The Corporation has made the accounting policy election to exclude accrued interest receivable on loans from the estimate of credit losses. Further information regarding the policies and methodology used to estimate the ACL - Loans is detailed in NOTE 5. LOANS AND ALLOWANCE FOR CREDIT LOSSES of these Notes to Consolidated Financial Statements.

#### **PENSION**

The Corporation has defined-benefit pension plans, including non-qualified plans for certain employees, former employees and former non-employee directors. In 2005, the Board of Directors of the Corporation approved the curtailment of the accumulation of defined benefits for future services provided by certain participants in the First Merchants Corporation Retirement Plan. No additional pension benefits have been earned by any employees who had not met certain requirements as of March 1, 2005. The benefits are based primarily on years of service and employees' pay near retirement. The Corporation's accounting policies related to pensions and other post retirement benefits reflect the guidance in ASC 715, *Compensation – Retirement Benefits*. The Corporation does not consolidate the assets and liabilities associated with the pension plan. Instead, the Corporation recognizes the funded status of the plan in the Consolidated Balance Sheets. The measurement of the funded status and the annual pension expense involves actuarial and economic assumptions. Various statistical and other factors, which attempt to anticipate future events, are used in calculating the expense and liabilities related to the plans. Key factors include assumptions on the expected rates of return on plan assets, discount rates and health care costs and trends. The Corporation considers market conditions, including changes in investment returns and interest rates in making these assumptions. The primary assumptions used in determining the Corporation's pension and post retirement benefit obligations and related expenses are presented in NOTE 18. PENSION AND OTHER POST RETIREMENT BENEFIT PLANS of these Notes to Consolidated Financial Statements.

#### **PREMISES AND EQUIPMENT**

Premises and equipment is carried at cost net of accumulated depreciation. Depreciation is computed using the straight-line and declining balance methods based on the estimated useful lives of the assets ranging from three to forty years. Maintenance and repairs are expensed as incurred, while major additions and improvements, which extend the useful life, are capitalized. Gains and losses on dispositions are included in current operations. Details of the Corporation's premises and equipment are included in NOTE 6. PREMISES AND EQUIPMENT of these Notes to Consolidated Financial Statements.

#### **LEASES**

The Corporation leases certain land and premises from third parties and all are classified as operating leases. Operating leases are included in Other Assets and Other Liabilities on the Corporation's Consolidated Balance Sheets and lease expense for lease payments is recognized on a straight-line basis over the lease term. Right of Use ("ROU") assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the term. An ROU asset represents the right to use the underlying asset for the lease term and also includes any direct costs and payments made prior to lease commencement and excludes lease incentives. When an implicit rate is not available, an incremental borrowing rate based on the information available at commencement date is used in determining the present value of the lease payments. A lease term may include an option to extend or terminate the lease when it is reasonably certain the option will be exercised. Short-term leases of twelve months or less are excluded from accounting guidance; as a result, the lease payments are recognized on a straight-line basis over the lease term and the leases are not reflected on the Corporation's Consolidated Balance Sheets. Renewal and termination options are considered when determining short-term leases. Leases are accounted for at the individual level. Details of the Corporation's leases are included in NOTE 8. LEASES of these Notes to Consolidated Financial Statements.

#### **QUALIFIED AFFORDABLE HOUSING INVESTMENTS**

Qualified affordable housing investments are investments related to low income housing tax credits ("LIHTC"). The purpose of the Corporation's investment in LIHTC partnerships is to assist in achieving the goals of the Community Reinvestment Act and to earn an adequate return on capital via the federal income tax credit. LIHTC partnerships are managed by unrelated general partners that have the power to direct the activities which most significantly affect the performance of the partnerships and, therefore, the Corporation is not the primary beneficiary of these partnerships. Accordingly, the Corporation does not consolidate these variable interest entities into its consolidated financial statements. Investments in LIHTCs are included in other assets on the Consolidated Balance Sheets and the unfunded commitments to provide additional capital for LIHTC investments are included in other liabilities on the Consolidated Balance Sheets. Additionally, the Corporation amortizes the cost of the qualifying investments in proportion to the tax credit and other tax benefits received over the life of the investment. The amortization and income tax credits are included as a component of income tax expense in the Consolidated Statements of Income. Details of the Corporation's LIHTC investments are included in NOTE 9. QUALIFIED AFFORDABLE HOUSING INVESTMENTS of these Notes to Consolidated Financial Statements.

#### **FEDERAL HOME LOAN BANK STOCK ("FHLB")**

FHLB stock is a required investment for institutions that are members of the FHLB. The Bank is a member of the FHLB of Indianapolis. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost and is classified as a restricted security. Both cash and stock dividends are reported as income.

#### **INTANGIBLE ASSETS**

Intangible assets are acquired assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. Intangible assets with definite useful lives are subject to amortization and relate to core deposits, customer relationships and non-compete agreements. These intangible assets are being amortized on both the straight-line and accelerated basis over two to ten years. Intangible assets are periodically evaluated as to the recoverability of their carrying value. Details of the Corporation's other intangible assets are included in NOTE 7. GOODWILL AND OTHER INTANGIBLES of these Notes to Consolidated Financial Statements.

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**GOODWILL**

Goodwill is maintained by applying the provisions of ASC 350, *Intangibles – Goodwill and Other*. For acquisitions, assets acquired, including identified intangible assets, and the liabilities assumed are required to be recorded at their fair value. These often involve estimates based on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analysis or other valuation techniques that may include estimates of attrition, inflation, asset growth rates, or other relevant factors. In addition, the determination of the useful lives over which the intangible asset will be amortized is subjective.

Under ASC 350, the Corporation is required to evaluate goodwill for impairment on an annual basis, as well as on an interim basis, if events or changes indicate that the asset may be impaired, indicating that the carrying value may not be recoverable. The Corporation completed its most recent annual goodwill impairment test during the fourth quarter of 2024 and concluded, based on current events and circumstances goodwill is not impaired. Details of the Corporation's goodwill are included in NOTE 7. GOODWILL AND OTHER INTANGIBLES of these Notes to Consolidated Financial Statements.

**BANK OWNED LIFE INSURANCE (“BOLI”)**

BOLI policies have been purchased, as well as obtained through acquisitions, on certain current and former employees and directors of the Corporation to offset a portion of the employee benefit costs. The Corporation records the life insurance at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or amounts due that are probable at settlement. Changes in cash surrender values and death benefits received in excess of cash surrender values are reported in noninterest income. A corporate policy is in place with defined thresholds that limit the amount of credit, interest rate and liquidity risk inherent in a BOLI portfolio. The Corporation actively monitors the overall portfolio performance along with the credit quality of the insurance carriers and the credit quality and yield of the underlying investments.

**OTHER REAL ESTATE OWNED (“OREO”)**

OREO consists of assets acquired through, or in lieu of, loan foreclosure and are held for sale. They are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation are included in other real estate owned and foreclosure expenses.

**DERIVATIVE INSTRUMENTS**

Derivative instruments, which are recorded as assets or liabilities in the Consolidated Balance Sheets, are carried at fair value and reflects the estimated amounts that would have been received or paid to terminate these contracts at the reporting date based upon pricing or valuation models applied to current market information. As part of the asset/liability management program, the Corporation will utilize, from time to time, interest rate floors, caps or swaps to reduce its sensitivity to interest rate fluctuations. Changes in the fair values of derivatives are reported in the consolidated statements of operations or AOCI depending on the use of the derivative and whether the instrument qualifies for hedge accounting. The key criterion for hedge accounting is that the hedged relationship must be highly effective in achieving offsetting changes in those cash flows that are attributable to the hedged risk, both at inception of the hedge and on an ongoing basis.

Derivatives that qualify for hedge accounting treatment are designated as either: (1) a hedge of the fair value of the recognized asset or liability, or of an unrecognized firm commitment (a fair value hedge); or (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (a cash flow hedge). For cash flow hedges, changes in the fair values of the derivative instruments are reported in AOCI to the extent the hedge is effective. The gains and losses on derivative instruments that are reported in AOCI are reflected in the Consolidated Statements of Income in the periods in which the results of operations are impacted by the variability of the cash flows of the hedged item. Generally, net interest income is increased or decreased by amounts receivable or payable with respect to the derivatives, which qualify for hedge accounting. At inception of the hedge, the Corporation establishes the method it uses for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. The ineffective portion of the hedge, if any, is recognized in the Consolidated Statements of Income. The Corporation excludes the time value expiration of the hedge when measuring ineffectiveness.

The Corporation offers interest rate derivative products (e.g. interest rate swaps) to certain of its high-quality commercial borrowers. This product allows customers to enter into an agreement with the Corporation to swap their variable rate loan to a fixed rate. These derivative products are designed to reduce, eliminate or modify the risk of changes in the borrower's interest rate or market price risk. The extension of credit incurred through the execution of these derivative products is subject to the same approvals and rigorous underwriting standards as the related traditional credit product. The Corporation limits its risk exposure to these products by entering into a mirror-image, offsetting swap agreement with a separate, well-capitalized and rated counterparty previously approved by the Credit and Asset Liability Committee. By using these interest rate swap arrangements, the Corporation is also better insulated from the interest rate risk associated with underwriting fixed-rate loans. These derivative contracts are not designated against specific assets or liabilities under ASC 815, *Derivatives and Hedging*, and, therefore, do not qualify for hedge accounting. The derivatives are recorded on the balance sheet at fair value and changes in fair value of both the customer and the offsetting swap agreements are recorded (and essentially offset) in noninterest income. The fair value of the derivative instruments incorporates a consideration of credit risk (in accordance with ASC 820, *Fair Value Measurements and Disclosures*), resulting in some volatility in earnings each period.

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Commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third party investors are considered derivatives. It is the Corporation's practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from its commitments to fund the loans. These mortgage banking derivatives are not designated in hedge relationships. Fair values were estimated based on changes in mortgage interest rates from the date of the commitments. Changes in the fair value of these mortgage banking derivatives are included in net gains and fees on sales of loans. In the normal course of business, the Corporation may decide to settle a forward contract rather than fulfill the contract. Cash received or paid in this settlement manner is included in "Net gains and fees on sales of loans" in the Consolidated Statements of Income and is considered a cost of executing a forward contract.

Details of the Corporation's derivative instruments are included in NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS of these Notes to Consolidated Financial Statements.

#### **SECURITIES SOLD UNDER REPURCHASE AGREEMENTS**

Securities sold under repurchase agreements represent securities the Corporation routinely sells to certain treasury management customers and then repurchases these securities the next day. Securities sold under repurchase agreements are reflected as secured borrowings in the Corporation's Consolidated Balance Sheets at the amount of cash received in connection with each transaction. Details of the Corporation's repurchase agreements are included in NOTE 11. BORROWINGS of these Notes to Consolidated Financial Statements.

#### **ALLOWANCE FOR CREDIT LOSSES - OFF-BALANCE SHEET CREDIT EXPOSURES**

The allowance for credit losses on off-balance sheet credit exposures is a liability account representing expected credit losses over the contractual period for which the Corporation is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Corporation has the unconditional right to cancel the obligation. Off-balance sheet credit exposures primarily consist of amounts available under outstanding lines of credit and letters of credit. For the period of exposure, the estimate of expected credit losses considers both the likelihood that funding will occur and the amount expected to be funded over the estimated remaining life of the commitment or other off-balance sheet exposure. The likelihood and expected amount of funding are based on historical utilization rates. The amount of the allowance represents management's best estimate of expected credit losses on commitments expected to be funded over the contractual life of the commitment. The allowance for off-balance sheet credit exposures is adjusted through the income statement as a component of provision for credit loss. Further information regarding the policies and methodology used to estimate the allowance for credit losses on off-balance sheet credit exposures is detailed in NOTE 5. LOANS AND ALLOWANCE FOR CREDIT LOSSES of these Notes to Consolidated Financial Statements.

#### **REVENUE RECOGNITION**

Revenue recognition guidance establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of the Corporation's revenue-generating transactions are not subject to ASU 2014-09, including revenue generated from financial instruments, such as loans, letters of credit, derivatives and investment securities, as well as revenue related to mortgage servicing activities, as these activities are subject to other GAAP discussed elsewhere within the disclosures. The Corporation has evaluated the nature of its contracts

with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the Consolidated Statements of Income was not necessary. Descriptions of revenue-generating activities that are within the scope of ASU 2014-09, which are presented in our income statements are as follows:

Service charges on deposit accounts: The Corporation earns fees from its deposit customers for transaction-based, account maintenance and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering and ACH fees, are recognized at the time the transaction is executed, which is the point in time the Corporation fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned monthly, representing the period which the Corporation satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Fiduciary activities: This represents monthly fees due from wealth management customers as consideration for managing the customers' assets. Wealth management and trust services include custody of assets, investment management, fees for trust services and similar fiduciary activities. These fees are primarily earned over time as the Corporation provides the contracted monthly or quarterly services and are generally assessed based on the market value of assets under management at month-end. Fees that are transaction-based are recognized at the point in time that the transaction is executed.

Investment Brokerage Fees: The Corporation earns fees from investment brokerage services provided to its customers by a third-party service provider. The Corporation receives commissions from the third-party provider on a monthly basis based upon customer activity for the month. The fees are paid to us by the third party on a monthly basis and are recognized when received.

Interchange income: The Corporation earns interchange fees from debit and credit cardholder transactions conducted through the Visa and MasterCard payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized concurrent with the transaction processing services provided to the cardholder.



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**Gains (Losses) on Sales of OREO:** The Corporation records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Corporation finances the sale of OREO to the buyer, the Corporation assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Corporation adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

#### **TRANSFERS OF FINANCIAL ASSETS**

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered, or in the case of a loan participation, a portion of the asset has been surrendered and meets the definition of a "participating interest." Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation and put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

#### **SHARE-BASED COMPENSATION**

Stock option and restricted stock award plans are maintained by the Corporation. The compensation costs are recognized for stock options and restricted stock awards issued to employees and directors based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options. The market price of the Corporation's common stock at the date of grant is used for restricted stock awards. Compensation expense is recognized over the appropriate service period, which is generally three years. Details of the Corporation's share-based compensation are included in NOTE 17. SHARE-BASED COMPENSATION of these Notes to Consolidated Financial Statements.

#### **INCOME TAX**

Income tax expense in the Consolidated Statements of Income is the total of the current year income tax due or refundable and changes in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts from the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. The Corporation files consolidated income tax returns with its subsidiaries. The Corporation is generally no longer subject to U.S. federal, state and local income tax examinations by tax authorities for tax years before 2021.

The Corporation accounts for income taxes under the provisions of ASC 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Per the guidance in ASC 740, the Corporation has not identified any uncertain tax positions that it believes should be recognized in the financial statements. The Corporation reviews income tax expense and the carrying value of deferred tax assets and liabilities quarterly; as new information becomes available, the balances are adjusted, if applicable. The Corporation's policy is to recognize interest and penalties related to unrecognized tax benefits, if any, as a component of income tax expense. Details of the Corporation's income taxes are included in NOTE 19. INCOME TAX of these Notes to Consolidated Financial Statements.

#### **NET INCOME PER COMMON SHARE**

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding. Diluted net income per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding, plus the dilutive effect of outstanding stock options and non-vested restricted stock awards. Potentially dilutive common shares are excluded from the computation of diluted earnings per share in the periods where the effect would be antidilutive. Details of the Corporation's net income per share are included in NOTE 20. NET INCOME PER COMMON SHARE of these Notes to Consolidated Financial Statements.

#### **RECENT ACCOUNTING CHANGES ADOPTED IN 2024**

##### **FASB Accounting Standards Updates - No. 2023-02 - Investments - Equity Method and Joint Ventures (Topic 323) - Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method**

**Summary** - The FASB issued ASU No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, which is intended to improve the accounting and disclosures for investments in tax credit structures. The ASU is a consensus of the FASB's Emerging Issues Task Force ("EITF").

The ASU allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. The ASU responds to stakeholder feedback that the proportional amortization method provides investors and other allocators of capital with a better understanding of the returns from investments that are made primarily for the purpose of receiving income tax credits and other income tax benefits.

Reporting entities were previously permitted to apply the proportional amortization method only to qualifying tax equity investments in low-income housing tax credit (LIHTC) structures. In recent years, stakeholders asked the FASB to extend the application of the proportional amortization method to qualifying tax equity investments that generate tax credits through other programs, which resulted in the EITF addressing this issue.

For public business entities, the amendments became effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments will become effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period. The Corporation adopted this guidance in the first quarter of 2024 and adoption did not have a significant impact on the Corporation's financial statements or disclosures.



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#### **FASB Accounting Standards Updates - No. 2023-07 - Segment Reporting (Topic 280) — Improvements to Reportable Segment Disclosure**

Summary - The FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosure*, which is intended to improve disclosures about a public entity's reportable segments and addresses requests from investors and other allocators of capital for additional, more detailed information about a reportable segment's expenses.

The key amendments:

- Require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss.
- Require that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment revenue less the significant expenses disclosed and each reported measure of segment profit or loss.
- Require that a public entity provide all annual disclosures about a reportable segment's profit or loss and assets currently required by FASB ASC Topic 280, *Segment Reporting*, in interim periods.
- Clarify that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit or loss. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity's consolidated financial statements.
- Require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources.
- Require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in the ASU and all existing segment disclosures in Topic 280.

ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, applies to all public entities that are required to report segment information in accordance with Topic 280. All public entities will be required to report segment information in accordance with the new guidance starting in annual periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The Corporation adopted this guidance in 2024 and adoption did not have a significant impact on the Corporation's financial statements or disclosures, as the Corporation has one operating segment. See NOTE 22. SEGMENT INFORMATION of these Notes to Consolidated Financial Statements for disclosure.

#### **New Accounting Pronouncements Not Yet Adopted**

The Corporation continually monitors potential accounting pronouncements and the following pronouncements have been deemed to have the most applicability to the Corporation's financial statements:

#### **FASB Accounting Standards Update - No. 2023-09 - Income Taxes (Topic 740): Improvements to Income Tax Disclosures**

Summary - The FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* in the fourth quarter of 2023. This ASU is intended to enhance income tax disclosures to address investor requests for more information about the tax risks and opportunities present in an entity's worldwide operations.

The two primary enhancements disaggregate existing income tax disclosures related to the effective tax rate reconciliation and income taxes paid. These amendments require that public business entities on an annual basis disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. The amendments also require that all entities disclose on an annual basis the amount of income taxes paid (net of refunds received) disaggregated by federal, state and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than five percent of total income taxes paid (net of refunds received).

For public business entities, the amendments are effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issue. The amendments should be applied on a prospective basis. The Corporation is assessing the terms of this guidance, but adoption of the standard is not expected to have a significant impact on the Corporation's financial statements or disclosures.

#### **FASB Accounting Standards Update - No. 2024-03 - Income Statement - Reporting Comprehensive Income-Expense Disaggregation Disclosures**

Summary - The FASB issued ASU No. 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures* in the fourth quarter of 2024. This ASU requires public business entities to disclose specific information about certain costs and expenses in the notes to its financial statements for interim and annual reporting periods.

The objective of the disclosure requirements is to provide disaggregated information about a public business entity's expenses to help investors (a) better understand the entity's performance, (b) better assess the entity's prospects for future cash flows, and (c) compare an entity's performance over time and with that of other entities.

The amendments in this Update are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Corporation is assessing the terms of this guidance, but adoption of the standard is not expected to have a significant impact on the Corporation's financial statements or disclosures.

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**NOTE 2**

**ACQUISITIONS AND DIVESTITURES**

*Old Second National Bank Branch Sale*

On December 6, 2024, the Bank completed its sale of five branches in the suburban Chicago market to Old Second National Bank ("Old Second"). Pursuant to the terms of the branch sale agreement, Old Second assumed certain deposit liabilities and acquired certain loans, as well as cash and premises and equipment. The Bank recognized a gain on sale of \$ 20.0 million related to the branch sale for the year ended December 31, 2024.

The following table summarizes the assets and liabilities related to the branch sale:

	December 6, 2024
<b>Assets</b>	
Cash and due from banks	\$ 419
Loans	7,410
Premises and equipment	3,233
Interest receivable and other assets	21
Total Assets	\$ 11,083
<b>Liabilities</b>	
Deposits	\$ 267,448
Interest payable and other liabilities	692
Total Liabilities	268,140

*Level One Bancorp, Inc.*

On April 1, 2022, the Corporation acquired 100 percent of Level One Bancorp, Inc. ("Level One"). Level One, a Michigan corporation, merged with and into the Corporation (the "Merger"), whereupon the separate corporate existence of Level One ceased and the Corporation survived. Immediately following the Merger, Level One's wholly owned subsidiary, Level One Bank, merged with and into the Bank, with the Bank as the surviving bank.

Level One was headquartered in Farmington Hills, Michigan and had 17 banking centers serving the Michigan market. Pursuant to the merger agreement, each common shareholder of Level One received, for each outstanding share of Level One common stock held, (a) a 0.7167 share of the Corporation's common stock, and (b) a cash payment of \$ 10.17 . The Corporation issued 5.6 million shares of the Corporation's common stock and paid \$ 79.3 million in cash, in exchange for all outstanding shares of Level One common stock.

Additionally, the Corporation issued 10,000 shares of newly created 7.5 percent non-cumulative perpetual preferred stock, with a liquidation preference of \$ 2,500 per share, in exchange for the outstanding Level One Series B preferred stock. Likewise, each outstanding Level One depositary share representing a 1/100th interest in a share of the Level One Series B preferred stock was converted into a depositary share of the Corporation representing a 1/100th interest in a share of its newly issued preferred stock (Nasdaq: FRMEP).

The Corporation engaged in this transaction with the expectation that it would be accretive to income and add to the existing market area in Michigan that has a demographic profile consistent with many of the current Midwest markets served by the Bank. Goodwill resulted from this transaction due to the expected synergies and economies of scale.

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Under the acquisition method of accounting, the total purchase price is allocated to net tangible and intangible assets based on their current estimated fair values on the date of the acquisition. Based on valuations of the fair value of tangible and intangible assets acquired and liabilities assumed, which are based on assumptions that are subject to change based on the timing of the transaction, the purchase price for the Level One acquisition is detailed in the following table.

	Fair Value
Cash and due from banks	\$ 217,104
Investment securities available for sale	370,071
Investment securities held to maturity	587
Loans held for sale	7,951
Loans	1,627,423
Allowance for credit losses - loans	( 16,599 )
Premises and equipment	11,848
Federal Home Loan Bank stock	11,688
Interest receivable	7,188
Cash surrender value of life insurance	30,143
Tax asset, deferred and receivable	16,223
Other assets	41,690
Deposits	( 1,930,790 )
Securities sold under repurchase agreements	( 1,521 )
Federal Home Loan Bank advances	( 160,043 )
Subordinated debentures	( 32,631 )
Interest payable	( 1,065 )
Other liabilities	( 42,813 )
Net tangible assets acquired	156,454
Other intangibles	18,642
Goodwill	166,617
Purchase price	\$ 341,713

The Corporation performed an evaluation of the loan portfolio in which there were loans that, at acquisition, had more than an insignificant amount of credit quality deterioration and were classified as purchased credit deteriorated ("PCD"). Details of the PCD loans are included in NOTE 5. LOANS AND ALLOWANCE FOR CREDIT LOSSES of these Notes to Consolidated Financial Statements.

Of the total purchase price, \$ 18.6 million has been allocated to other intangible assets. Approximately \$ 17.2 million was allocated to a core deposit intangible, which will be amortized over its estimated life of 10 years. Approximately \$ 1.4 million was allocated to a non-compete intangible, which was amortized over its estimated life of 2 years. The remaining purchase price has been allocated to goodwill, which is not deductible for tax purposes.

**Pro Forma Financial Information**

The results of operations of Level One have been included in the Corporation's consolidated financial statements since the acquisition date. The following schedule includes pro forma results for the year ended December 31, 2022 as if the Level One acquisition occurred as of the beginning of the periods presented.

	Year Ended December 31, 2022
Total revenue (net interest income plus other income)	\$ 654,313
Net Income	\$ 221,631
Net income available to common shareholders	\$ 219,756
Earnings per share:	
Basic	\$ 3.72
Diluted	\$ 3.70

The pro forma information includes adjustments for interest income on loans and investment securities, interest expense on deposits and borrowings, premises expense for the banking centers acquired and amortization of intangibles arising from the transaction and the related income tax effects. The pro forma information includes operating revenue of \$ 56.9 million from Level One since the date of acquisition, \$ 16.8 million of provision expense related to CECL Day 1 adjustments for PCD loans, and \$ 16.5 million, net of tax, of acquisition-related expenses. The pro forma information is presented for information purposes only and is not indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of January 1, 2022, nor is it intended to be a projection of future results.



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**NOTE 3**

**CASH AND CASH EQUIVALENTS AND INTEREST-BEARING DEPOSITS**

At December 31, 2024, the Corporation's noninterest bearing deposits, included in cash and cash equivalents, and interest-bearing deposits held at other institutions exceeded the \$250,000 federally insured limits by approximately \$ 35.8 million. Each correspondent bank's financial performance and market rating are reviewed on a quarterly basis to ensure the Corporation has deposits only at institutions providing minimal risk for those exceeding the federally insured limits.

Additionally, the Corporation had approximately \$ 283.4 million at the Federal Home Loan Bank and Federal Reserve Bank, which are government-sponsored entities not insured by the FDIC.

The Corporation has historically been required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. However, the Federal Reserve announced on March 15, 2020 that in order to support the flow of credit to households and businesses during the COVID-19 pandemic, reserve requirement ratios would move to zero effective March 26, 2020. The reserve requirement ratios remained at zero as of December 31, 2024.

**NOTE 4**

**INVESTMENT SECURITIES**

The following table summarizes the amortized cost, gross unrealized gains and losses and approximate fair value of investment securities available for sale as of December 31, 2024 and December 31, 2023.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Available for sale at December 31, 2024</b>				
U.S. Government-sponsored agency securities	\$ 95,462	\$ —	\$ 16,081	\$ 79,381
State and municipal	996,541	19	133,386	863,174
U.S. Government-sponsored mortgage-backed securities	519,943	403	88,724	431,622
Corporate obligations	12,960	—	662	12,298
Total available for sale	<u>\$ 1,624,906</u>	<u>\$ 422</u>	<u>\$ 238,853</u>	<u>\$ 1,386,475</u>

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Available for sale at December 31, 2023</b>				
U.S. Government-sponsored agency securities	\$ 111,521	\$ —	\$ 16,214	\$ 95,307
State and municipal	1,181,029	364	116,222	1,065,171
U.S. Government-sponsored mortgage-backed securities	541,343	462	86,990	454,815
Corporate obligations	12,947	—	1,128	11,819
Total available for sale	<u>\$ 1,846,840</u>	<u>\$ 826</u>	<u>\$ 220,554</u>	<u>\$ 1,627,112</u>

The following table summarizes the amortized cost, gross unrealized gains and losses, approximate fair value and allowance for credit losses on investment securities held to maturity as of December 31, 2024 and December 31, 2023.

	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Held to maturity at December 31, 2024</b>						
U.S. Government-sponsored agency securities	\$ 345,531	\$ —	\$ 345,531	\$ —	\$ 63,112	\$ 282,419
State and municipal	1,085,921	245	1,085,676	299	185,784	900,436
U.S. Government-sponsored mortgage-backed securities	641,513	—	641,513	—	102,343	539,170
Foreign investment	1,500	—	1,500	—	5	1,495
Total held to maturity	<u>\$ 2,074,465</u>	<u>\$ 245</u>	<u>\$ 2,074,220</u>	<u>\$ 299</u>	<u>\$ 351,244</u>	<u>\$ 1,723,520</u>

	Amortized	Allowance for Credit		Gross Unrealized	Gross Unrealized	Fair
	Cost	Losses	Net Carrying Amount	Gains	Losses	Value
<b>Held to maturity at December 31, 2023</b>						
U.S. Government-sponsored agency securities	\$ 374,002	\$ —	\$ 374,002	\$ —	\$ 64,159	\$ 309,843
State and municipal	1,099,201	245	1,098,956	1,625	152,113	948,713
U.S. Government-sponsored mortgage-backed securities	709,794	—	709,794	—	99,448	610,346
Foreign investment	1,500	—	1,500	—	28	1,472
Total held to maturity	<u>\$ 2,184,497</u>	<u>\$ 245</u>	<u>\$ 2,184,252</u>	<u>\$ 1,625</u>	<u>\$ 315,748</u>	<u>\$ 1,870,374</u>



## PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(table dollar amounts in thousands, except share data)*

Accrued interest on investment securities available for sale and held to maturity at December 31, 2024 and December 31, 2023 of \$ 22.5 million and \$ 25.2 million, respectively, is included in the Interest Receivable line on the Corporation's Consolidated Balance Sheets. The total amount of accrued interest is excluded from the amortized cost of available for sale and held to maturity securities presented above.

In determining the allowance for credit losses on investment securities available for sale that are in an unrealized loss position, the Corporation first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through the income statement. For investment securities available for sale that do not meet the aforementioned criteria, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Corporation considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Unrealized losses that have not been recorded through an allowance for credit losses are recognized in other comprehensive loss. Adjustments to the allowance are reported in the income statement as a component of the provision for credit losses. The Corporation has made the accounting policy election to exclude accrued interest receivable on investment securities available for sale from the estimate of credit losses. Investment securities available for sale are charged off against the allowance or, in the absence of any allowance, written down through the income statement when deemed uncollectible or when either of the aforementioned criteria regarding intent or requirement to sell is met. The Corporation did not record an allowance for credit losses on its investment securities available for sale as the unrealized losses were attributable to changes in interest rates, not credit quality.

The allowance for credit losses on investment securities held to maturity is a contra asset-valuation account that is deducted from the amortized cost basis of investment securities held to maturity to present the net amount expected to be collected. Investment securities held to maturity are charged off against the allowance when deemed uncollectible. Adjustments to the allowance are reported in the income statement as a component of the provision for credit losses. The Corporation measures expected credit losses on investment securities held to maturity on a collective basis by major security type with each type sharing similar risk characteristics, and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The Corporation has made the accounting policy election to exclude accrued interest receivable on investment securities held to maturity from the estimate of credit losses. With regard to U.S. Government-sponsored agency and U.S. Government-sponsored mortgage-backed securities, all these securities are issued by a U.S. government-sponsored entity and have an implicit or explicit government guarantee; therefore, no allowance for credit losses has been recorded for these securities. With regard to securities issued by states and municipalities and other investment securities held to maturity, management considers (1) issuer bond ratings, (2) historical loss rates for given bond ratings, (3) the financial condition of the issuer, and (4) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities. Historical loss rates associated with securities having similar grades as those in the Corporation's portfolio have been insignificant. Furthermore, as of December 31, 2024, there were no past due principal and interest payments associated with these securities. The balance of the allowance for credit losses on investment securities held to maturity remained unchanged at \$ 245,000 as of December 31, 2024 and December 31, 2023 based on applying the long-term historical credit rate, as published by Moody's, for similar rated securities.

On a quarterly basis, the Corporation monitors the credit quality of investment securities held to maturity through the use of credit ratings. The following table summarizes the amortized cost of investment securities held to maturity at December 31, 2024, aggregated by credit quality indicator.

	Held to Maturity				
	U.S. Government-sponsored		U.S. Government-sponsored mortgage-backed securities		Total
	agency securities (1)	State and municipal	(1)	Foreign investment	
<b>Credit Rating:</b>					
Aaa	\$ 345,531	\$ 120,801	\$ 641,513	\$ —	\$ 1,107,845
Aa1	—	148,923	—	—	148,923
Aa2	—	184,341	—	—	184,341
Aa3	—	185,166	—	—	185,166
A1	—	65,665	—	—	65,665
A2	—	20,317	—	—	20,317
Non-rated	—	360,708	—	1,500	362,208
<b>Total</b>	<b>\$ 345,531</b>	<b>\$ 1,085,921</b>	<b>\$ 641,513</b>	<b>\$ 1,500</b>	<b>\$ 2,074,465</b>

<sup>(1)</sup> U.S. Government agency securities and U.S. Government mortgage-backed securities are included within the Aaa credit rating category due to their explicit or implicit government guarantees, which provide a high level of assurance regarding the timely collection of principal and interest payments.

**PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**  
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The following tables summarize, as of December 31, 2024 and December 31, 2023, investment securities available for sale in an unrealized loss position for which an allowance for credit losses has not been recorded, aggregated by security type and length of time in a continuous unrealized loss position.

	Less than 12 Months		12 Months or Longer		Total	
	Gross		Gross		Gross	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
	Value	Losses	Value	Losses	Value	Losses
Investment securities available for sale at December 31, 2024						
U.S. Government-sponsored agency securities	\$ —	\$ —	\$ 79,381	\$ 16,081	\$ 79,381	\$ 16,081
State and municipal	40,398	2,115	820,663	131,271	861,061	133,386
U.S. Government-sponsored mortgage-backed securities	82,724	1,660	318,310	87,064	401,034	88,724
Corporate obligations	—	—	12,268	662	12,268	662
Total investment securities available for sale	\$ 123,122	\$ 3,775	\$ 1,230,622	\$ 235,078	\$ 1,353,744	\$ 238,853

	Less than 12 Months		12 Months or Longer		Total		
	Fair	Gross	Fair	Gross	Fair	Gross	
		Unrealized		Unrealized		Unrealized	Unrealized
		Value		Losses		Value	Losses
Investment securities available for sale at December 31, 2023							
U.S. Government-sponsored agency securities	\$ —	\$ —	\$ 95,307	\$ 16,214	\$ 95,307	\$ 16,214	
State and municipal	55,514	1,076	963,584	115,146	1,019,098	116,222	
U.S. Government-sponsored mortgage-backed securities	11,493	25	422,868	86,965	434,361	86,990	
Corporate obligations	—	—	11,788	1,128	11,788	1,128	
Total investment securities available for sale	\$ 67,007	\$ 1,101	\$ 1,493,547	\$ 219,453	\$ 1,560,554	\$ 220,554	

The following table summarizes investment securities available for sale in an unrealized loss position for which an allowance for credit losses has not been recorded, aggregated by security type and the number of securities in the portfolio as of the dates indicated.

	Gross Unrealized Losses	Number of Securities
<b>Investment securities available for sale at December 31, 2024</b>		
U.S. Government-sponsored agency securities	\$ 16,081	12
State and municipal	133,386	611
U.S. Government-sponsored mortgage-backed securities	88,724	127
Corporate obligations	662	10
Total investment securities available for sale	\$ 238,853	760

	Gross Unrealized Losses	Number of Securities
<b>Investment securities available for sale at December 31, 2023</b>		
U.S. Government-sponsored agency securities	\$ 16,214	14
State and municipal	116,222	691
U.S. Government-sponsored mortgage-backed securities	86,990	150
Corporate obligations	1,128	10
Total investment securities available for sale	\$ 220,554	865

The unrealized losses in the Corporation's investment portfolio were the result of changes in interest rates and not credit quality. As a result, the Corporation expects to recover the amortized cost basis over the term of the securities. The Corporation does not intend to sell the investments and it is not more likely than not that the Corporation will be required to sell the investments before recovery of their amortized cost basis, which may be maturity.

Certain investment securities available for sale are reported in the financial statements at an amount less than their historical cost as indicated in the table below.

	December 31, 2024	December 31, 2023
Investments available for sale reported at less than historical cost:		
Historical cost	\$ 1,592,597	\$ 1,781,108
Fair value	1,353,744	1,560,554
Gross unrealized losses	\$ 238,853	\$ 220,554
Percent of the Corporation's investments available for sale in an unrealized loss position	97.6 %	95.9 %

**PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**  
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In determining the fair value of the investment securities portfolio, the Corporation utilizes a third party for portfolio accounting services, including market value input, for those securities classified as Level 1 and Level 2 in the fair value hierarchy. The Corporation has obtained an understanding of what inputs are being used by the vendor in pricing the portfolio and how the vendor classified these securities based upon these inputs. From these discussions, the Corporation's management is comfortable that the classifications are proper. The Corporation has gained trust in the data for two reasons: (a) independent spot testing of the data is conducted by the Corporation through obtaining market quotes from various brokers on a periodic basis; and (b) actual gains or losses resulting from the sale of certain securities has proven the data to be accurate over time. Fair value of securities classified as Level 3 in the valuation hierarchy was determined using a discounted cash flow model that incorporated market estimates of interest rates and volatility in markets that have not been active.

The amortized cost and fair value of investment securities available for sale and held to maturity at December 31, 2024 and December 31, 2023, by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity are shown separately.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<b>Maturity Distribution at December 31, 2024</b>				
Due in one year or less	\$ 1,800	\$ 1,795	\$ 5,268	\$ 5,254
Due after one through five years	12,189	11,857	124,004	117,999
Due after five through ten years	168,338	151,467	174,533	154,533
Due after ten years	922,636	789,734	1,129,147	906,564
	1,104,963	954,853	1,432,952	1,184,350
U.S. Government-sponsored mortgage-backed securities	519,943	431,622	641,513	539,170
Total Investment Securities	\$ 1,624,906	\$ 1,386,475	\$ 2,074,465	\$ 1,723,520

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<b>Maturity Distribution at December 31, 2023</b>				
Due in one year or less	\$ 1,390	\$ 1,382	\$ 3,041	\$ 3,043
Due after one through five years	24,899	23,372	118,592	111,723
Due after five through ten years	127,948	120,385	135,805	126,461
Due after ten years	1,151,260	1,027,158	1,217,265	1,018,801
	1,305,497	1,172,297	1,474,703	1,260,028
U.S. Government-sponsored mortgage-backed securities	541,343	454,815	709,794	610,346
Total Investment Securities	\$ 1,846,840	\$ 1,627,112	\$ 2,184,497	\$ 1,870,374

Securities with a carrying value of approximately \$ 3.3 billion and \$ 1.8 billion were pledged at December 31, 2024 and 2023, respectively, to secure certain deposits and securities sold under repurchase agreements, and for other purposes as permitted or required by law. Pledged securities increased from December 31, 2023 as a result of the Corporation pledging additional securities to the Discount Window at the Federal Reserve Bank to be used as an alternative funding source, if needed.

The book value of securities pledged and available under agreements to repurchase amounted to \$ 173.0 million at December 31, 2024 and \$ 181.4 million at December 31, 2023.

Gross gains and losses on the sales of investment securities available for sale for the years indicated are shown below.

	2024	2023	2022
Sales and redemptions of investment securities available for sale:			
Gross gains	\$ 8	\$ 759	\$ 1,264
Gross losses	( 20,765 )	( 7,689 )	( 70 )
Net gains (losses) of sales and redemptions of investment securities available for sale	\$ ( 20,757 )	\$ ( 6,930 )	\$ 1,194

**PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**  
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**NOTE 5**

**LOANS AND ALLOWANCE FOR CREDIT LOSSES**

The Corporation's primary lending focus is small business and middle market commercial, commercial real estate, public finance and residential real estate, which results in portfolio diversification. The following tables show the composition of the loan portfolio and credit quality characteristics by collateral classification, excluding loans held for sale. Loans held for sale at December 31, 2024 and December 31, 2023, were \$ 18.7 million and \$ 18.9 million, respectively.

The following table illustrates the composition of the Corporation's loan portfolio by loan class as of the dates indicated:

	December 31, 2024	December 31, 2023
Commercial and industrial loans	\$ 4,114,292	\$ 3,670,948
Agricultural land, production and other loans to farmers	256,312	263,414
Real estate loans:		
Construction	792,144	957,545
Commercial real estate, non-owner occupied	2,274,016	2,400,839
Commercial real estate, owner occupied	1,157,944	1,162,083
Residential	2,374,729	2,288,921
Home equity	659,811	617,571
Individuals' loans for household and other personal expenditures	166,028	168,388
Public finance and other commercial loans	1,059,083	956,318
Loans	<u>\$ 12,854,359</u>	<u>\$ 12,486,027</u>

Credit Quality

As part of the ongoing monitoring of the credit quality of the Corporation's loan portfolio, management tracks certain credit quality indicators including trends related to: (i) the level of criticized commercial loans, (ii) net charge-offs, (iii) nonperforming loans, (iv) covenant failures and (v) the general national and local economic conditions.

The Corporation utilizes a risk grading of pass, special mention, substandard, doubtful and loss to assess the overall credit quality of large commercial loans. All large commercial credit grades are reviewed at a minimum of once a year for pass grade loans. Loans with grades below pass are reviewed more frequently depending on the grade. A description of the general characteristics of these grades is as follows:

- Pass - Loans that are considered to be of acceptable credit quality.
- Special Mention - Loans which possess some credit deficiency or potential weakness, which deserves close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Corporation's credit position at some future date. Special mention assets are not adversely classified and do not expose the Corporation to sufficient risk to warrant adverse classification.
- Substandard - Loans that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified have a well-defined weakness that jeopardizes the liquidation of the debt. They are characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected.
- Doubtful - Loans that have all of the weaknesses of those classified as Substandard. However, based on currently existing facts, conditions and values, these weaknesses make full collection of principal highly questionable and improbable.
- Loss – Loans that are considered uncollectible and of such little value that continuing to carry them as an asset is not warranted. Loans will be classified as Loss when it is neither practical or desirable to defer writing off or reserving all or a portion of a basically worthless asset, even though partial recovery may be possible at some time in the future.

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The following tables summarize the risk grading of the Corporation's loan portfolio by loan class and gross charge-offs by year of origination for the years indicated. Consumer loans are not risk graded. For the purposes of this disclosure, the consumer loans are classified in the following manner: loans that are less than 30 days past due are Pass, loans 30-89 days past due are Special Mention and loans greater than 89 days past due are Substandard. The entire balance of a loan is considered delinquent if the minimum payment contractually required to be made is not received by the specified due date.

December 31, 2024									
Term Loans (amortized cost basis by origination year)									
	2024	2023	2022	2021	2020	Prior	Revolving loans amortized cost basis	Revolving loans converted to term	Total
<b>Commercial and industrial loans</b>									
Pass	\$ 1,314,174	\$ 493,138	\$ 196,877	\$ 158,215	\$ 55,639	\$ 49,554	\$ 1,576,409	\$ 130	\$ 3,844,136
Special Mention	14,982	13,282	20,837	1,097	2,222	348	41,187	—	93,955
Substandard	29,238	32,285	26,973	7,249	1,081	1,134	75,649	513	174,122
Doubtful	1,473	606	—	—	—	—	—	—	2,079
Total Commercial and industrial loans	1,359,867	539,311	244,687	166,561	58,942	51,036	1,693,245	643	4,114,292
Current period gross write-offs	1,242	39,087	341	8,605	500	424	—	—	50,199
<b>Agricultural land, production and other loans to farmers</b>									
Pass	28,600	23,070	30,518	26,442	27,105	29,930	84,502	—	250,167
Special Mention	169	—	245	—	446	422	528	—	1,810
Substandard	2,554	48	800	682	34	81	136	—	4,335
Total Agricultural land, production and other loans to farmers	31,323	23,118	31,563	27,124	27,585	30,433	85,166	—	256,312
Current period gross write-offs	—	—	—	—	—	—	—	—	—
<b>Real estate loans:</b>									
<b>Construction</b>									
Pass	241,622	203,829	114,794	31,864	6,398	8,549	12,836	—	619,892
Special Mention	74,879	21,853	19,019	15,214	—	40	—	—	131,005
Substandard	22,305	—	18,292	—	—	—	—	—	40,597
Doubtful	—	—	—	650	—	—	—	—	650
Total Construction	338,806	225,682	152,105	47,728	6,398	8,589	12,836	—	792,144
Current period gross write-offs	—	—	—	—	—	—	—	—	—
<b>Commercial real estate, non-owner occupied</b>									
Pass	383,279	275,907	342,442	406,289	327,372	278,362	19,863	—	2,033,514
Special Mention	79,440	9,051	35,230	12,975	5,287	28,200	—	—	170,183
Substandard	34,215	2,506	6,737	6,656	18,607	1,598	—	—	70,319
Total Commercial real estate, non-owner occupied	496,934	287,464	384,409	425,920	351,266	308,160	19,863	—	2,274,016
Current period gross write-offs	—	339	3	—	—	1	—	—	343
<b>Commercial real estate, owner occupied</b>									
Pass	194,703	141,964	164,725	217,319	198,314	127,431	31,573	—	1,076,029
Special Mention	1,887	11,013	7,555	9,910	8,603	1,951	460	—	41,379
Substandard	13,310	7,669	3,189	11,294	1,522	3,552	—	—	40,536
Total Commercial real estate, owner occupied	209,900	160,646	175,469	238,523	208,439	132,934	32,033	—	1,157,944
Current period gross write-offs	—	—	—	—	9	—	—	—	9
<b>Residential</b>									
Pass	221,016	413,552	672,713	397,192	326,154	293,785	8,887	13	2,333,312
Special Mention	1,528	1,953	6,228	4,102	2,891	3,152	150	—	20,004
Substandard	1,306	1,912	8,849	3,989	1,216	3,794	347	—	21,413
Total Residential	223,850	417,417	687,790	405,283	330,261	300,731	9,384	13	2,374,729
Current period gross write-offs	—	173	779	136	20	288	—	—	1,396
<b>Home equity</b>									
Pass	6,788	4,354	24,810	51,313	10,486	3,976	535,132	12,124	648,983
Special Mention	38	—	375	285	297	69	4,568	442	6,074
Substandard	61	—	572	815	—	96	2,244	966	4,754

Total Home Equity	6,887	4,354	25,757	52,413	10,783	4,141	541,944	13,532	659,811
Current period gross write-offs	—	10	35	22	—	267	—	—	334
Individuals' loans for household and other personal expenditures									
Pass	40,819	21,867	31,356	10,520	2,276	4,693	53,180	180	164,891
Special Mention	153	234	347	175	59	40	128	—	1,136
Substandard	—	—	—	—	—	—	—	1	1
Total Individuals' loans for household and other personal expenditures	40,972	22,101	31,703	10,695	2,335	4,733	53,308	181	166,028
Current period gross write-offs	208	920	523	184	47	80	—	—	1,962
Public finance and other commercial loans									
Pass	161,072	53,750	203,884	195,066	146,377	298,802	132	—	1,059,083
Total Public finance and other commercial loans	161,072	53,750	203,884	195,066	146,377	298,802	132	—	1,059,083
Loans	\$ 2,869,611	\$ 1,733,843	\$ 1,937,367	\$ 1,569,313	\$ 1,142,386	\$ 1,139,559	\$ 2,447,911	\$ 14,369	\$ 12,854,359
Total current period gross charge-offs	\$ 1,450	\$ 40,529	\$ 1,681	\$ 8,947	\$ 576	\$ 1,060	\$ —	\$ —	\$ 54,243

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December 31, 2023

Term Loans (amortized cost basis by origination year)

							Revolving loans amortized cost basis	Revolving loans converted to term	Total
	2023	2022	2021	2020	2019	Prior			
Commercial and industrial loans									
Pass	\$ 1,175,967	\$ 474,601	\$ 253,148	\$ 86,226	\$ 47,910	\$ 45,020	\$ 1,393,756	\$ 60	\$ 3,476,688
Special Mention	34,356	3,911	1,546	5,149	2,986	241	45,994	—	94,183
Substandard	12,311	20,245	17,733	2,479	1,507	1,512	40,449	144	96,380
Doubtful	857	—	—	—	—	—	2,840	—	3,697
Total Commercial and industrial loans	1,223,491	498,757	272,427	93,854	52,403	46,773	1,483,039	204	3,670,948
Current period gross write-offs	13,973	2,711	576	5,665	78	261	—	—	23,264
Agricultural land, production and other loans to farmers									
Pass	35,633	38,145	31,511	31,048	12,995	25,462	87,534	—	262,328
Special Mention	—	266	—	—	—	122	—	—	388
Substandard	58	150	—	454	—	36	—	—	698
Total Agricultural land, production and other loans to farmers	35,691	38,561	31,511	31,502	12,995	25,620	87,534	—	263,414
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Real estate loans:									
Construction									
Pass	403,578	267,587	198,350	8,372	7,723	2,357	11,735	—	899,702
Special Mention	25,894	—	—	20,846	—	—	—	—	46,740
Substandard	1,451	4,330	5,322	—	—	—	—	—	11,103
Total Construction	430,923	271,917	203,672	29,218	7,723	2,357	11,735	—	957,545
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Commercial real estate, non-owner occupied									
Pass	373,378	504,280	535,327	418,553	141,320	200,821	16,744	—	2,190,423
Special Mention	76,382	21,145	7,005	4,531	19,479	27,941	37	—	156,520
Substandard	20,358	10,537	219	20,236	—	2,299	247	—	53,896
Total Commercial real estate, non-owner occupied	470,118	535,962	542,551	443,320	160,799	231,061	17,028	—	2,400,839
Current period gross write-offs	—	66	—	—	—	—	—	—	66
Commercial real estate, owner occupied									
Pass	176,750	199,821	256,346	263,522	99,180	77,485	27,369	—	1,100,473
Special Mention	6,712	5,034	9,319	2,460	919	2,902	514	—	27,860
Substandard	18,092	3,712	4,183	4,545	289	2,929	—	—	33,750
Total Commercial real estate, owner occupied	201,554	208,567	269,848	270,527	100,388	83,316	27,883	—	1,162,083
Current period gross write-offs	48	—	—	—	2	—	—	—	50
Residential									
Pass	395,363	695,056	442,495	365,297	98,654	254,718	4,988	83	2,256,654
Special Mention	2,167	5,591	3,202	1,924	1,065	4,837	200	81	19,067
Substandard	804	3,708	2,529	1,199	866	4,063	31	—	13,200
Total Residential	398,334	704,355	448,226	368,420	100,585	263,618	5,219	164	2,288,921
Current period gross write-offs	101	252	208	3	3	94	—	—	661
Home equity									
Pass	9,375	29,784	61,591	11,084	1,092	3,875	484,330	5,837	606,968
Special Mention	—	715	—	1,092	15	2	5,031	149	7,004
Substandard	63	—	727	—	—	123	2,589	97	3,599
Total Home Equity	9,438	30,499	62,318	12,176	1,107	4,000	491,950	6,083	617,571
Current period gross write-offs	69	213	224	149	193	1,596	—	—	2,444
Individuals' loans for household and other personal expenditures									
Pass	35,781	49,295	28,387	6,726	2,070	5,904	38,619	772	167,554



Special Mention	184	246	138	69	—	14	176	—	827
Substandard	—	6	—	—	1	—	—	—	7
Total Individuals' loans for household and other personal expenditures	35,965	49,547	28,525	6,795	2,071	5,918	38,795	772	168,388
Current period gross write-offs	147	770	342	77	62	156	—	—	1,554
Public finance and other commercial loans									
Pass	65,357	208,347	204,863	155,132	91,619	229,355	1,645	—	956,318
Total Public finance and other commercial loans	65,357	208,347	204,863	155,132	91,619	229,355	1,645	—	956,318
Loans	\$ 2,870,871	\$ 2,546,512	\$ 2,063,941	\$ 1,410,944	\$ 529,690	\$ 892,018	\$ 2,164,828	\$ 7,223	\$ 12,486,027
Total current period gross charge-offs	\$ 14,338	\$ 4,012	\$ 1,350	\$ 5,894	\$ 338	\$ 2,107	\$ —	\$ —	\$ 28,039

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Total past due loans equaled \$ 116.2 million as of December 31, 2024, a \$ 37.0 million increase from the total of \$ 79.2 million for December 31, 2023. At December 31, 2024, 30-59 Days Past Due loans totaled \$ 35.8 million, an increase of \$ 1.7 million from December 31, 2023. At December 31, 2024, 60-89 Days Past Due loans totaled \$ 32.6 million, an increase of \$ 21.4 million from December 31, 2023. Of the \$ 21.4 million increase, \$ 20.0 million was in the construction loan class. At December 31, 2024, 90 Days or More Past Due loans totaled \$ 47.8 million, an increase of \$ 13.8 million from December 31, 2023. The primary increases were \$ 2.9 million, \$ 4.0 million, and \$ 6.7 million, in the commercial and industrial, construction and residential loan classes, respectively. The tables below show a past due aging of the Corporation's loan portfolio, by loan class, as of the dates indicated:

December 31, 2024						
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total	Loans > 90 Days or More Past Due And Accruing
Commercial and industrial loans	\$ 4,096,605	\$ 7,428	\$ 473	\$ 9,786	\$ 4,114,292	\$ 2,010
Agricultural land, production and other loans to farmers	256,148	164	—	—	256,312	—
Real estate loans:						
Construction	761,819	4,332	22,005	3,988	792,144	3,683
Commercial real estate, non-owner occupied	2,259,549	2,407	1,718	10,342	2,274,016	—
Commercial real estate, owner occupied	1,153,861	3,783	—	300	1,157,944	—
Residential	2,337,002	12,302	6,606	18,819	2,374,729	208
Home equity	649,238	4,431	1,569	4,573	659,811	—
Individuals' loans for household and other personal expenditures	164,891	926	210	1	166,028	1
Public finance and other commercial loans	1,059,083	—	—	—	1,059,083	—
Loans	<u>\$ 12,738,196</u>	<u>\$ 35,773</u>	<u>\$ 32,581</u>	<u>\$ 47,809</u>	<u>\$ 12,854,359</u>	<u>\$ 5,902</u>

December 31, 2023						
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total	Loans > 90 Days or More Past Due And Accruing
Commercial and industrial loans	\$ 3,657,447	\$ 5,021	\$ 1,622	\$ 6,858	\$ 3,670,948	\$ 86
Agricultural land, production and other loans to farmers	263,414	—	—	—	263,414	—
Real estate loans:						
Construction	955,588	—	1,957	—	957,545	—
Commercial real estate, non-owner occupied	2,376,184	12,995	195	11,465	2,400,839	—
Commercial real estate, owner occupied	1,161,869	—	104	110	1,162,083	—
Residential	2,259,496	11,810	5,472	12,143	2,288,921	—
Home equity	608,948	3,614	1,647	3,362	617,571	52
Individuals' loans for household and other personal expenditures	167,553	635	192	8	168,388	—
Public finance and other commercial loans	956,284	—	—	34	956,318	34
Loans	<u>\$ 12,406,783</u>	<u>\$ 34,075</u>	<u>\$ 11,189</u>	<u>\$ 33,980</u>	<u>\$ 12,486,027</u>	<u>\$ 172</u>

Loans are reclassified to a non-accruing status when, in management's judgment, the collateral value and financial condition of the borrower do not justify accruing interest. At the time the accrual is discontinued, all unpaid accrued interest is reversed against earnings. Interest income accrued in the prior year, if any, is charged to the allowance for credit losses. Payments subsequently received on non-accrual loans are applied to principal. A loan is returned to accrual status when principal and interest are no longer past due and collectability is probable, typically after a minimum of six consecutive months of performance.

The following table summarizes the Corporation's non-accrual loans by loan class as of the dates indicated:

December 31, 2024

December 31, 2023

	Nonaccrual Loans with no		Nonaccrual Loans with no	
	Nonaccrual Loans	Allowance for Credit Losses	Nonaccrual Loans	Allowance for Credit Losses
Commercial and industrial loans	\$ 8,090	\$ 4,937	\$ 9,050	\$ 1,015
Agricultural land, production and other loans to farmers	75	—	58	—
Real estate loans:				
Construction	24,629	22,650	520	—
Commercial real estate, non-owner occupied	12,118	10,153	11,932	11,095
Commercial real estate, owner occupied	2,440	1,904	3,041	2,257
Residential	21,491	—	25,140	—
Home equity	4,924	—	3,820	—
Individuals' loans for household and other personal expenditures	6	—	19	—
Loans	\$ 73,773	\$ 39,644	\$ 53,580	\$ 14,367

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Interest income on non-accrual loans is recognized only to the extent that cash payments are received in excess of principal due. There was no interest income recognized on non-accrual loans for the twelve months ended December 31, 2024 and 2023.

Determining fair value for collateral dependent loans requires obtaining a current independent appraisal of the collateral and applying a discount factor, which includes selling costs if applicable, to the value. The fair value of real estate is generally based on appraisals by qualified licensed appraisers. The appraisers typically determine the value of the real estate by utilizing an income or market valuation approach. If an appraisal is not available, the fair value may be determined by using a cash flow analysis. Fair value on other collateral such as business assets is typically ascertained by assessing, either singularly or some combination of, asset appraisals, accounts receivable aging reports, inventory listings and or customer financial statements. Both appraised values and values based on borrower's financial information are discounted as considered appropriate based on age and quality of the information and current market conditions.

The following tables present the amortized cost basis of collateral dependent loans by loan class and their respective collateral type, which are individually evaluated to determine expected credit losses, for December 31, 2024 and 2023. The total collateral dependent loans for December 31, 2024 increased \$ 24.1 million from December 31, 2023. The primary changes were related to an increase of \$ 22.6 million and \$ 10.1 million, respectively, in the construction and commercial real estate, non-owner occupied loan classes, which was offset by a decrease of \$ 8.6 million in the commercial and industrial loan class.

December 31, 2024					Allowance on Collateral
	Commercial Real Estate	Residential Real Estate	Other	Total	Dependent Loans
Commercial and industrial loans	\$ —	\$ —	\$ 23,455	\$ 23,455	\$ 7,803
Real estate loans:					
Construction	—	22,652	—	22,652	—
Commercial real estate, non-owner occupied	27,583	—	—	27,583	4,295
Commercial real estate, owner occupied	9,748	—	—	9,748	—
Residential	—	1,174	—	1,174	189
Home equity	—	201	—	201	25
Loans	<u>\$ 37,331</u>	<u>\$ 24,027</u>	<u>\$ 23,455</u>	<u>\$ 84,813</u>	<u>\$ 12,312</u>

December 31, 2023					Allowance on Collateral
	Commercial Real Estate	Residential Real Estate	Other	Total	Dependent Loans
Commercial and industrial loans	\$ —	\$ —	\$ 32,029	\$ 32,029	\$ 11,474
Real estate loans:					
Construction	—	7	—	7	—
Commercial real estate, non-owner occupied	17,516	—	—	17,516	35
Commercial real estate, owner occupied	9,452	—	—	9,452	—
Residential	—	1,439	—	1,439	230
Home equity	—	223	—	223	30
Loans	<u>\$ 26,968</u>	<u>\$ 1,669</u>	<u>\$ 32,029</u>	<u>\$ 60,666</u>	<u>\$ 11,769</u>

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In certain situations, the Corporation may modify the terms of a loan to a debtor experiencing financial difficulty. The modifications may include principal forgiveness, interest rate reductions, payment delays, term extensions or combinations of the above. The following table presents the amortized cost basis of loans at December 31, 2024 and 2023 that were both experiencing financial difficulty and modified during the year ended December 31, 2024 and 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

Year Ended December 31, 2024

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

	Combination Interest						% of Total Class of
	Payment Delay	Term Extension	Interest Rate Reduction	Combination	Combination Interest	Rate Reduction, Term	
				Payment Delay & Term Extension	Rate Reduction & Term Extension	Extension, & Payment Delay	
							Financing Receivable
Commercial and industrial loans	\$ 11,073	\$ 19,152	\$ 246	\$ —	\$ 68	\$ —	0.74 %
Agricultural land, production and other loans to farmers	2,230	—	—	—	—	—	0.87 %
Real estate loans:							
Construction	—	2,393	—	22,000	—	—	3.08 %
Commercial real estate, non-owner occupied	—	18,933	—	—	—	—	0.83 %
Commercial real estate, owner occupied	—	6,133	—	—	—	—	0.53 %
Residential	2,509	340	—	683	43	532	0.17 %
Home equity	—	61	—	161	—	—	0.03 %
Total	\$ 15,812	\$ 47,012	\$ 246	\$ 22,844	\$ 111	\$ 532	

Year Ended December 31, 2023

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

	Combination Interest Rate					% of Total Class of Financing
	Payment Delay	Term Extension	Combination Payment	Reduction & Term	Receivable	
			Delay & Term Extension	Extension		
Commercial and industrial loans	\$ 857	\$ 16,572	\$ —	\$ 231	0.48	%
Agricultural land, production and other loans to farmers	—	58	—	—	0.02	%
Real estate loans:						
Construction	—	11	—	—	—	%
Commercial real estate, non-owner occupied	—	11,823	—	7,657	0.81	%
Commercial real estate, owner occupied	5,540	10,123	—	71	1.35	%
Residential	—	129	469	—	0.03	%
Home equity	—	63	—	29	0.01	%
Total	\$ 6,397	\$ 38,779	\$ 469	\$ 7,988		

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The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the year ended December 31, 2024 and 2023.

Year Ended December 31, 2024						
Financial Effect of Loan Modifications						
	Payment Delay	Term Extension	Interest Rate Reduction	Combination Payment Delay & Term Extension	Combination Interest Rate Reduction & Term Extension	Combination Interest Rate Reduction, Term Extension, & Payment Delay
Commercial and industrial loans	Provided payment deferrals				Reduced the weighted average	
	with weighted average	Extended loans by a	Reduced the weighted		contractual interest rate from	
	delayed amounts of \$	weighted average of 8	average contractual interest		10.24 % to 7.90 %. Extended	
	180,000 .	months.	rate from 9.00 % to 8.00 %.		loans by a weighted average	
Agricultural land, production and other loans to farmers	Provided payment deferrals				of 67 months.	
	with weighted average					
	delayed amounts of \$					
	17,000 .					
Real estate loans:						
Construction				Provided payment deferrals		
				with weighted average delayed		
		Extended loans by a		amounts of \$ 475,000 .		
		weighted average of 6		Extended loans by a weighted		
Commercial real estate, non-owner occupied		months.		average of 2 months.		
		Extended loans by a				
		weighted average of 16				
		months.				
Commercial real estate, owner occupied		Extended loans by a				
		weighted average of 12				
		months.				
Residential					Reduced the weighted average	
					contractual interest rate from	
					5.74 % to 4.02 %. Extended	
					loans by a weighted average	
	Provided payment deferrals			Provided payment deferrals	Reduced the weighted average	of 90 months. Provided
	with weighted average	Extended loans by a		with weighted average delayed	contractual interest rate from	payment deferrals with
	delayed amounts of \$	weighted average of 11		amounts of \$ 8,000 . Extended	8.00 % to 6.00 %. Extended	weighted average delayed
	23,000 .	months.		loans by a weighted average	loans by a weighted average	amounts of \$ 13,000 .
Home equity				of 152 months.	of 120 months.	
		Extended loans by a		Provided payment deferrals		
		weighted average of 5		with weighted average delayed		
		months.		amounts of \$ 7,800 . Extended		
				loans by a weighted average		
				of 60 months.		

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Year Ended December 31, 2023

Financial Effect of Loan Modifications

	Payment Delay	Term Extension	Combination Payment Delay & Term Extension	Combination Interest Rate Reduction & Term Extension
	Provided payment deferrals with weighted average delayed amounts of \$ 24,000 .	Extended loans by a weighted average of 10 months.		Reduced the weighted average contractual interest rate from 9.67 % to 7.39 %.
Commercial and industrial loans		Extended loans by a weighted average of 13 months.		
		Extended loans by a weighted average of 144 months.		
Agricultural land, production and other loans to farmers				
Real estate loans:				
		Extended loans by a weighted average of 24 months.		
Construction				
				Reduced the weighted average contractual interest rate from 8.57 % to 7.89 %.
		Extended loans by a weighted average of 11 months.		Extended loans by a weighted average of 34 months.
Commercial real estate, non-owner occupied				
	Provided payment deferrals with weighted average delayed amounts of \$ 4.5 million.	Extended loans by a weighted average of 6 months.		Reduced the weighted average contractual interest rate from 10.25 % to 6.61 %.
Commercial real estate, owner occupied				Extended loans by a weighted average of 114 months.
			Provided payment deferrals with weighted average delayed amounts of \$ 3,400 .	
		Extended loans by a weighted average of 6 months.	Extended loans by a weighted average of 3 months.	
Residential				
				Reduced the weighted average contractual interest rate from 9.25 % to 7.25 %.
		Extended loans by a weighted average of 7 months.		Extended loans by a weighted average of 240 months.
Home equity				

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The Corporation closely monitors the performance of financial difficulty modifications to understand the effectiveness of its efforts. The following tables present the performance of financial difficulty modifications in the twelve months following modification.

Year Ended December 31, 2024					
	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Commercial and industrial loans	\$ 26,208	\$ 2,858	\$ —	\$ 1,473	\$ 30,539
Agricultural land, production and other loans to farmers	2,230	—	—	—	2,230
Real estate loans:					
Construction	2,393	—	22,000	—	24,393
Commercial real estate, non-owner occupied	10,253	—	—	8,680	18,933
Commercial real estate, owner occupied	2,560	3,573	—	—	6,133
Residential	2,046	237	365	1,459	4,107
Home equity	222	—	—	—	222
Total	\$ 45,912	\$ 6,668	\$ 22,365	\$ 11,612	\$ 86,557

Year Ended December 31, 2023			
	Current	60-89 Days Past Due	Total
Commercial and industrial loans	\$ 17,660	\$ —	\$ 17,660
Agricultural land, production and other loans to farmers	58	—	58
Real estate loans:			
Construction	11	—	11
Commercial real estate, non-owner occupied	19,480	—	19,480
Commercial real estate, owner occupied	15,734	—	15,734
Residential	473	125	598
Home equity	92	—	92
Total	\$ 53,508	\$ 125	\$ 53,633

**Allowance for Credit Losses on Loans**

The ACL - Loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on loans over the contractual term. The ACL - Loans is adjusted by the provision for credit losses, which is reported in earnings, and reduced by charge-offs for loans, net of recoveries. Provision for credit losses on loans reflects the totality of actions taken on all loans for a particular period including any necessary increases or decreases in the allowance related to changes in credit loss expectations associated with specific loans or pools of loans. Loans are charged off against the allowance when the collectibility of the loan is unlikely. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off.

The allowance represents the Corporation's best estimate of current expected credit losses on loans using relevant available information, from internal and external sources, related to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. The current expected credit loss ("CECL") calculation is performed and evaluated quarterly and losses are estimated over the expected life of the loan. The level of the ACL - Loans is believed to be adequate to absorb all expected future losses inherent in the loan portfolio at the measurement date.

In calculating the ACL - Loans, the loan portfolio was pooled into ten loan segments with similar risk characteristics. Common characteristics include the type or purpose of the loan, underlying collateral and historical/expected credit loss patterns. In developing the loan segments, the Corporation analyzed the degree of correlation in how loans within each portfolio respond when subjected to varying economic conditions and scenarios as well as other portfolio stress factors.

The expected credit losses are measured over the life of each loan segment utilizing the Probability of Default / Loss Given Default methodology combined with economic forecast models to estimate the current expected credit loss inherent in the loan portfolio. This approach is also leveraged to estimate the expected credit losses associated with unfunded loan commitments incorporating expected utilization rates.

The Corporation sub-segmented certain commercial portfolios by risk level and certain consumer portfolios by delinquency status where appropriate. The Corporation utilized a four-quarter reasonable and supportable economic forecast period followed by a six-quarter, straight-line reversion period to the historical macroeconomic mean for the remaining life of the loans. Econometric modeling was performed using historical default rates and a selection of economic forecast scenarios published by Moody's to develop a range of estimated credit losses for which to determine the best credit loss estimate within. Macroeconomic factors utilized in the modeling process include the national unemployment rate, BBB US corporate index, CRE price index and the home price index.





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The Corporation qualitatively adjusts model results for risk factors that are not inherently considered in the quantitative modeling process, but are nonetheless relevant in assessing the expected credit losses within the loan portfolio. These adjustments may increase or decrease the estimate of expected credit losses based upon the assessed level of risk for each qualitative factor. The various risks that may be considered in making qualitative adjustments include, among other factors, the impact of (i) changes in the nature and volume of the loan portfolio, (ii) changes in the existence, growth and effect of any concentrations in credit, (iii) changes in lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries, (iv) changes in the quality of the credit review function, (v) changes in the experience, ability and depth of lending, investment, collection and other relevant management staff, (vi) changes in the volume and severity of past due financial assets, the volume of the nonaccrual assets, and the volume and severity of adversely classified or graded assets, (vii) the value of underlying collateral for loans that are not collateral dependent, and (viii) other environmental factors of a borrower such as regulatory, legal and technological considerations, as well as competition and changes in the economic and business conditions that affect the collectability of financial assets. At CECL adoption, the Corporation established certain qualitative factors that were expected to correlate to losses within the loan portfolio. During a scheduled review of qualitative factors in 2023, the Corporation determined there had not been significant evidence of correlation to losses for the qualitative factors that included i) changes in experience, ability and depth of lending management and staff; ii) changes in lending policies and procedures; iii) changes in the quality of the credit review function; iv) portfolio mix and growth; and v) industry concentration. The Corporation decided to refine these qualitative factors in order to improve our ability to assess related risk and enhance our ability to correlate to losses. The Corporation's evaluation of the qualitative approach resulted in an insignificant change to the ACL – Loans estimate.

In some cases, management may determine that an individual loan exhibits unique risk characteristics which differentiate the loan from other loans within the loan segments. In such cases, the loans are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. Specific reserve allocations of the allowance for credit losses are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, the relative risk grade of the loan and economic conditions affecting the borrower's industry, among other factors. A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. In such cases, expected credit losses are based on the fair value of the collateral at the measurement date, adjusted for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. The fair value of collateral supporting collateral dependent loans is evaluated on a quarterly basis.

The risk characteristics of the Corporation's portfolio segments are as follows:

#### Commercial

Commercial lending is primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the tangible assets being financed such as equipment or real estate or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee. Other loans may be unsecured, secured but under-collateralized or otherwise made on the basis of the enterprise value of an organization. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

#### Commercial real estate

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. The Corporation monitors commercial real estate loans based on collateral and risk grade criteria, as well as the levels of owner-occupied versus non-owner occupied loans.

#### Construction

Construction loans are underwritten utilizing a combination of tools and techniques including feasibility and market studies, independent appraisals and appraisal reviews, absorption and interest rate sensitivity analysis as well as the financial analysis of the developer and all guarantors. Construction loans are monitored by either in house or third party inspectors limiting advances to a percentage of costs or stabilized project value. These loans frequently involve the disbursement of significant funds with the repayment dependent upon the successful completion and, where necessary, the future stabilization of the project. The predominant inherent risk of this portfolio is associated with the borrower's ability to successfully complete a project on time, within budget and stabilize the projected as originally projected.

#### Consumer and Residential

With respect to residential loans that are secured by 1-4 family residences, which are typically owner occupied, the Corporation generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity loans are secured by a subordinate interest in 1-4 family residences, and consumer loans are secured by consumer assets such as automobiles or recreational vehicles. Some consumer loans, such as small installment loans and certain lines of credit, are unsecured. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers and can also be impacted by changes in property values. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

The ACL - Loans decreased \$ 12.2 million during the year ended December 31, 2024. The allowance decreased primarily due to \$ 49.4 million of net charge-offs during the year ended December 31, 2024. The increase in net charge-offs was primarily related to two commercial relationships that accounted for \$ 42.7 million of charge-offs. One borrower experienced a sudden change in revenue from the cancellation and inability to renegotiate their contracts with the U.S. Government. This negatively impacted the value of the borrower's business and resulted in their inability to repay principal and interest. The second borrower provided notification of its plans to cease operations. The Corporation does not believe these charge-offs are indicative of the portfolio as a whole. In 2024, the Corporation recorded \$ 37.2 million in provision for credit losses - loans, which was offset by a release in reserve of \$ 1.5 million related to the allowance for unfunded commitments, resulting in a net provision expense for the year ended December 31, 2024 of \$ 35.7 million.

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The following tables summarize changes in the ACL - Loans by loan segment for the years ended December 31, 2024, 2023 and 2022:

	Year Ended December 31, 2024					
	Commercial	Commercial Real Estate	Construction	Consumer & Residential	Total	
Allowance for credit losses - loans						
Balances, December 31, 2023	\$ 97,348	\$ 44,048	\$ 24,823	\$ 38,715	\$	204,934
Provision for credit losses - loans	44,455	7,167	( 15,039 )	617		37,200
Recoveries on loans	3,153	236	—	1,477		4,866
Loans charged off	( 50,199 )	( 352 )	—	( 3,692 )		( 54,243 )
Balances, December 31, 2024	\$ 94,757	\$ 51,099	\$ 9,784	\$ 37,117	\$	192,757

	Year Ended December 31, 2023					
	Commercial	Commercial Real Estate	Construction	Consumer & Residential	Total	
Allowance for credit losses - loans						
Balances, December 31, 2022	\$ 102,216	\$ 46,839	\$ 28,955	\$ 45,267	\$	223,277
Provision for credit losses - loans	17,401	( 2,735 )	( 4,132 )	( 3,234 )		7,300
Recoveries on loans	995	60	—	1,341		2,396
Loans charged off	( 23,264 )	( 116 )	—	( 4,659 )		( 28,039 )
Balances, December 31, 2023	\$ 97,348	\$ 44,048	\$ 24,823	\$ 38,715	\$	204,934

	Year Ended December 31, 2022					
	Commercial	Commercial Real Estate	Construction	Consumer & Residential	Total	
Allowance for credit losses - loans						
Balances, December 31, 2021	\$ 69,935	\$ 60,665	\$ 20,206	\$ 44,591	\$	195,397
Provision for credit losses - loans	16,697	( 20,425 )	6,367	( 2,639 )		—
CECL Day 1 non-PCD provision for credit losses - loans	2,957	5,539	871	4,588		13,955
CECL Day 1 PCD ACL - loans	12,970	2,981	648	—		16,599
Recoveries on loans	872	1,096	863	1,096		3,927
Loans charged off	( 1,215 )	( 3,017 )	—	( 2,369 )		( 6,601 )
Balances, December 31, 2022	\$ 102,216	\$ 46,839	\$ 28,955	\$ 45,267	\$	223,277

**Off-Balance Sheet Arrangements, Commitments And Contingencies**

In the normal course of business, the Corporation has entered into off-balance sheet financial instruments which include commitments to extend credit and standby letters of credit. Commitments to extend credit are usually the result of lines of credit granted to existing borrowers under agreements that the total outstanding indebtedness will not exceed a specific amount during the term of the indebtedness. Typical borrowers are commercial concerns that use lines of credit to supplement their treasury management functions, and thus their total outstanding indebtedness may fluctuate during any time period based on the seasonality of their business and the resultant timing for their cash flows. Other typical lines of credit are related to home equity loans granted to customers. Commitments to extend credit generally have fixed expiration dates or other termination clauses that may require a fee.

Standby letters of credit are generally issued on behalf of an applicant (the Corporation's customer) to a specifically named beneficiary and are the result of a particular business arrangement that exists between the applicant and the beneficiary. Standby letters of credit have fixed expiration dates and are usually for terms of two years or less unless terminated beforehand due to criteria specified in the standby letter of credit. The standby letter of credit would permit the beneficiary to obtain payment from the Corporation under certain prescribed circumstances. Subsequently, the Corporation would seek reimbursement from the applicant pursuant to the terms of the standby letter of credit.

The Corporation typically follows the same credit policies and underwriting practices when making these commitments as it does for on-balance sheet instruments. Each customer's creditworthiness is typically evaluated on a case-by-case basis, and the amount of collateral obtained, if any, is based on management's credit evaluation of the customer. Collateral held varies but may include cash, real estate, marketable securities, accounts receivable, inventory, equipment and personal property. The contractual amounts of these commitments are not reflected in the consolidated financial statements and only amounts drawn upon would be reflected in the future. Since many of the commitments are expected to expire without being drawn upon, the contractual amounts do not necessarily represent future cash requirements. However, should the commitments be drawn upon and should the Corporation's customers default on their resulting obligation to the Corporation, the maximum exposure to credit loss, without consideration of collateral, is represented by the contractual amount of those commitments.

Financial instruments with off-balance sheet risk were as follows:

	December 31, 2024		December 31, 2023	
Amounts of commitments:				
Loan commitments to extend credit	\$	5,006,085	\$	5,025,790
Standby letters of credit	\$	71,271	\$	65,580

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The Corporation maintains an accrual for credit losses on off-balance sheet commitments using the CECL methodology. Reserves for unfunded commitments declined by \$ 1.5 million and \$ 3.8 million during the years ended December 31, 2024 and 2023, respectively. This reserve level remains appropriate and is reported in Other Liabilities as of December 31, 2024 in the Consolidated Balance Sheets.

The following table details activity in the ACL for off-balance sheet commitments:

	2024	2023
Balance, January 1	\$ 19,500	\$ 23,300
Provision for credit losses - unfunded commitments	( 1,500 )	( 3,800 )
Balance, December 31	\$ 18,000	\$ 19,500

**NOTE 6**

**PREMISES AND EQUIPMENT**

The following table summarizes the Corporation's premises and equipment as of December 31, 2024 and 2023:

	2024	2023
Cost at December 31:		
Land	\$ 24,785	\$ 25,655
Buildings and Leasehold Improvements	185,741	186,444
Equipment	153,011	148,258
Total Cost	363,537	360,357
Accumulated Depreciation and Amortization	( 233,794 )	( 226,461 )
Net	\$ 129,743	\$ 133,896

First Merchants Corporation sold five Illinois branches in the fourth quarter of 2024 which resulted in reductions to premises and equipment of \$ 3.2 million. Details regarding the branch sale are discussed in NOTE 2. ACQUISITIONS AND DIVESTITURES of these Notes to Consolidated Financial Statements.

The Corporation is committed under various non-cancelable lease contracts for certain subsidiary office facilities and equipment. Details regarding the lease contracts are discussed in NOTE 8. LEASES of these Notes to Consolidated Financial Statements.

**NOTE 7**

**GOODWILL AND OTHER INTANGIBLES**

The Corporation's goodwill was \$ 712.0 million for the years ended December 31, 2024 and 2023.

During the fourth quarter of 2024 and 2023, the Corporation performed its annual goodwill impairment testing and the fair value exceeded the Corporation's carrying value. Based on the analysis performed, the Corporation concluded goodwill was not impaired as of December 31, 2024 and 2023.

For additional details related to impairment testing, see the "GOODWILL" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included as Item 7 of this Annual Report on Form 10-K.

The carrying basis and accumulated amortization of recognized core deposit and other intangibles are noted below.

	2024	2023
Gross carrying amount	\$ 123,285	\$ 123,285
Accumulated amortization	( 103,457 )	( 96,186 )
Total core deposit and other intangibles	\$ 19,828	\$ 27,099

The core deposit intangibles and other intangibles are being amortized primarily on an accelerated basis over their estimated useful lives, generally over a period of two to ten years . Amortization expense for the years ended December 31, 2024, 2023 and 2022, was \$ 7.3 million, \$ 8.7 million and \$ 8.3 million, respectively.



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Estimated future amortization expense is summarized as follows:

	Amortization Expense
2025	\$ 6,028
2026	4,910
2027	3,603
2028	2,852
2029	1,137
After 2029	1,298
	<u>\$ 19,828</u>

**NOTE 8**

**LEASES**

The Corporation enters into leases for certain retail branches, office space, land and equipment. Operating leases are included in other assets and the lease liability is included in other liabilities in the Consolidated Balance Sheets. The Corporation does not have any finance leases.

Right-of-use ("ROU") assets represent the Corporation's right to use an underlying asset for the lease term and lease liabilities represent the Corporation's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Corporation uses its incremental borrowing rate at commencement date in determining the present value of lease payments when the rate implicit in a lease is not known. The Corporation's incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Corporation's leases are generally for periods of five to twenty years with various renewal options. The exercise of such lease renewal options is not included in the present value of lease obligations unless it is reasonably certain that the option will be exercised. The Corporation has lease agreements which contain both lease and non-lease components such as common area maintenance charges, real estate taxes, and insurance. Non-lease components are not included in the measurement of the lease liability and are recognized in expense when incurred. The Corporation has elected not to recognize short-term leases, with original lease terms of twelve months or less, on the Corporation's balance sheet. Certain of the Corporation's lease agreements include rental payments adjusted periodically for inflation. The Corporation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Supplemental balance sheet information related to leases is presented in the table below as of December 31, 2024 and 2023:

	2024	2023
Operating lease assets	\$ 21,085	\$ 18,912
Total lease assets	<u>\$ 21,085</u>	<u>\$ 18,912</u>
Operating lease liabilities	\$ 23,873	\$ 22,335
Total lease liabilities	<u>\$ 23,873</u>	<u>\$ 22,335</u>
Weighted average remaining lease term (years)		
Operating leases	6.5	6.3
Weighted average discount rate		
Operating leases	3.8 %	3.2 %

The table below presents the components of lease expense for the years ended December 31, 2024, 2023, and 2022:

	2024	2023	2022
Lease Cost:			
Operating lease cost	\$ 5,514	\$ 7,696	\$ 5,233
Short-term lease cost	566	478	470
Variable lease cost	1,298	1,534	1,073
Sublease income	\$ ( 5 )	\$ ( 16 )	\$ ( 23 )
Total lease cost	<u>\$ 7,373</u>	<u>\$ 9,692</u>	<u>\$ 6,753</u>

The Corporation performs impairment assessments for ROU assets when events or changes in circumstances indicate their carrying values may not be recoverable. The year ended December 31, 2023 operating lease cost includes \$ 2.1 million related to the abandonment of a leased office building. The recognized loss was recorded in net occupancy expense in





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Supplemental cash flow information related to leases is presented in the tables below.

Maturity of lease liabilities	Operating Leases
2025	\$ 6,181
2026	4,562
2027	3,863
2028	3,479
2029	2,434
After 2029	6,513
Total lease payments	\$ 27,032
Less: Present value discount	3,159
Present value of lease liabilities	\$ 23,873

Other Information	Twelve Months Ended December 31, 2024	Twelve Months Ended December 31, 2023	Twelve Months Ended December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	\$ 5,073	\$ 5,742	\$ 5,329
ROU assets obtained in exchange for new operating lease liabilities	\$ 7,102	\$ 2,253	\$ 10,516

**NOTE 9**

**QUALIFIED AFFORDABLE HOUSING INVESTMENTS**

The Corporation has investments in various limited partnerships that sponsor affordable housing projects. The purpose of these investments is to earn an adequate return of capital through the receipt of low income housing tax credits and to assist the Corporation in achieving goals associated with the CRA. These investments are included in other assets on the Consolidated Balance Sheet, with any unfunded commitments included in other liabilities. The investments are amortized as a component of income tax expense. Details of the accounting treatment of the Corporation's LIHTC investments are included in NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES of these Notes to Consolidated Financial Statements.

The following table summarizes the Corporation's affordable housing investments as of December 31, 2024 and 2023:

Investment Type	2024		2023	
	Investment	Unfunded Commitment	Investment	Unfunded Commitment
LIHTC	\$ 167,685	\$ 132,226	\$ 114,514	\$ 96,408

The following table summarizes the amortization expense and tax credits recognized for the Corporation's affordable housing investments for the years ended December 31, 2024, 2023 and 2022:

	2024	2023	2022
Amortization expense	\$ 12,040	\$ 6,324	\$ 812
Tax credits recognized	11,782	5,327	1,055

**NOTE 10**

**DEPOSITS**

The composition of the deposit portfolio is included in the table below as of the dates indicated:

	December 31, 2024	December 31, 2023
Demand deposits	\$ 7,980,061	\$ 7,965,862
Savings deposits	4,522,758	4,516,433
Certificates and other time deposits of \$100,000 or more	1,043,068	1,408,985
Other certificates and time deposits	692,068	849,906
Brokered certificates of deposits	283,671	80,267
Total deposits	\$ 14,521,626	\$ 14,821,453

Deposits decreased \$ 299.8 million from December 31, 2023. The majority of the decrease was due to the sale of the Illinois branch deposits of \$ 267.4 million. Details regarding the branch sale are discussed in NOTE 2. ACQUISITIONS AND DIVESTITURES of these Notes to Consolidated Financial Statements. At December 31, 2024 and 2023, deposits exceeding the FDIC's Standard Maximum Deposit Insurance Amount of \$250,000 were \$ 8.7 billion and \$ 8.6 billion, respectively.

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At December 31, 2024, the contractual maturities of time deposits are summarized as follows:

	Certificates and Other Time Deposits
2025	\$ 1,743,960
2026	85,236
2027	99,634
2028	86,322
2029	3,018
After 2029	637
	<u>\$ 2,018,807</u>

**NOTE 11**

**BORROWINGS**

The following table summarizes the Corporation's borrowings as of December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Federal funds purchased	\$ 99,226	\$ —
Securities sold under repurchase agreements	142,876	157,280
Federal Home Loan Bank advances	822,554	712,852
Subordinated debentures and other borrowings	93,529	158,644
Total Borrowings	<u>\$ 1,158,185</u>	<u>\$ 1,028,776</u>

Securities sold under repurchase agreements consist of obligations of the Bank to other parties and are secured by U.S. Government-Sponsored Enterprise obligations. The maximum amount of outstanding agreements at any month-end during 2024 and 2023 totaled \$ 194.2 million and \$ 242.2 million, respectively, and the average of such agreements totaled \$ 136.0 million and \$ 171.3 million during 2024 and 2023, respectively.

*Transfers Accounted For As Secured Borrowings*

The collateral pledged for all repurchase agreements that are accounted for as secured borrowings as of December 31, 2024 and 2023 were:

December 31, 2024					
Remaining Contractual Maturity of the Agreements					
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater Than 90 Days	Total
U.S. Government-sponsored mortgage-backed securities	\$ 142,876	\$ —	\$ —	\$ —	\$ 142,876

December 31, 2023					
Remaining Contractual Maturity of the Agreements					
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater Than 90 Days	Total
U.S. Government-sponsored mortgage-backed securities	\$ 157,280	\$ —	\$ —	\$ —	\$ 157,280

Contractual maturities of borrowings as of December 31, 2024, are as follows:

Maturities in Years Ending December 31:	Securities Sold		Federal Home		Subordinated	
	Federal Funds Purchased	Under Repurchase	Loan Bank	Advances	Debentures and	Term Loans
		Agreements				
2025	\$ 99,226	\$ 142,876	\$ 95,000	\$ 1,157		
2026	—	—	75,000	—		
2027	—	—	250,000	—		
2028	—	—	190,000	5,000		
2029	—	—	150,000	30,000		
2030 and after	—	—	62,554	60,753		
ASC 805 fair value adjustments at acquisition	—	—	—	( 3,381 )		
	\$ 99,226	\$ 142,876	\$ 822,554	\$ 93,529		

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At December 31, 2024, the outstanding FHLB advances had interest rates from 1.50 to 4.94 percent and are subject to restrictions or penalties in the event of prepayment. The total available remaining borrowing capacity from the FHLB at December 31, 2024, was \$ 733.1 million. As of December 31, 2024, the Corporation had \$ 305.0 million of putable advances with the FHLB.

*Subordinated Debentures and Term Loans.* As of December 31, 2024 and 2023, subordinated debentures and term loans totaled \$ 93.5 million and \$ 158.6 million, respectively.

- *First Merchants Capital Trust II ("FMC Trust II").* At December 31, 2024 and 2023, the Corporation had \$ 41.7 million of subordinated debentures issued to FMC Trust II, a wholly-owned statutory business trust. FMC Trust II was formed in July 2007 for purposes of issuing trust preferred securities to investors. At that time, it simultaneously issued and sold its common securities to the Corporation, which constituted all of the issued and outstanding common securities of FMC Trust II. The subordinated debentures, which were purchased with the proceeds of the sale of the trust's capital securities, are the sole assets of FMC Trust II and are fully and unconditionally guaranteed by the Corporation. As of December 31, 2024 and 2023, the subordinated debentures and trust preferred securities bear interest at a variable rate equal to the three-month CME Term Secured Overnight Financing Rate ("CME Term SOFR"), plus the 0.26161 percent spread adjustment. The interest rate at December 31, 2024 and 2023, was 6.18 percent and 7.21 percent, respectively. The trust preferred securities are currently redeemable at par and without penalty, subject to the Corporation having first redeemed the related subordinated debentures, with the prior approval of the Federal Reserve if then required under applicable capital guidelines or policies. The trust preferred securities and the subordinated debentures of FMC Trust II will mature on September 15, 2037. The Corporation continues to hold all outstanding common securities of FMC Trust II.
- *Ameriana Capital Trust I.* At December 31, 2024 and 2023, the Corporation had \$ 10.3 million of subordinated debentures issued to Ameriana Capital Trust I. On December 31, 2015, the Corporation acquired Ameriana Capital Trust I in conjunction with its acquisition of Ameriana Bancorp, Inc. With a trust preferred structure substantially similar to that described above for FMC Trust II, the subordinated debentures held by Ameriana Capital Trust I were purchased with the proceeds of the sale of the trust's capital securities. As of December 31, 2024 and 2023, the subordinated debentures and trust preferred securities bear interest at a variable rate equal to the three-month CME Term SOFR, plus the 0.26161 percent spread adjustment. The interest rate at December 31, 2024 and 2023, was 6.12 percent and 7.15 percent, respectively. The trust preferred securities of Ameriana Capital Trust I are currently redeemable at par and without penalty, subject to the Corporation having first redeemed the related subordinated debentures, with the prior approval of the Federal Reserve if then required under applicable capital guidelines or policies. The trust preferred securities and the subordinated debentures of Ameriana Capital Trust I will mature in March 2036. The Corporation continues to hold all of the outstanding common securities of Ameriana Capital Trust I.
- *First Merchants Senior Notes and Subordinated Notes.* On November 1, 2013, the Corporation completed the private issuance and sale to four institutional investors of an aggregate of \$ 70 million of debt comprised of (a) 5.00 percent Fixed-to-Floating Rate Senior Notes due 2028 in the aggregate principal amount of \$ 5 million (the "Senior Debt") and (b) 6.75 percent Fixed-to-Floating Rate Subordinated Notes due in 2028 in the aggregate principal amount of \$ 65 million (the "Subordinated Debt"). The interest rate on the Senior Debt and Subordinated Debt remained fixed for the first ten ( 10 ) years and converted to floating on October 30, 2023. As of December 31, 2024 and 2023, the Senior Debt had an annual floating rate equal to three-month CME Term SOFR, plus the 0.26161 percent spread adjustment, plus 2.345 percent. The interest rate on the Senior Debt was 7.18 percent and 7.98 percent as of December 31, 2024 and 2023, respectively. The Corporation had an option to redeem the Subordinated Debt in whole or in part at a redemption price equal to 100 percent of the principal amount of the redeemed Subordinated Notes, plus accrued and unpaid interest to the date of the redemption. The option of redemption was subject to the approval of the Federal Reserve Board. The Corporation has an option to redeem the Senior Debt in whole or in part at a redemption price equal to 100 percent of the principal amount of the redeemed Senior Notes, plus accrued and unpaid interest to the date of the redemption; provided, however, that no Subordinated Notes (as defined in the Issuing and Paying Agency Agreement) may remain outstanding subsequent to any early redemption of Senior Notes. The Subordinated Debt and the Senior Debt options to redeem began with the interest payment date on October 30, 2023, or on any scheduled interest payment date thereafter. During the first quarter of 2024, the Corporation exercised its rights to redeem \$ 40.0 million in principal and paid the debt in full on the scheduled interest payment date. Additionally, in the second quarter of 2024, the Corporation exercised its rights to redeem the remaining \$ 25.0 million in principal and paid the debt on the scheduled interest payment date. Both redemptions were permitted under the optional redemptions provisions of the Subordinated Note Certificate representing the Subordinated Debt. The Senior Debt agreement contains certain customary representations and warranties and financial and negative covenants. As of December 31, 2024 and 2023 the Corporation was in compliance with these covenants.
- *Level One Subordinated Notes.* On April 1, 2022, the Corporation assumed certain subordinated notes in conjunction with its acquisition of Level One. The \$ 30.0 million of subordinated notes issued on December 18, 2019 bear a fixed interest rate of 4.75 percent per annum, payable semiannually through December 18, 2024. The notes bear a floating interest rate equal to the three-month CME Term SOFR plus 3.11 percent, payable quarterly, after December 18, 2024 through maturity. The notes mature on December 18, 2029, and the Corporation has the option to redeem any or all of the subordinated notes without premium or penalty any time after December 18, 2024 or upon the occurrence of a tier 2 capital event or tax event. During the first quarter of 2025, the Corporation distributed notice of redemption of \$ 30.0 million in principal amount. The redemption is permitted under the optional redemptions provisions of the Subordinated Notes and will occur in the first quarter of 2025 on the scheduled interest payment date.
- *Other Borrowings.* During the third quarter of 2023, the Corporation acquired a secured borrowing in conjunction with the purchase of the Indianapolis regional headquarters building. The secured borrowing bears a fixed interest rate of 3.41 percent, has a maturity date of March 2035, and had a balance of \$ 7.1 million and \$ 7.3 million as of December 31, 2024 and 2023, respectively. On April 1, 2022, the Corporation acquired a secured borrowing in conjunction with its acquisition of Level One. The secured borrowing related to a certain loan participation sold by Level One that did not qualify for sales treatment. The secured borrowing bears a fixed rate of 1.00 percent and had a balance of \$ 1.1 million and \$ 1.2 million as of December 31, 2024 and 2023, respectively.

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*Line of Credit.* As of December 31, 2024, there was no outstanding balance on the line of credit.

- *U.S. Bank, N.A.* On September 30, 2024, the Corporation entered into a Credit Agreement with U.S. Bank, N.A. (the "Lender"). Under the terms of the Credit Agreement, the Lender has provided the Corporation with a revolving line of credit of up to \$ 75.0 million. The outstanding principal balance under the Credit Facility bears interest at a variable rate equal to the one-month Term SOFR rate plus 2.25 percent. Interest on the outstanding balance is payable quarterly, and the Credit Facility has a maturity date of September 30, 2025. Additionally, the Corporation is subject to a non-refundable facility fee equal to 0.40 percent per annum on the average daily unused amount of the Credit Facility, payable quarterly. The Credit Agreement contains customary representations, warranties and covenants. As of December 31, 2024, the Corporation's outstanding principal balance under the Credit Facility was zero and the Corporation was in compliance with all covenants.

**NOTE 12**

**DERIVATIVE FINANCIAL INSTRUMENTS**

*Risk Management Objective of Using Derivatives*

The Corporation is exposed to certain risks arising from both its business operations and economic conditions. The Corporation principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Corporation manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities and through the use of derivative financial instruments. Specifically, the Corporation enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Corporation's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Corporation's known or expected cash payments principally related to certain variable-rate liabilities. The Corporation also has derivatives that are a result of a service the Corporation provides to certain qualifying customers, and, therefore, are not used to manage interest rate risk in the Corporation's assets or liabilities. The Corporation manages a matched book with respect to its derivative instruments offered as a part of this service to its customers in order to minimize its net risk exposure resulting from such transactions.

*Derivatives Designated as Hedges*

The Corporation's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Corporation primarily uses interest rate swaps and interest rate caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the payment of fixed amounts to a counterparty in exchange for the Corporation receiving variable payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium. As of December 31, 2024 and 2023 the Corporation had no interest rate swaps or caps designated as hedges.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (loss). The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the twelve months ended December 31, 2024 and 2023, the Corporation did not recognize any ineffectiveness.

Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on the Corporation's variable-rate liabilities. During the next twelve months, the Corporation doesn't expect to reclassify income (loss) associated with derivatives from accumulated other comprehensive loss to interest expense.

The amount of gain recognized in other comprehensive income (loss) is included in the table below for the periods indicated.

	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative (Effective Portion)	
	For the Year Ended December 31,	
	2024	2023
Derivatives in Cash Flow Hedging Relationships		
Interest rate products	\$ —	\$ 179

The amount of loss reclassified from other comprehensive income (loss) into income related to cash flow hedging relationships is included in the table below for the years ended December 31, 2024, 2023 and 2022.

Derivatives Designated as Hedging Instruments under FASB ASC 815-10	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) (Effective Portion)	Amount of Gain (Loss) Reclassified from Other Comprehensive Income (Loss) into Income (Effective Portion)		
		2024	2023	2022
Interest rate contracts	Interest expense	\$ —	\$ ( 15 )	\$ ( 521 )



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*Non-designated Hedges*

The Corporation does not use derivatives for trading or speculative purposes. Derivatives not designated as hedges are not speculative and result from a service the Corporation provides to certain customers. The Corporation executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting interest rate swaps that the Corporation executes with a third party, such that the Corporation minimizes its net risk exposure resulting from such transactions. As the interest rate swaps associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings.

Commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third party investors are considered derivatives. It is the Corporation's practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from its commitments to fund the loans. These mortgage banking derivatives are not designated in hedge relationships. Fair values were estimated based on changes in mortgage interest rates from the date of the commitments. Changes in the fair value of these mortgage banking derivatives are included in net gains and fees on sales of loans.

The table below presents the fair value of the Corporation's non-designated hedges, as well as their classification on the Consolidated Balance Sheets, as of December 31, 2024 and 2023.

	December 31, 2024		December 31, 2023	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<b>Included in other assets:</b>				
Interest rate swaps	\$ 1,386,757	\$ 76,528	\$ 1,355,947	\$ 78,743
Forward contracts related to mortgage loans to be delivered for sale	39,142	465	15,160	469
Interest rate lock commitments	15,000	140	22,706	167
Included in other assets	<u>\$ 1,440,899</u>	<u>\$ 77,133</u>	<u>\$ 1,393,813</u>	<u>\$ 79,379</u>
<b>Included in other liabilities:</b>				
Interest rate swaps	\$ 1,486,764	\$ 76,450	\$ 1,355,947	\$ 78,811
Forward contracts related to mortgage loans to be delivered for sale	13,020	18	25,290	191
Interest rate lock commitments	14,457	100	1,025	6
Included in other liabilities	<u>\$ 1,514,241</u>	<u>\$ 76,568</u>	<u>\$ 1,382,262</u>	<u>\$ 79,008</u>

In the normal course of business, the Corporation may decide to settle a forward contract rather than fulfill the contract. Cash received or paid in this settlement manner is included in "Net gains and fees on sales of loans" in the Consolidated Statements of Income and is considered a cost of executing a forward contract. The amount of gain (loss) recognized into income related to non-designated hedging instruments is included in the table below for the periods indicated.

Derivatives Not Designated as Hedging Instruments under FASB ASC 815-10	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative		
		2024	2023	2022
Forward contracts related to mortgage loans to be delivered for sale	Net gains and fees on sales of loans	\$ 832	\$ 1,138	\$ 1,112
Interest rate lock commitments	Net gains and fees on sales of loans	( 121 )	185	71
Total net gain recognized in income		<u>\$ 711</u>	<u>\$ 1,323</u>	<u>\$ 1,183</u>

The Corporation's exposure to credit risk occurs because of nonperformance by its counterparties. The counterparties approved by the Corporation are usually financial institutions, which are well capitalized and have credit ratings through Moody's and/or Standard & Poor's at or above investment grade. The Corporation's mitigation of such risk is through quarterly financial reviews, comparing mark-to-market values with policy limitations, credit ratings and collateral pledging.

*Credit-risk-related Contingent Features*

The Corporation has agreements with certain of its derivative counterparties that contain a provision where if the Corporation fails to maintain its status as a well or adequately capitalized institution, then the Corporation could be required to terminate or fully collateralize all outstanding derivative contracts. Additionally, the Corporation has agreements with certain of its derivative counterparties that contain a provision where if the Corporation defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Corporation could also be declared in default on its derivative obligations. As of December 31, 2024, the termination value of derivatives in a net liability position related to these agreements was \$ 3.9 million, which resulted in no collateral pledged to counterparties as of December 31, 2024. While the Corporation did not breach any of these provisions as of December 31, 2024, if it had, the Corporation could have been required to settle its obligations under the agreements at their termination value.





## **PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **NOTE 13**

##### **FAIR VALUES OF FINANCIAL INSTRUMENTS**

The Corporation used fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The accounting guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 applies only when other guidance requires or permits assets or liabilities to be measured at fair value; it does not expand the use of fair value in any new circumstances.

As defined in ASC 820, fair value is the price to sell an asset or transfer a liability in an orderly transaction between market participants. It represents an exit price at the measurement date. Market participants are buyers and sellers, who are independent, knowledgeable, and willing and able to transact in the principal (or most advantageous) market for the asset or liability being measured. Current market conditions, including imbalances between supply and demand, are considered in determining fair value. The Corporation values its assets and liabilities in the principal market where it sells the particular asset or transfers the liability with the greatest volume and level of activity. In the absence of a principal market, the valuation is based on the most advantageous market for the asset or liability (i.e., the market where the asset could be sold or the liability transferred at a price that maximizes the amount to be received for the asset or minimizes the amount to be paid to transfer the liability).

Valuation inputs refer to the assumptions market participants would use in pricing a given asset or liability. Inputs can be observable or unobservable. Observable inputs are those assumptions which market participants would use in pricing the particular asset or liability. These inputs are based on market data and are obtained from a source independent of the Corporation. Unobservable inputs are assumptions based on the Corporation's own information or estimate of assumptions used by market participants in pricing the asset or liability. Unobservable inputs are based on the best and most current information available on the measurement date. All inputs, whether observable or unobservable, are ranked in accordance with a prescribed fair value hierarchy which gives the highest ranking to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest ranking to unobservable inputs for which there is little or no market activity (Level 3). Fair values for assets or liabilities classified as Level 2 are based on one or a combination of the following factors: (i) quoted prices for similar assets; (ii) observable inputs for the asset or liability, such as interest rates or yield curves; or (iii) inputs derived principally from or corroborated by observable market data. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Corporation considers an input to be significant if it drives 10 percent or more of the total fair value of a particular asset or liability.

##### **RECURRING MEASUREMENTS**

Assets and liabilities are considered to be measured at fair value on a recurring basis if fair value is measured regularly (i.e., daily, weekly, monthly or quarterly). Recurring valuation occurs at a minimum on the measurement date. Assets and liabilities are considered to be measured at fair value on a nonrecurring basis if the fair value measurement of the instrument does not necessarily result in a change in the amount recorded on the balance sheet. Generally, nonrecurring valuation is the result of the application of other accounting pronouncements which require assets or liabilities to be assessed for impairment and recorded at the lower of cost or fair value. The fair value of assets or liabilities transferred in or out of Level 3 is measured on the transfer date, with any additional changes in fair value subsequent to the transfer considered to be realized or unrealized gains or losses.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such instruments pursuant to the valuation hierarchy.

##### *Investment Securities*

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. The Corporation did not have any Level 1 securities as of December 31, 2024. Where significant observable inputs, other than Level 1 quoted prices, are available, securities are classified within Level 2 of the valuation hierarchy. Level 2 securities include U.S. Government-sponsored agency and mortgage-backed securities, state and municipal securities and corporate obligations securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include state and municipal securities, U.S. Government-sponsored mortgage-backed securities and corporate obligations securities. Level 3 fair value for securities was determined using a discounted cash flow model that incorporated market estimates of interest rates and volatility in markets that have not been active.

Third party vendors compile prices from various sources and may apply such techniques as matrix pricing to determine the value of identical or similar investment securities (Level 2). Matrix pricing is a mathematical technique widely used in the banking industry to value investment securities without relying exclusively on quoted prices for specific investment securities but rather relying on the investment securities' relationship to other benchmark quoted investment securities. Any investment security not valued based upon the methods above are considered Level 3.

##### *Derivative Financial Agreements*

See information regarding the Corporation's derivative financial agreements in NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS of these Notes to Consolidated Financial Statements.

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The following tables present the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024 and 2023.

		Fair Value Measurements Using:						
		Quoted Prices in						
		Active		Significant Other				
		Markets for Identical		Observable Inputs				
		Assets		Unobservable Inputs				
December 31, 2024		Fair Value	(Level 1)	(Level 2)	(Level 3)			
Available for sale securities:								
U.S. Government-sponsored agency securities	\$	79,381	\$	—	\$	79,381	\$	—
State and municipal		863,174		—		860,793		2,381
U.S. Government-sponsored mortgage-backed securities		431,622		—		431,618		4
Corporate obligations		12,298		—		12,267		31
Derivative assets		77,133		—		77,133		—
Derivative liabilities		76,568		—		76,568		—

		Fair Value Measurements Using:						
		Quoted Prices in						
		Active		Significant Other				
		Markets for Identical		Observable Inputs				
		Assets		Unobservable Inputs				
December 31, 2023		Fair Value	(Level 1)	(Level 2)	(Level 3)			
Available for sale securities:								
U.S. Government-sponsored agency securities	\$	95,307	\$	—	\$	95,307	\$	—
State and municipal		1,065,171		—		1,061,896		3,275
U.S. Government-sponsored mortgage-backed securities		454,815		—		454,811		4
Corporate obligations		11,819		—		11,788		31
Derivative assets		79,379		—		79,379		—
Derivative liabilities		79,008		—		79,008		—

**LEVEL 3 RECONCILIATION**

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheets using significant unobservable Level 3 inputs for year ended December 31, 2024 and 2023.

	Available for Sale Securities	
	For The Year Ended	
	December 31, 2024	December 31, 2023
Beginning Balance	\$ 3,310	\$ 3,439
Included in other comprehensive income (loss)	( 908 )	( 186 )
Principal payments	14	57
Ending balance	\$ 2,416	\$ 3,310

There were no gains or losses included in earnings that were attributable to the changes in unrealized gains or losses related to assets or liabilities held at December 31, 2024 or 2023.

**TRANSFERS BETWEEN LEVELS**

There were no transfers in or out of Level 3 during 2024 or 2023.

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**NONRECURRING MEASUREMENTS**

Following is a description of valuation methodologies used for instruments measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheets, as well as the general classification of such instruments pursuant to the valuation hierarchy at December 31, 2024 and 2023.

December 31, 2024	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable	Significant
		(Level 1)	Inputs (Level 2)	Unobservable Inputs (Level 3)
Collateral dependent loans	\$ 46,810	—	—	\$ 46,810

December 31, 2023	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable	Significant
		(Level 1)	Inputs (Level 2)	Unobservable Inputs (Level 3)
Collateral dependent loans	\$ 55,020	—	—	\$ 55,020

*Collateral Dependent Loans*

Determining fair value for collateral dependent loans requires obtaining a current independent appraisal of the collateral and applying a discount factor, which includes selling costs if applicable, to the value. The fair value of real estate is generally based on appraisals by qualified licensed appraisers. The appraisers typically determine the value of the real estate by utilizing an income or market valuation approach. If an appraisal is not available, the fair value may be determined by using a cash flow analysis. Fair value on other collateral such as business assets is typically ascertained by assessing, either singularly or some combination of, asset appraisals, accounts receivable aging reports, inventory listings and or customer financial statements. Both appraised values and values based on borrower's financial information are discounted as considered appropriate based on age and quality of the information and current market conditions.

**UNOBSERVABLE (LEVEL 3) INPUTS**

The following tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements, other than goodwill, at December 31, 2024 and 2023.

December 31, 2024	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
State and municipal securities	\$ 2,381	Discounted cash flow	Maturity/Call date	1 month to 6 years
			US Muni BQ curve	BBB
			Discount rate	3.6 % - 4.7 %
			Weighted-average coupon	3.6 %
Corporate obligations and U.S. Government-sponsored mortgage-backed securities	\$ 35	Discounted cash flow		3 month CME Term SOFR
			Risk free rate	plus 26 bps
			plus premium for illiquidity (basis points)	plus 200 bps
			Weighted-average coupon	0 %
Collateral dependent loans	\$ 46,810	Collateral based measurements	Discount to reflect current market conditions and	
			ultimate collectability	0 % - 16 %
			Weighted-average discount by loan balance	12.6 %

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December 31, 2023	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
State and municipal securities	\$ 3,275	Discounted cash flow	Maturity/Call date US Muni BQ curve Discount rate Weighted-average coupon	1 month to 15 years BBB 3.6 % - 4.7 % 3.3 %
Corporate obligations and U.S. Government-sponsored mortgage-backed securities	\$ 35	Discounted cash flow	Risk free rate plus premium for illiquidity (basis points) Weighted-average coupon	3 month CME Term SOFR plus 26 bps plus 200 bps 0 %
Collateral dependent loans	\$ 55,020	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability Weighted-average discount by loan balance	0 % - 10 % 4.1 %

The following is a discussion of the sensitivity of significant unobservable inputs, the interrelationships between those inputs and other unobservable inputs used in recurring fair value measurement and how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

*State and Municipal Securities, Corporate Obligations, and U.S. Government-sponsored Mortgage Backed Securities*

The significant unobservable inputs used in the fair value measurement of the Corporation's state and municipal securities, corporate obligations and U.S. Government-sponsored mortgage backed securities are premiums for unrated securities and marketability discounts. Significant increases or decreases in either of those inputs in isolation would result in a significantly lower or higher fair value measurement. Generally, changes in either of those inputs will not affect the other input.

**FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE**

The following tables present estimated fair values of the Corporation's financial instruments not carried at fair value and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024 and 2023.

	2024				
	Quoted Prices in Active				
	Carrying	Markets for Identical	Significant Other	Significant Unobservable	
	Amount	Assets	Observable Inputs	Inputs	Total Fair Value
		(Level 1)	(Level 2)	(Level 3)	
Assets at December 31:					
Cash and due from banks	\$ 87,616	\$ 87,616	\$ —	\$ —	\$ 87,616
Interest-bearing deposits	298,891	298,891	—	—	298,891
Investment securities held to maturity	2,074,220	—	1,716,647	6,873	1,723,520
Loans held for sale	18,663	—	18,663	—	18,663
Loans	12,661,602	—	—	12,437,523	12,437,523
Federal Home Loan Bank stock	41,690	—	41,690	—	41,690
Interest receivable	91,829	—	91,829	—	91,829
Liabilities at December 31:					
Deposits	14,521,626	\$ 12,502,819	\$ 2,010,348	\$ —	14,513,167
Borrowings:					
Securities sold under repurchase agreements	142,876	—	142,865	—	142,865
Federal Home Loan Bank advances	822,554	—	816,786	—	816,786
Subordinated debentures and other borrowings	93,529	—	84,108	—	84,108
Interest payable	16,102	—	16,102	—	16,102

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2023					
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Assets at December 31:</b>					
Cash and due from banks	\$ 112,649	\$ 112,649	\$ —	\$ —	\$ 112,649
Interest-bearing deposits	436,080	436,080	—	—	436,080
Investment securities held to maturity, net	2,184,252	—	1,859,974	10,400	1,870,374
Loans held for sale	18,934	—	18,934	—	18,934
Loans	12,281,093	—	—	11,958,301	11,958,301
Federal Home Loan Bank stock	41,769	—	41,769	—	41,769
Interest receivable	97,664	—	97,664	—	97,664
<b>Liabilities at December 31:</b>					
Deposits	\$ 14,821,453	\$ 12,482,295	\$ 2,329,662	\$ —	\$ 14,811,957
<b>Borrowings:</b>					
Securities sold under repurchase agreements	157,280	—	157,265	—	157,265
Federal Home Loan Bank advances	712,852	—	707,377	—	707,377
Subordinated debentures and other borrowings	158,644	—	149,995	—	149,995
Interest payable	18,912	—	18,912	—	18,912

**NOTE 14**

**ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following table summarizes the changes in the balances of each component of accumulated other comprehensive income (loss), net of tax, as of December 31, 2024 and 2023:

	Accumulated Other Comprehensive Income (Loss)			
	Unrealized Gains (Losses) on Securities Available for Sale	Unrealized Gains (Losses) on Cash Flow Hedges	Unrealized Gains (Losses) on Defined Benefit Plans	Total
Balance at December 31, 2023	\$ ( 173,654 )	\$ —	\$ ( 2,316 )	\$ ( 175,970 )
Other comprehensive income (loss) before reclassifications	( 31,156 )	—	2,043	( 29,113 )
Amounts reclassified from accumulated other comprehensive income (loss)	16,398	—	—	16,398
Period change	( 14,758 )	—	2,043	( 12,715 )
Balance at December 31, 2024	\$ ( 188,412 )	\$ —	\$ ( 273 )	\$ ( 188,685 )
Balance at December 31, 2022	\$ ( 234,495 )	\$ 130	\$ ( 4,786 )	\$ ( 239,151 )
Other comprehensive income (loss) before reclassifications	55,366	( 142 )	2,405	57,629
Amounts reclassified from accumulated other comprehensive income (loss)	5,475	12	65	5,552
Period change	60,841	( 130 )	2,470	63,181
Balance at December 31, 2023	\$ ( 173,654 )	\$ —	\$ ( 2,316 )	\$ ( 175,970 )

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The following table presents the reclassification adjustments out of accumulated other comprehensive income (loss) that were included in net income in the Consolidated Statements of Income for the years ended December 31, 2024, 2023 and 2022:

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) For the Year Ended December 31,			
Details about Accumulated Other Comprehensive Income (Loss) Components	2024	2023	2022	Affected Line Item in the Statements of Income
Unrealized gains (losses) on available for sale securities <sup>(1)</sup>				
Realized securities gains (losses) reclassified into income	\$ ( 20,757 )	\$ ( 6,930 )	\$ 1,194	Other income - net realized gains (losses) on sales of available for sale securities
Related income tax benefit (expense)	4,359	1,455	( 251 )	Income tax expense
	<u>\$ ( 16,398 )</u>	<u>\$ ( 5,475 )</u>	<u>\$ 943</u>	
Unrealized gains (losses) on cash flow hedges <sup>(2)</sup>				
Interest rate contracts	\$ —	\$ ( 15 )	\$ ( 521 )	Interest expense - subordinated debentures and other borrowings
Related income tax benefit (expense)	—	3	109	Income tax expense
	<u>\$ —</u>	<u>\$ ( 12 )</u>	<u>\$ ( 412 )</u>	
Unrealized gains (losses) on defined benefit plans				
Amortization of net loss and prior service costs	\$ —	\$ ( 82 )	\$ ( 82 )	Other expenses - salaries and employee benefits
Related income tax benefit (expense)	—	17	17	Income tax expense
	<u>\$ —</u>	<u>\$ ( 65 )</u>	<u>\$ ( 65 )</u>	
Total reclassifications for the period, net of tax	<u>\$ ( 16,398 )</u>	<u>\$ ( 5,552 )</u>	<u>\$ 466</u>	

<sup>(1)</sup> For additional detail related to unrealized gains (losses) on available for sale securities and related amounts reclassified from accumulated other comprehensive income see NOTE 4. INVESTMENT SECURITIES of these Notes to Consolidated Financial Statements.

<sup>(2)</sup> For additional detail related to unrealized gains (losses) on cash flow hedges and related amounts reclassified from accumulated other comprehensive income see NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS of these Notes to Consolidated Financial Statements.

**NOTE 15**

**REGULATORY CAPITAL AND DIVIDENDS**

Regulatory Capital

Capital adequacy is an important indicator of financial stability and performance. The Corporation and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies and are assigned to a capital category. The assigned capital category is largely determined by four ratios that are calculated according to the regulations: total risk-based capital, tier 1 risk-based capital, common equity tier 1 ("CET1"), and tier 1 leverage ratios. The ratios are intended to measure capital relative to assets and credit risk associated with those assets and off-balance sheet exposures of the entity. The capital category assigned to an entity can also be affected by qualitative judgments made by regulatory agencies about the risk inherent in the entity's activities that are not part of the calculated ratios.

There are five capital categories defined in the regulations, ranging from well capitalized to critically undercapitalized. Classification of a bank in any of the undercapitalized categories can result in actions by regulators that could have a material effect on a bank's operations. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total risk-based capital, tier 1 capital and CET1 capital, in each case, to risk-weighted assets, and of tier 1 capital to average assets, or leverage ratio, all of which are calculated as defined in the regulations. Banks with lower capital levels are deemed to be undercapitalized, significantly undercapitalized or critically undercapitalized, depending on their actual levels. The appropriate federal regulatory agency may also downgrade a bank to the next lower capital category upon a determination that the bank is in an unsafe or unsound practice. Banks are required to monitor closely their capital levels and to notify their appropriate regulatory agency of any basis for a change in capital category.

Basel III requires the Corporation and the Bank to maintain the minimum capital and leverage ratios as defined in the regulation and as illustrated in the following table, which capital to risk-weighted asset ratios include a 2.5 percent capital conservation buffer. Under Basel III, in order to avoid limitations on capital distributions, including dividends, the Corporation must hold a 2.5 percent capital conservation buffer above the adequately capitalized CET1 to risk-weighted assets ratio (which buffer is reflected in the required ratios below). Under Basel III, the Corporation and Bank elected to opt-out of including accumulated other comprehensive income in regulatory capital. As of December 31, 2024, the Bank met all capital adequacy requirements to be considered well capitalized under the fully phased-in Basel III capital rules. There is no threshold for well capitalized status for bank holding companies.





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As part of a March 27, 2020 joint statement of federal banking regulators, an interim final rule that allowed banking organizations to mitigate the effects of the CECL accounting standard on their regulatory capital was announced. Banking organizations could elect to mitigate the estimated cumulative regulatory capital effects of CECL for up to two years. This two-year delay was to be in addition to the three-year transition period that federal banking regulators had already made available. While the 2021 CAA provided for a further extension of the mandatory adoption of CECL until January 1, 2022, the federal banking regulators elected to not provide a similar extension to the two year mitigation period applicable to regulatory capital effects. Instead, the federal banking regulators require that, in order to utilize the additional two-year delay, banking organizations must have adopted the CECL standard no later than December 31, 2020, as required by the Coronavirus Aid, Relief and Economic Security Act, or CARES Act. As a result, because implementation of the CECL standard was delayed by the Corporation until January 1, 2021, it began phasing in the cumulative effect of the adoption on its regulatory capital, at a rate of 25 percent per year, over a three-year transition period that began on January 1, 2021. Under that phase-in schedule, the cumulative effect of the adoption was fully reflected in regulatory capital on January 1, 2024.

On November 1, 2013, the Corporation completed the private issuance and sale to four institutional investors of an aggregate of \$ 70 million of debt comprised of (a) 5.00 percent Fixed-to-Floating Rate Senior Notes due 2028 in the aggregate principal amount of \$ 5 million and (b) 6.75 percent Fixed-to-Floating Rate Subordinated Notes due October 30, 2028 in the aggregate principal amount of \$ 65 million. As of December 31, 2023 the Corporation began the five years phase out (at a rate of 20 percent per year) as defined in the Basil III capital rules, which resulted in a reduction of \$ 13 million in tier 2 capital. The Corporation exercised its right to redeem \$ 40 million of the subordinated debt on the scheduled interest payment date during the first quarter of 2024 and redeemed the remaining \$ 25.0 million during the second quarter of 2024.

On April 1, 2022, the Corporation assumed \$ 30.0 million of subordinated notes in conjunction with its acquisition of Level One. The notes mature on December 18, 2029, and the Corporation has the option to redeem any or all of the subordinated notes without premium or penalty any time after December 18, 2024 or upon the occurrence of a tier 2 capital event or tax event. As of December 31, 2024, these subordinated debentures were classified as tier 2 capital and were subject to the five year phase-out.

The Corporation's and Bank's actual and required capital ratios as of December 31, 2024 and 2023 were as follows:

December 31, 2024	Prompt Corrective Action Thresholds					
	Actual		Basel III Minimum Capital Required		Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital to risk-weighted assets						
First Merchants Corporation	\$ 2,030,362	13.31 %	\$ 1,601,175	10.50 %	N/A	N/A
First Merchants Bank	1,967,738	12.89	1,602,417	10.50	\$ 1,526,112	10.00 %
Tier 1 capital to risk-weighted assets						
First Merchants Corporation	\$ 1,767,468	11.59 %	\$ 1,296,189	8.50 %	N/A	N/A
First Merchants Bank	1,776,738	11.64	1,297,195	8.50	\$ 1,220,889	8.00 %
Common equity tier 1 capital to risk-weighted assets						
First Merchants Corporation	\$ 1,742,468	11.43 %	\$ 1,067,450	7.00 %	N/A	N/A
First Merchants Bank	1,776,738	11.64	1,068,278	7.00	\$ 991,973	6.50 %
Tier 1 capital to average assets						
First Merchants Corporation	\$ 1,767,468	9.96 %	\$ 710,089	4.00 %	N/A	N/A
First Merchants Bank	1,776,738	9.92	716,172	4.00	\$ 895,215	5.00 %

December 31, 2023	Prompt Corrective Action Thresholds					
	Actual		Basel III Minimum Capital Required		Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital to risk-weighted assets						
First Merchants Corporation	\$ 2,021,124	13.67 %	\$ 1,552,685	10.50 %	N/A	N/A
First Merchants Bank	1,931,810	13.06	1,553,600	10.50	\$ 1,479,619	10.00 %
Tier 1 capital to risk-weighted assets						
First Merchants Corporation	\$ 1,703,626	11.52 %	\$ 1,256,935	8.50 %	N/A	N/A
First Merchants Bank	1,746,299	11.80	1,257,676	8.50	\$ 1,183,695	8.00 %
Common equity tier 1 capital to risk-weighted assets						
First Merchants Corporation	\$ 1,678,626	11.35 %	\$ 1,035,123	7.00 %	N/A	N/A
First Merchants Bank	1,746,299	11.80	1,035,733	7.00	\$ 961,752	6.50 %
Tier 1 capital to average assets						
First Merchants Corporation	\$ 1,703,626	9.64 %	\$ 707,091	4.00 %	N/A	N/A
First Merchants Bank	1,746,299	9.89	706,331	4.00	\$ 882,913	5.00 %



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A reconciliation of certain non-GAAP amounts used in the determination of the above regulatory measures is detailed within the "Capital" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included as Item 7 of this Annual Report on Form 10-K.

Management believes the disclosed capital ratios are meaningful measurements for evaluating the safety and soundness of the Corporation. Traditionally, the banking regulators have assessed bank and bank holding company capital adequacy based on both the amount and the composition of capital, the calculation of which is prescribed in federal banking regulations. The Federal Reserve focuses its assessment of capital adequacy on a component of tier 1 capital known as CET1. Because the Federal Reserve has long indicated that voting common shareholders' equity (essentially tier 1 risk-based capital less preferred stock and non-controlling interest in subsidiaries) generally should be the dominant element in tier 1 risk-based capital, this focus on CET1 is consistent with existing capital adequacy categories. Tier I regulatory capital consists primarily of total stockholders' equity and subordinated debentures issued to business trusts categorized as qualifying borrowings, less non-qualifying intangible assets and unrealized net securities gains or losses.

#### Dividends

The Corporation's principal source of funds for dividend payments to shareholders is dividends received from the Bank. Banking regulations limit the maximum amount of dividends that a bank may pay without requesting prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the bank's retained income (as defined under the regulations) for the current year plus those for the previous two years, subject to the capital requirements described above. As of December 31, 2024, the amount available for dividends from the Corporation's subsidiaries (both banking and non-banking), without prior regulatory approval or notice, was \$ 283.4 million.

Additionally, the Corporation has a Dividend Reinvestment and Stock Purchase Plan, enabling stockholders to elect to have their cash dividends on all shares automatically reinvested in additional shares of the Corporation's common stock. In addition, stockholders may elect to make optional cash payments up to an aggregate of \$ 5,000 per quarter for the purchase of additional shares of common stock. The stock is credited to participant accounts at fair market value. Dividends are reinvested on a quarterly basis.

#### Preferred Stock

As part of the Level One acquisition, the Corporation issued 10,000 shares of a newly created 7.5 percent non-cumulative perpetual preferred stock with a liquidation preference of \$ 2,500 per share, in exchange for the outstanding Level One Series B preferred stock, and as part of that exchange, each outstanding Level One depositary share representing a 1/100th interest in a share of the Level One preferred stock was converted into a depositary share of the Corporation representing a 1/100th interest in a share of its newly issued preferred stock. The Corporation had \$ 25.0 million of outstanding preferred stock at December 31, 2024 and 2023. During the twelve months ended December 31, 2024, the Corporation declared and paid dividends of \$ 187.52 per share (equivalent to \$ 1.88 per depositary share), equal to \$ 1.9 million. During the twelve months ended December 31, 2023, the Corporation declared and paid dividends of \$ 187.52 per share (equivalent to \$ 1.88 per depositary share), equal to \$ 1.9 million. The Series A preferred stock qualifies as tier 1 capital for purposes of the regulatory capital calculations.

#### Stock Repurchase Program

On January 27, 2021, the Board of Directors of the Corporation approved a stock repurchase program of up to 3,333,000 shares of the Corporation's outstanding common stock; provided, however, that the total aggregate investment in shares repurchased under the program may not exceed \$ 100,000,000 . On a share basis, the amount of common stock subject to the repurchase program represents approximately 6 percent of the Corporation's outstanding shares at the time the program became effective. The Corporation repurchased 1,648,466 shares of its common stock pursuant to the repurchase program during 2024. As of December 31, 2024, the Corporation had approximately 1.0 million shares at a maximum aggregate value of \$ 18.4 million available to repurchase under the program. The Corporation did not repurchase any shares of its common stock pursuant to the repurchase program during 2022 or 2023.

In August 2022, the Inflation Reduction Act of 2022 (the "IRA") was enacted. Among other things, the IRA imposes a new 1 percent excise tax on the fair market value of stock repurchased after December 31, 2022 by publicly traded U.S. corporations (like the Corporation). With certain exceptions, the value of stock repurchased is determined net of stock issued in the year, including shares issued pursuant to compensatory arrangements. For the twelve months ended December 31, 2024, the Corporation recorded excise tax of \$ 0.5 million, related to its share repurchase during the period, which is reflected in the Stockholders' Equity as a component of additional paid-in capital.

#### NOTE 16

#### LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying Consolidated Balance Sheets. The unpaid balances are as follows for December 31, 2024 and 2023.

	2024	2023
<b>Mortgage loan portfolios serviced for:</b>		
Federal Home Loan Mortgage Corporation	\$ 835,432	\$ 809,198
Fannie Mae	758,477	780,926
Equity Bank	36,408	42,429
Federal Home Loan Bank	386,022	159,590
Total	<u>\$ 2,016,339</u>	<u>\$ 1,792,143</u>



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For certain loans, the originated loans are sold to third parties on a non-recourse basis with servicing rights retained. The retained servicing rights are recorded as a servicing asset and are reported under the line item "Other Assets" in the Consolidated Balance Sheets. The associated amortization expense is included in "Other Noninterest Expense" in the Consolidated Statements of Income. Mortgage servicing rights are initially recorded at fair value and then carried at the lower of amortized cost or fair value.

The following table presents changes in the servicing asset during the years ended December 31, 2024 and 2023:

	Year Ended December 31,	
	2024	2023
Balance, beginning of period	\$ 8,157	\$ 8,055
Servicing rights capitalized	4,444	3,160
Amortization of servicing rights	( 3,202 )	( 3,058 )
Balance, end of period	\$ 9,399	\$ 8,157

The fair value of servicing rights was \$ 12.9 million and \$ 11.9 million for the years ended December 31, 2024 and 2023, respectively. Fair value at December 31, 2024 was determined using weighted average discount rates ranging from 2.55 percent to 8.22 percent, Public Securities Association Prepayment Model speed ("PSA") ranging from 0 percent to 274 percent and cost to service of \$ 6 per loan. Fair value at December 31, 2023 was determined using weighted average discount rates ranging from 2.55 percent to 8.20 percent, PSA ranging from 103 percent to 555 percent, and cost to service of \$ 6 per loan.

**NOTE 17**

**SHARE-BASED COMPENSATION**

Stock options and Restricted Stock Awards ("RSA") have been issued to directors, officers and other management employees under the Corporation's 2024 Long-term Equity Incentive Plan, the 2019 Long-term Equity Incentive Plan, the Level One Bancorp, Inc. 2007 Stock Option Plan and the Equity Compensation Plan for Non-Employee Directors. The stock options, which have a ten-year life, become 100 percent vested based on time ranging from one year to two years and are fully exercisable when vested. Option exercise prices equal the Corporation's common stock closing price on Nasdaq on the date of grant. The RSAs issued to employees and non-employee directors provide for the issuance of shares of the Corporation's common stock at no cost to the holder and generally vest after three years. The RSAs vest only if the employee is actively employed by the Corporation on the vesting date and, therefore, any unvested shares are forfeited. For non-employee directors, the RSAs vest only if the non-employee director remains as an active board member on the vesting date and, therefore, any unvested shares are forfeited. The RSAs for employees and non-employee directors are either immediately vested at retirement, disability or death, or, continue to vest after retirement, disability or death, depending on the plan under which the shares were granted.

The Corporation's 2024 Employee Stock Purchase Plan ("ESPP") provides eligible employees of the Corporation and its subsidiaries an opportunity to purchase shares of common stock of the Corporation through quarterly offerings financed by payroll deductions. The price of the stock to be paid by the employees shall be equal to 85 percent of the average of the closing price of the Corporation's common stock on each trading day during the offering period. However, in no event shall such purchase price be less than the lesser of an amount equal to 85 percent of the market price of the Corporation's stock on the offering date or an amount equal to 85 percent of the market value on the date of purchase. Common stock purchases are made quarterly and are paid through advance payroll deductions up to a calendar year maximum of \$ 25,000. The 2019 Employee Stock Purchase Plan expired on June 30, 2024.

Compensation expense related to unvested share-based awards is recorded by recognizing the unamortized grant date fair value of these awards over the remaining service periods of those awards, with no change in historical reported fair values and earnings. Awards are valued at fair value in accordance with provisions of share-based compensation guidance and are recognized on a straight-line basis over the service periods of each award. To complete the exercise of vested stock options, RSAs and ESPP options, the Corporation generally issues new shares from its authorized but unissued share pool. Share-based compensation for the years ended December 31, 2024, 2023, and 2022 was \$ 5.8 million, \$ 5.2 million, and \$ 4.7 million, respectively, and has been recognized as a component of salaries and benefits expense in the accompanying Consolidated Statements of Income.

Share-based compensation expense recognized in the Consolidated Statements of Income is based on awards ultimately expected to vest and is reduced for estimated forfeitures. Share-based compensation guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods, if actual forfeitures differ from those estimates. Pre-vesting forfeitures were estimated to be approximately 0.05 percent for the year ended December 31, 2024, based on historical experience.

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The following table summarizes the components of the Corporation's share-based compensation awards recorded as an expense and the income tax benefit of such awards. In 2024, the Corporation had RSAs vest primarily at a stock price that was lower than the grant date stock price, which resulted in the recognition of income tax expense at vesting of \$ 130,000 . For the years ended December 31, 2023 and 2022, the Corporation had RSAs vest primarily at a stock price that was higher than the grant date stock price, which resulted in the recognition of income tax benefit at vesting of \$ 126,000 and \$ 86,000 , respectively.

	Years Ended December 31,		
	2024	2023	2022
<b>Stock and ESPP Options</b>			
Pre-tax compensation expense	\$ 164	\$ 103	\$ 95
Income tax benefit	( 40 )	( 62 )	( 74 )
Stock and ESPP option expense, net of income taxes	\$ 124	\$ 41	\$ 21
<b>Restricted Stock Awards</b>			
Pre-tax compensation expense	\$ 5,654	\$ 5,055	\$ 4,557
Income tax benefit	( 1,058 )	( 1,188 )	( 1,043 )
Restricted stock awards expense, net of income taxes	\$ 4,596	\$ 3,867	\$ 3,514
<b>Total Share-Based Compensation:</b>			
Pre-tax compensation expense	\$ 5,818	\$ 5,158	\$ 4,652
Income tax benefit	( 1,098 )	( 1,250 )	( 1,117 )
Total share-based compensation expense, net of income taxes	\$ 4,720	\$ 3,908	\$ 3,535

The grant date fair value of ESPP options was estimated to be approximately \$ 33,000 at the beginning of the October 1, 2024 quarterly offering period. The ESPP options vested during the three months ending December 31, 2024, leaving no unrecognized compensation expense related to unvested ESPP options at December 31, 2024.

Stock option activity under the Corporation's stock option plans, as of December 31, 2024, and changes during the year ended December 31, 2024, were as follows:

			Weighted Average		
	Number of	Weighted-Average	Remaining Contractual	Aggregate	
	Shares	Exercise Price	Term (in Years)	Intrinsic Value	
Outstanding at January 1, 2024	90,075	\$ 20.21			
Exercised	( 49,084 )	\$ 18.34			
Outstanding December 31, 2024	40,991	\$ 22.44	1.69	\$	715
Vested and Expected to Vest at December 31, 2024	40,991	\$ 22.44	1.69	\$	715
Exercisable at December 31, 2024	40,991	\$ 22.44	1.69	\$	715

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Corporation's closing stock price on the last trading day of 2024 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their stock options on December 31, 2024. The amount of aggregate intrinsic value will change based on the fair value of the Corporation's common stock.

The aggregate intrinsic value of stock options exercised during the years ended December 31, 2024 and 2023 was \$ 707,000 and \$ 1.4 million, respectively. Cash receipts of stock options exercised during 2024 and 2023 were \$ 900,000 and \$ 1.1 million, respectively.

The following table summarizes information on unvested RSAs outstanding as of December 31, 2024:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested RSAs at January 1, 2024	452,426	\$ 37.94
Granted	199,746	\$ 36.07
Forfeited	( 7,850 )	\$ 38.50
Vested	( 89,886 )	\$ 42.79
Unvested RSAs at December 31, 2024	554,436	\$ 36.47

As of December 31, 2024, unrecognized compensation expense related to RSAs was \$ 10.5 million and is expected to be recognized over a weighted-average period of 1.65 years. The Corporation did not have any unrecognized compensation expense related to stock options as of December 31, 2024.



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**NOTE 18**

**PENSION AND OTHER POST RETIREMENT BENEFIT PLANS**

The Corporation's defined-benefit pension plans, including non-qualified plans for certain employees, former employees and former non-employee directors, cover approximately 9 percent of the Corporation's employees. In 2005, the Board of Directors of the Corporation approved the curtailment of the accumulation of defined benefits for future services provided by certain participants in the First Merchants Corporation Retirement Plan. No additional pension benefits have been earned by any employees who had not attained both the age of 55 and accrued at least 10 years of vesting service as of March 1, 2005. The benefits are based primarily on years of service and employees' pay near retirement. Contributions are intended to provide not only for benefits attributed to service-to-date, but also for those expected to be earned in the future.

The table below sets forth the plans' funded status and amounts recognized in the Consolidated Balance Sheets at December 31, using measurement dates of December 31, 2024 and 2023.

	2024	2023
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 55,761	\$ 55,764
Interest cost	2,632	2,876
Actuarial (gain) loss	( 2,678 )	2,386
Benefits paid	( 7,317 )	( 5,265 )
Benefit obligation at end of year	\$ 48,398	\$ 55,761
Change in Plan Assets:		
Fair value of plan assets at beginning of year	\$ 82,258	\$ 77,534
Actual return on plan assets	4,006	9,395
Employer contributions	588	594
Benefits paid	( 7,317 )	( 5,265 )
End of year	79,535	82,258
Funded status at end of year	\$ 31,137	\$ 26,497
Assets and Liabilities Recognized in the Balance Sheets:		
Deferred tax asset	\$ 505	\$ 1,141
Assets	\$ 33,217	\$ 29,262
Liabilities	\$ 2,081	\$ 2,765

As of December 31, 2024, the funded status of the plans increased \$ 4.6 million from December 31, 2023. The aggregate unrecognized loss decreased from \$ 4.6 million at December 31, 2023 to \$ 2.0 million at December 31, 2024. The key contributing factors to the change in the unrecognized loss were the discount rate increased by 50 basis points from 5.10 percent to 5.60 percent, which decreased the liability \$ 1.7 million and the assets in the plan earned a return of \$ 4.0 million, which was \$ 0.1 million less than the expected return.

The accumulated benefit obligation for all defined benefit plans was \$ 48.4 million and \$ 55.8 million at December 31, 2024 and 2023, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets consists solely of the non-qualified plans for certain employees, former employees and former non-employee directors, and is included in the table below.

	December 31, 2024	December 31, 2023
Projected benefit obligation	\$ 2,081	\$ 2,765
Accumulated benefit obligation	\$ 2,081	\$ 2,765
Fair value of plan assets	\$ —	\$ —

The Corporation recognized expense under these non-qualified plans of \$ 0.1 million, \$ 0.2 million and \$ 0.1 million for 2024, 2023 and 2022, respectively.

The following table shows the components of net periodic pension benefit cost:



	December 31, 2024	December 31, 2023	December 31, 2022
Interest cost	2,632	2,876	1,905
Expected return on plan assets	( 4,133 )	( 3,887 )	( 4,544 )
Amortization of prior service cost	49	87	87
Amortization of net loss	1	80	13
Net periodic pension benefit cost	<u>\$ ( 1,451 )</u>	<u>\$ ( 844 )</u>	<u>\$ ( 2,539 )</u>

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Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):

	December 31, 2024	December 31, 2023	December 31, 2022
Net periodic pension benefit cost	\$ (1,451)	\$ ( 844 )	\$ (2,539)
Net gain (loss)	2,551	3,121	(1,797)
Amortization of net loss	49	80	13
Amortization of prior service cost	1	87	87
Total recognized in other comprehensive income (loss)	2,601	3,288	(1,697)
Total recognized in net periodic pension benefit cost and other comprehensive income (loss)	\$ 4,052	\$ 4,132	\$ 842

Significant assumptions include:

	December 31, 2024	December 31, 2023	December 31, 2022
Weighted-average Assumptions Used to Determine Benefit Obligation:			
Discount rate	5.60 %	5.10 %	5.40 %
Rate of compensation increase for accruing active participants	n/a	n/a	n/a
Weighted-average Assumptions Used to Determine Cost:			
Discount rate	5.10 %	5.40 %	2.70 %
Expected return on plan assets	5.25 %	5.25 %	5.00 %
Rate of compensation increase for accruing active participants	n/a	n/a	n/a

At December 31, 2024 and 2023, the Corporation based its estimate of the expected long-term rate of return on analysis of the historical returns of the plans and current market information available.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2024. The minimum contribution required in 2025 will likely be zero , but the Corporation may decide to make a discretionary contribution during the year.

2025	\$ 5,274
2026	5,110
2027	4,832
2028	4,663
2029	4,493
After 2029	18,420
	<u>\$ 42,792</u>

The Savings Plan, a Section 401(k) qualified defined contribution plan, was amended on March 1, 2005 to provide enhanced retirement benefits, including employer and matching contributions, for eligible employees of the Corporation and its subsidiaries. The Corporation matches employees' contributions at the rate of 100 percent for the first 3 percent of base salary contributed by participants and 50 percent of the next 3 percent of base salary contributed by participants.

Beginning in 2005, employees who have completed 1000 hours of service and are an active employee on the last day of the year receive an additional retirement contribution after year-end. Employees hired after January 1, 2010 do not participate in the additional retirement contribution. Effective January 1, 2013, the additional retirement contribution was fixed at 2 percent. Full vesting occurs after five years of service. The Corporation's expense for the Savings Plan, including the additional retirement contribution, was \$ 7.0 million, \$ 7.2 million and \$ 6.5 million for 2024, 2023 and 2022, respectively.

The Corporation also maintains a post retirement benefit plan that provides health insurance benefits for a closed group of participants that came to the Corporation through the 2019 MBT acquisition. To be eligible for the post retirement plan, the participants must (1) have been hired by MBT prior to January 1, 2007, (2) be a full-time employee of the Corporation and employed by MBT prior to the acquisition, and (3) be at least 55 years of age with 5 years of full-time service with MBT. The plan allowed retirees to be carried under the Corporation's health insurance plan, generally from ages 55 to 65 . The retirees' premiums are determined based on their retiree class (per historical MBT guidelines) and also determined by the plan type for which the retiree is enrolled. As of December 31, 2024 and 2023, the obligation payable under the post retirement plan was \$ 0.3 million and \$ 2.3 million, respectively. Post retirement plan expense totaled \$ 32,000 , \$ 44,000 and \$ 53,000 for 2024, 2023 and 2022, respectively.

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*Pension Plan Assets*

The plans' investment strategies are to provide for preservation of capital with an emphasis on long-term growth without undue exposure to risk. The assets of the plans are invested in accordance with the plans' Investment Policy Statement, subject to strict compliance with ERISA and any other applicable statutes. The plans' risk management practices include semi-annual evaluations of investment managers, including reviews of compliance with investment manager guidelines and restrictions; ability to exceed performance objectives; adherence to the investment philosophy and style; and ability to exceed the performance of other investment managers. The evaluations are reviewed by management with appropriate follow-up and actions taken, as deemed necessary. The Investment Policy Statement generally allows investments in cash and cash equivalents, real estate, fixed income debt securities and equity securities, and specifically prohibits investments in derivatives, options, futures, private placements, short selling, non-marketable securities and purchases of individual non-investment grade bonds.

Plan assets are re-balanced quarterly. At December 31, 2024 and 2023, plan assets by category are as follows:

	December 31, 2024		December 31, 2023	
	Actual	Target	Actual	Target
Cash and cash equivalents	3.3 %	3.0 %	3.0 %	3.0 %
Equity securities	27.3	20.0	53.4	53.0
Debt securities	69.4	77.0	41.9	42.0
Alternative investments	—	—	1.7	2.0
	100.0 %	100.0 %	100.0 %	100.0 %

At December 31, 2024, the maturities of the plans' debt securities ranged from 14 days to 20.4 years, with a weighted average maturity of 8.0 years. At December 31, 2023, the maturities of the plans' debt securities ranged from 75 days to 8.2 years, with a weighted average maturity of 3.7 years.

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets total \$ 69.2 million and \$ 76.8 million as of December 31, 2024 and 2023, respectively, and include cash and cash equivalents, common stocks, mutual funds and corporate bonds and notes. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets total \$ 10.3 million and \$ 5.4 million as of December 31, 2024 and 2023, respectively, and include governmental agencies, taxable municipal bonds and notes, and certificates of deposit. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. There are no assets classified within Level 3 of the hierarchy at December 31, 2024 and 2023.

December 31, 2024	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash & Cash Equivalents	\$ 2,609	\$ 2,609	\$ —	\$ —
Corporate Bonds and Notes	29,206	29,206	—	—
Government Agency and Municipal Bonds and Notes	10,089	—	10,089	—
Certificates of Deposit	246	—	246	—
Party-in-Interest Investments				
Common Stock	2,413	2,413	—	—
Mutual Funds and Exchange Traded Funds				
Taxable Bond	15,648	15,648	—	—
Large Cap Equity	11,047	11,047	—	—
Mid Cap Equity	3,403	3,403	—	—
Small Cap Equity	1,275	1,275	—	—
International Equity	3,599	3,599	—	—
	<u>\$ 79,535</u>	<u>\$ 69,200</u>	<u>\$ 10,335</u>	<u>\$ —</u>

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December 31, 2023	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash & Cash Equivalents	\$ 2,433	\$ 2,433	\$ —	\$ —
Corporate Bonds and Notes	17,224	17,224	—	—
Government Agency and Municipal Bonds and Notes	5,164	—	5,164	—
Certificates of Deposit	245	—	245	—
Party-in-Interest Investments				
Common Stock	2,243	2,243	—	—
Mutual Funds and Exchange Traded Funds				
Taxable Bond	11,834	11,834	—	—
Large Cap Equity	24,787	24,787	—	—
Mid Cap Equity	9,520	9,520	—	—
Small Cap Equity	4,900	4,900	—	—
International Equity	2,494	2,494	—	—
Specialty Alternative Equity	1,414	1,414	—	—
	<u>\$ 82,258</u>	<u>\$ 76,849</u>	<u>\$ 5,409</u>	<u>\$ —</u>

**NOTE 19**

**INCOME TAX**

The reconciliation between income tax expense expected at the U.S. federal statutory tax rate and the reported income tax expense is summarized in the following table for years ended December 31, 2024, 2023 and 2022:

	2024	2023	2022
Reconciliation of Federal Statutory to Actual Tax Expense:			
Federal Statutory Income Tax at 21%	\$ 48,663	\$ 54,439	\$ 53,692
Tax-exempt Interest Income	( 17,509 )	( 18,193 )	( 19,349 )
Non-deductible FDIC Premiums	624	454	427
Earnings on Life Insurance	( 1,777 )	( 1,753 )	( 2,344 )
Tax Credits	( 2,018 )	( 331 )	( 414 )
State Tax	631	1,171	2,494
Other	1,712	( 341 )	( 921 )
Income Tax Expense	<u>\$ 30,326</u>	<u>\$ 35,446</u>	<u>\$ 33,585</u>
Effective Tax Rate	13.1 %	13.7 %	13.1 %

Income tax expense consists of the following components for the years ended December 31, 2024, 2023, 2022:

	2024	2023	2022
Income Tax Expense for the Year Ended December 31:			
Currently Payable:			
Federal	\$ 27,979	\$ 29,351	\$ 21,824
State	723	( 504 )	2,696
Deferred:			
Federal	1,548	4,613	8,604
State	76	1,986	461
Income Tax Expense	<u>\$ 30,326</u>	<u>\$ 35,446</u>	<u>\$ 33,585</u>



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Significant components of the net deferred tax assets and liabilities resulting from temporary differences were as follows at December 31, 2024 and 2023:

	2024	2023
Deferred Tax Asset at December 31:		
Assets:		
Differences in Accounting for Credit Losses	\$ 51,186	\$ 54,734
Differences in Accounting for Loan Fees	2,193	2,398
Deferred Compensation	3,950	4,021
Federal & State Income Tax Loss Carryforward and Credits	1,166	600
Net Unrealized Loss on Securities Available for Sale	50,084	46,161
Other	5,771	6,716
<b>Total Assets</b>	<b>114,350</b>	<b>114,630</b>
Liabilities:		
Differences in Depreciation Methods	8,801	7,439
Differences in Accounting for Loans and Securities	920	1,284
Differences in Accounting for Mortgage Servicing Rights	2,280	1,987
Difference in Accounting for Pensions and Other Employee Benefits	8,156	6,072
State Income Tax	1,416	1,428
REIT Dividend Deferral	677	2,979
Other	6,208	8,692
<b>Total Liabilities</b>	<b>28,458</b>	<b>29,881</b>
<b>Net Deferred Tax Asset</b>	<b>\$ 85,892</b>	<b>\$ 84,749</b>

As of December 31, 2024, the Corporation has approximately \$ 25.0 million of state NOL carryforwards available to offset future state taxable income, which will expire beginning in 2025. These NOL carryforwards along with normal timing differences between book and tax result in total state deferred tax assets of \$ 6.7 million. Management believes it is more likely than not that the benefit of these state NOL carryforwards and other state deferred tax assets will be fully realized.

The Corporation has additional paid-in capital that is considered restricted resulting from the acquisitions of CFS Bancorp, Inc. ("CFS") and Ameriana Bancorp, Inc. ("Ameriana") of approximately \$ 13.4 million and \$ 11.9 million, respectively. CFS and Ameriana qualified as banks under provisions of the Internal Revenue Code which permitted them to deduct from taxable income an allowance for bad debts which differed from the provision for losses charged to income, for which no deferred federal income tax liability has been recognized. If in the future this portion of additional paid-in capital is distributed, or the Corporation no longer qualifies as a bank for income tax purposes, federal income taxes may be imposed at the then applicable tax rate. The unrecorded deferred tax liability at December 31, 2024, would have been approximately \$ 5.3 million.

The Corporation or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Corporation is generally no longer subject to U.S. federal, state and local income tax examinations by tax authorities for tax years before 2021.

Additional details regarding the Corporation's policies related to income taxes are discussed in NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES of these Notes to Consolidated Financial Statements.

## NOTE 20

### NET INCOME PER COMMON SHARE

Basic net income per common share is computed by dividing net income available to common stockholders by the weighted-average common shares outstanding during the reporting period. Diluted net income per common share is computed by dividing net income available to common stockholders by the combination of the weighted-average common shares outstanding during the reporting period and all potentially dilutive common shares. Potentially dilutive common shares include stock options and RSAs issued under the Corporation's share-based compensation plans. Potentially dilutive common shares are excluded from the computation of diluted earnings per common share in the periods where the effect would be antidilutive.

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The following table reconciles basic and diluted net income per common share for the years indicated:

	2024			2023			2022		
	Net			Net			Net		
	Income Available to	Weighted-	Per	Income Available to		Per	Income Available to		Per
	Common	Average Common	Share	Common	Weighted-Average	Share	Common	Weighted-Average	Share
	Stockholders	Shares	Amount	Stockholders	Common Shares	Amount	Stockholders	Common Shares	Amount
Net income available to common stockholders	\$ 199,527	58,312,575	\$ 3.42	\$ 221,911	59,304,879	\$ 3.74	\$ 220,683	57,692,018	\$ 3.83
Effect of potentially dilutive stock options and restricted stock awards		219,990			183,641			258,239	
Diluted net income per common share	\$ 199,527	58,532,565	\$ 3.41	\$ 221,911	59,488,520	\$ 3.73	\$ 220,683	57,950,257	\$ 3.81
RSAs excluded from the diluted average common share calculation <sup>(1)</sup>		92,175			69,421			39,830	

<sup>(1)</sup> Anti-dilution occurs when the unrecognized compensation cost per share of an RSA exceeds the market price of the Corporation's stock.

As of December 31, 2024, 2023 and 2022, there were no stock options with an option price greater than the average market price of the common shares.

**NOTE 21**

**CONDENSED FINANCIAL INFORMATION (parent company only)**

Presented below is condensed financial information as to financial position, results of operations, and cash flows of the Corporation.

**Condensed Balance Sheets**

	December 31, 2024	December 31, 2023
<b>Assets</b>		
Cash and due from banks	\$ 66,996	\$ 100,858
Investment in subsidiaries	2,315,701	2,291,788
Other assets	12,834	10,250
<b>Total assets</b>	<b>\$ 2,395,531</b>	<b>\$ 2,402,896</b>
<b>Liabilities</b>		
Subordinated debentures and other borrowings	\$ 85,232	\$ 150,174
Interest payable	329	1,383
Other liabilities	4,987	3,626
<b>Total liabilities</b>	<b>90,548</b>	<b>155,183</b>
<b>Stockholders' equity</b>	<b>2,304,983</b>	<b>2,247,713</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,395,531</b>	<b>\$ 2,402,896</b>

**PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(table dollar amounts in thousands, except share data)*

**Condensed Statements of Income and Comprehensive Income (Loss)**

	December 31, 2024	December 31, 2023	December 31, 2022
<b>Income</b>			
Dividends from subsidiaries	\$ 180,000	\$ 131,525	\$ 90,500
Other income	210	16	( 1,693 )
Total income	180,210	131,541	88,807
<b>Expenses</b>			
Interest expense	6,803	10,164	8,005
Salaries and employee benefits	4,536	4,406	3,786
Other expenses	3,640	3,695	3,629
Total expenses	14,979	18,265	15,420
Income before income tax benefit and equity in undistributed income of subsidiaries	165,231	113,276	73,387
Income tax benefit	( 3,311 )	( 4,526 )	( 3,645 )
Income before equity in undistributed income of subsidiaries	168,542	117,802	77,032
Equity in undistributed income of subsidiaries	32,860	105,984	145,057
Net income	201,402	223,786	222,089
Preferred stock dividends	1,875	1,875	1,406
Net income available to common stockholders	\$ 199,527	\$ 221,911	\$ 220,683
Net income	\$ 201,402	\$ 223,786	\$ 222,089
Other comprehensive income (loss)	( 12,715 )	63,181	( 294,264 )
Comprehensive income (loss)	\$ 188,687	\$ 286,967	\$ ( 72,175 )

**Condensed Statements of Cash Flows**

	December 31, 2024	December 31, 2023	December 31, 2022
<b>Cash Flow From Operating Activities:</b>			
Net income	\$ 201,402	\$ 223,786	\$ 222,089
Adjustments to reconcile net income to net cash provided by operating activities			
Share-based compensation	2,060	1,803	1,659
Equity in undistributed income of subsidiaries	( 32,860 )	( 105,984 )	( 145,057 )
Other adjustments	( 3,615 )	( 2,446 )	( 5,925 )
Net cash provided by operating activities	166,987	117,159	72,766
<b>Cash Flow From Investing Activities:</b>			
Net cash and cash equivalents paid in acquisition	—	—	( 72,494 )
Proceeds from business divestitures	—	4,852	—
Net cash provided (used) by investing activities	—	4,852	( 72,494 )
<b>Cash Flow From Financing Activities:</b>			
Cash dividends on common stock	( 81,623 )	( 80,061 )	( 72,748 )
Cash dividends on preferred stock	( 1,875 )	( 1,875 )	( 1,406 )
Borrowings			
Repayment of borrowings	( 65,000 )	—	—
Stock issued under employee benefit plans	656	754	706
Stock issued under dividend reinvestment and stock purchase plan	2,261	2,180	2,056
Stock options exercised	900	1,110	358
Repurchases of common stock	( 56,168 )	—	—
Net cash used by financing activities	( 200,849 )	( 77,892 )	( 71,034 )
Net change in cash and cash equivalents	( 33,862 )	44,119	( 70,762 )
Cash and cash equivalents, beginning of the year	100,858	56,739	127,501
Cash and cash equivalents, end of year	\$ 66,996	\$ 100,858	\$ 56,739





**PART II: ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(table dollar amounts in thousands, except share data)*

**NOTE 22**

**SEGMENT INFORMATION**

The Corporation has one reportable segment, community banking. The Corporation's reportable segment is determined by the Chief Executive Officer, who is the designated chief operating decision maker ("CODM"), based upon information provided about the Corporation's products and services offered. The CODM will evaluate the financial performance of the Corporation's business components by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Corporation's segment. The Corporation generates revenue primarily by providing banking services to its customers. Interest expense, provisions for credit losses and salaries and employee benefits are the significant expenses in the banking operations. The CODM evaluates performance, allocates resources and makes key operating decisions based on consolidated net income that is reported in the Consolidated Statements of Income. The measure of segment assets is reported on the Consolidated Balance Sheets as total consolidated assets. All operations are domestic.

**NOTE 23**

**GENERAL LITIGATION**

The Corporation is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flow of the Corporation.

## ***PART II: ITEM 9., ITEM 9A. AND ITEM 9B.***

### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

In connection with its audits for the two most recent fiscal years ended December 31, 2024, there have been no disagreements with the Corporation's independent registered public accounting firm on any matter of accounting principles or practices, financial statement disclosure or audit scope or procedure, nor have there been any changes in accountants.

### **ITEM 9A. CONTROLS AND PROCEDURES.**

At the end of the period covered by this report (the "Evaluation Date"), the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's management, including the Corporation's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 ("Exchange Act"). Based upon that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Corporation's disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in the Corporation's reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

### **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management of First Merchants Corporation (the "Corporation") is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Corporation's internal control over financial reporting is designed to provide reasonable assurance to the Corporation's management and Board of Directors regarding the preparation and fair presentation of published financial statements. As part of its function of assisting the Corporation's Board of Directors in discharging its responsibility of ensuring financial reporting and regulatory risks to the organization are properly being managed, mitigated and monitored by Management, the Audit Committee of the Board of Directors oversees management's internal controls over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Accordingly, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2024. In making this assessment, management used the criteria set forth in "Internal Control - Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this assessment, management has determined that the Corporation's internal control over financial reporting as of December 31, 2024 is effective based on the specified criteria.

There have been no changes in the Corporation's internal controls over financial reporting identified in connection with the evaluation referenced above that occurred during the Corporation's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

FORVIS MAZARS, LLP, the independent registered public accounting firm that audited the financial statements included in Item 8 of this Annual Report on Form 10-K, has issued an attestation report on the Corporation's internal control over financial reporting as of December 31, 2024, which appears as follows.

## **PART II: ITEM 9., ITEM 9A., ITEM 9B. AND ITEM 9C.**

### **Report of Independent Registered Public Accounting Firm**

To the Stockholders, Board of Directors and Audit Committee  
First Merchants Corporation  
Muncie, Indiana

#### ***Opinion on the Internal Control over Financial Reporting***

We have audited First Merchants Corporation's (the "Corporation") internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Corporation as of December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, and our report dated February 24, 2025, expressed an unqualified opinion on those financial statements.

#### ***Basis for Opinion***

The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

#### ***Definitions and Limitations of Internal Control over Financial Reporting***

A corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements for external purposes in accordance with generally accepted accounting principles. A corporation's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the corporation; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the corporation are being made only in accordance with authorizations of management and directors of the corporation; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the corporation's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

**Forvis Mazars, LLP**

Indianapolis, Indiana  
February 24, 2025

***PART II: ITEM 9., ITEM 9A., ITEM 9B. AND ITEM 9C.***

**ITEM 9B. OTHER INFORMATION.**

None

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.**

Not applicable

## PART III: ITEM 10., ITEM 11., ITEM 12., ITEM 13. AND ITEM 14.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The Corporation has adopted a Code of Ethics that applies to its Chief Executive Officer, President, Chief Financial Officer, Corporate Controller and Corporate Treasurer. It is part of the Corporation's Code of Business Conduct, which applies to all employees and directors of the Corporation and its affiliates. A copy of the Code of Business Conduct may be obtained, free of charge, by writing to First Merchants Corporation at 200 East Jackson Street, Muncie, IN 47305. In addition, the Code of Ethics is maintained on the Corporation's website, which can be accessed at <https://www.firstmerchants.com>.

The Corporation will provide information that is responsive to the remainder of this Item 10 in its definitive proxy statement furnished to stockholders in connection with the 2025 annual meeting ("2025 Proxy Statement") or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered hereby. That information is incorporated in this Item 10 by reference.

#### ITEM 11. EXECUTIVE COMPENSATION.

The Corporation will provide information that is responsive to this Item 11 in its 2025 Proxy Statement or in an amendment to this Annual Report on Form 10-K not later than 120 days after the end of the fiscal year covered hereby. That information is incorporated in this Item 11 by reference.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

##### Equity Compensation Plan Information

The following table provides information about the Corporation's common stock that may be issued under equity compensation plans as of December 31, 2024.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercised price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensations plans (excluding securities reflected in first column)
Equity compensation plans approved by stockholders	40,991	\$ 22.44	1,824,560
Total	40,991	\$ 22.44	1,824,560

##### Security Ownership and Related Matters

The Corporation will provide additional information that is responsive to this Item 12 in its 2025 Proxy Statement or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered hereby. That information is incorporated in this Item 12 by reference.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The Corporation will provide information that is responsive to this Item 13 in its 2025 Proxy Statement or in an amendment to this Annual Report on Form 10-K not later than 120 days after the end of the fiscal year covered hereby. That information is incorporated in this Item 13 by reference.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Our independent registered public accounting firm is Forvis Mazars, LLP , Indianapolis, IN , Auditor Firm ID: 686 .

The Corporation will provide information that is responsive to this Item 14 in its 2025 Proxy Statement or in an amendment to this Annual Report on Form 10-K not later than 120 days after the end of the fiscal year covered hereby. That information is incorporated in this Item 14 by reference.

## ***PART IV: ITEM 15. AND ITEM 16.***

### ***PART IV***

#### **ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES.**

##### **FINANCIAL INFORMATION**

(a) 1. The following financial statements are filed as part of this document under Item 8 hereof:

Independent accountants' report

Consolidated Balance Sheets at December 31, 2024 and 2023

Consolidated Statements of Income, years ended December 31, 2024, 2023 and 2022

Consolidated Statements of Comprehensive Income, years ended December 31, 2024, 2023 and 2022

Consolidated Statements of Stockholders' Equity, years ended December 31, 2024, 2023 and 2022

Consolidated Statements of Cash Flows, years ended December 31, 2024, 2023 and 2022

Notes to consolidated financial statements

(a) 2. Financial statement schedules:

All schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or related notes.

(a) 3. Exhibits:

<u>Exhibit No:</u>	<u>Description of Exhibits:</u>
--------------------	---------------------------------

3.1	<a href="#">First Merchants Corporation Articles of Incorporation, as amended (Incorporated by reference to Exhibit 3.1 of registrant's Form 8-K filed on May 22, 2024) (SEC No. 000-17071)</a>
3.2	<a href="#">Bylaws of First Merchants Corporation effective as of May 20, 2024 (Incorporated by reference to Exhibit 3.2 of registrant's Form 8-K filed on May 22, 2024) (SEC No. 001-41342)</a>
4.1	<a href="#">First Merchants Corporation Amended and Restated Declaration of Trust of First Merchants Capital Trust II dated as of July 2, 2007 (Incorporated by reference to Exhibit 4.1 of registrant's Form 8-K filed on July 3, 2007) (SEC No. 000-17071)</a>
4.2	<a href="#">Indenture dated as of July 2, 2007 (Incorporated by reference to Exhibit 4.2 of registrant's Form 8-K filed on July 3, 2007) (SEC No. 000-17071)</a>
4.3	<a href="#">Guarantee Agreement dated as of July 2, 2007 (Incorporated by reference to Exhibit 4.3 of registrant's Form 8-K filed on July 3, 2007) (SEC No. 000-17071)</a>
4.4	<a href="#">Form of Capital Securities Certification of First Merchants Capital Trust II (Incorporated by reference to Exhibit 4.4 of registrant's Form 8-K filed on July 3, 2007) (SEC No. 000-17071)</a>
4.5	<a href="#">First Merchants Corporation Dividend Reinvestment and Stock Purchase Plan (Incorporated by reference to registrant's Prospectus filed pursuant to Rule 424(b)(3) on July 17, 2020) (SEC No. 333-229527)</a>
4.6	<a href="#">Upon request, the registrant agrees to furnish supplementally to the Commission a copy of the instruments defining the rights of holders of its (a) 5.00% Fixed-to-Floating Rate Senior Notes due 2028 in the aggregate principal amount of \$5 million and (b) 6.75% Fixed-to-Floating Rate Subordinated Notes due 2028 in aggregate principal amount of \$65 million.</a>
4.7	<a href="#">Description of the Registrant's Securities Registered under Section 12 of the Securities Exchange Act of 1934 (Incorporated by reference to Exhibit 4.7 of registrant's Form 10-K filed on March 1, 2023) (SEC No. 000-17071)</a>
4.8	<a href="#">Deposit Agreement by and among First Merchants Corporation, Broadridge Corporate Issuer Solutions, Inc., as depositary, and holders from time to time of the depositary receipts described therein, as amended on March 30, 2022 (Incorporated by reference to Exhibit 4.1 of registrant's Form 8-A filed on March 30, 2022) (SEC No. 001-41342)</a>
4.9	<a href="#">Form of Depositary Receipt (Incorporated by reference to Exhibit 4.2 of registrant's Form 8-A filed on March 30, 2022) (SEC No. 001-41342)</a>
4.10	<a href="#">Indenture, dated as of December 18, 2019, between First Merchants Corporation (as successor to Level One Bancorp, Inc.) and Wilmington Trust, National Association, as trustee (Incorporated by reference to Exhibit 4.1 of Level One Bancorp, Inc.'s Form 8-K filed on December 19, 2019) (SEC No. 001-38458)</a>
4.11	<a href="#">First Supplemental Indenture, dated as of March 31, 2022, among First Merchants Corporation, Level One Bancorp, Inc. and Wilmington Trust, National Association, as trustee (Incorporated by reference to Exhibit 4.11 of registrant's Form 10-K filed on March 1, 2023) (SEC No. 000-17071)</a>
4.12	<a href="#">Form of 4.75% Fixed-to-Floating Rate Subordinated Notes due 2029 (Incorporated by reference to Exhibit 4.2 of Level One Bancorp, Inc.'s Form 8-K filed on December 19, 2019) (SEC No. 001-38458)</a>
10.1	<a href="#">First Merchants Corporation Senior Management Incentive Compensation Program, dated February 3, 2025 (Incorporated by reference to the description in Item 5.02 of registrant's Form 8-K filed on February 6, 2025) (SEC No. 001-41342) (1)</a>
10.2	<a href="#">First Merchants Corporation non-employee director compensation schedule adopted February 9, 2021 (Incorporated by reference to Exhibit 10.1 of registrant's Form 10-Q filed on May 10, 2021) (SEC No. 000-17071) (1)</a>
10.3	<a href="#">First Merchants Corporation Non-Employee Directors' Deferred Compensation Plan, effective as of January 1, 2018 (Incorporated by reference to Exhibit 10.1 of registrant's Form 8-K filed on December 15, 2017) (SEC No. 000-17071) (1)</a>
10.4	<a href="#">First Merchants Corporation 2009 Long-Term Equity Incentive Plan, effective as amended January 1, 2015 (Incorporated by reference to Exhibit 10.3 of registrant's Form 10-K filed on February 27, 2015) (SEC No. 000-17071) (1)</a>
10.5	<a href="#">First Merchants Corporation Change of Control Agreement, as amended, with Mark K. Hardwick dated June 1, 2011 (Incorporated by reference to Exhibit 10.2 of registrant's Form 10-Q filed on August 9, 2011) (SEC No. 000-17071) (1)</a>
10.6	<a href="#">First Merchants Corporation Change of Control Agreement, as amended, with Michael J. Stewart dated June 1, 2011 (Incorporated by reference to Exhibit 10.3 registrant's Form 10-Q filed on August 9, 2011) (SEC No. 000-17071) (1)</a>
10.7	<a href="#">First Merchants Corporation Change of Control Agreement, as amended, with John J. Martin dated June 1, 2011 (Incorporated by reference to Exhibit 10.4 of registrant's Form 10-Q filed on August 9, 2011) (SEC No. 000-17071) (1)</a>
10.8	<a href="#">First Merchants Corporation Change of Control Agreement, effective February 11, 2014, with Stephan H. Fluhler (Incorporated by reference to Exhibit 10.1 of registrant's Form 8-K filed on May 12, 2014) (SEC No. 000-17071) (1)</a>



**PART IV: ITEM 15. AND ITEM 16.**

10.9	<a href="#">First Merchants Corporation Change of Control Agreement, effective November 4, 2021, with Michele M. Kawiecki (Incorporated by reference to Exhibit 10.1 of registrant's Form 8-K filed on November 10, 2021) (SEC No. 000-17071) (1)</a>
10.10	<a href="#">First Merchants Corporation Change of Control Agreement, effective August 23, 2021, with Chad W. Kimball (2)</a>
10.11	<a href="#">First Merchants Corporation Change of Control Agreement, effective November 1, 2024 with Joseph C. Peterson (2)</a>
10.12	<a href="#">First Merchants Corporation Supplemental Executive Retirement Plan and amendments thereto (Incorporated by reference to Exhibit 10.7 of registrant's Form 10-K filed on March 27, 1998) (SEC No. 000-17071) (1)</a>
10.13	<a href="#">First Merchants Corporation Defined Contribution Supplemental Retirement Plan dated January 1, 2006 (Incorporated by reference to Exhibit 10.1 of registrant's Form 8-K filed on February 6, 2007) (SEC No. 000-17071) (1)</a>
10.14	<a href="#">First Merchants Corporation Participation Agreement of Michael C. Rechin dated January 26, 2007 (Incorporated by reference to Exhibit 10.2 of registrant's Form 8-K filed on February 6, 2007) (SEC No. 000-17071) (1)</a>
10.15	<a href="#">2011 Executive Deferred Compensation Plan, effective January 1, 2011 (Incorporated by reference to Exhibit 10.1 of registrant's Form 8-K filed on November 3, 2011) (SEC No. 000-17071) (1)</a>
10.16	<a href="#">First Merchants Corporation 2019 Long-Term Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 of registrant's Form 8-K filed May 15, 2019) (SEC No. 000-17071) (1)</a>
10.17	<a href="#">First Merchants Corporation 2019 Employee Stock Purchase Plan (Incorporated by reference to Exhibit 10.2 of registrant's Form 8-K filed May 15, 2019) (SEC No. 000-17071) (1)</a>
10.18	<a href="#">First Merchants Corporation Equity Compensation Plan for Non-Employee Directors (Incorporated by reference to Exhibit 4.5 of registrant's Form S-8 filed June 26, 2019) (SEC No. 333-232362) (1)</a>
10.19	<a href="#">Level One Bancorp., Inc. 2007 Stock Option Plan as amended and restated April 15, 2015 (Incorporated by reference to Exhibit 10.5 of Level One Bancorp., Inc.'s registration statement on Form S-1 filed March 23, 2018) (SEC No. 333-223866) (1)</a>
10.20	<a href="#">Amendment to the Level One Bancorp., Inc. 2007 Stock Option Plan, dated August 29, 2017 (Incorporated by reference to Exhibit 10.6 of Level One Bancorp., Inc.'s registration statement on Form S-1 filed March 23, 2018) (SEC No. 333-223866) (1)</a>
10.21	<a href="#">First Merchants Corporation 2024 Long-Term Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 of registrant's Form 8-K filed on May 10, 2024) (SEC No. 000-17071) (1)</a>
10.22	<a href="#">First Merchants Corporation 2024 Employee Stock Purchase Plan (Incorporated by reference to Exhibit 10.2 of registrant's Form 8-K filed on May 10, 2024) (SEC No. 000-17071) (1)</a>
10.23	<a href="#">First Merchants Corporation Equity Compensation Plan for Non-Employee Directors (Incorporated by reference to registrant's Form S-8 filed on June 4, 2024) (SEC No. 333-232362) (1)</a>
19	<a href="#">Insider Trading Policy (2)</a>
21	<a href="#">Subsidiaries of registrant (2)</a>
23	<a href="#">Consent of Independent Registered Public Accounting Firm (2)</a>
24	<a href="#">Limited Power of Attorney (2)</a>
31.1	<a href="#">Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 (2)</a>
31.2	<a href="#">Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 (2)</a>
32	<a href="#">Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (3)</a>
97	<a href="#">First Merchants Corporation Clawback Policy (Incorporated by reference to Exhibit 97 of First Merchants Corporation's Annual Report on Form 10-K for the year ended December 31, 2023)</a>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (2)
101.SCH	Inline XBRL Taxonomy Extension Schema Document (2)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (2)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (2)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (2)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (2)
104	Cover Page Interactive Data File (formatted as Inline XBRL and included in Exhibit 101)
(1) Management contract or compensatory plan	
(2) Filed herewith.	
(3) Furnished herewith.	

***PART IV: ITEM 15. AND ITEM 16.***

**ITEM 16. FORM 10-K SUMMARY.**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 24th day of February, 2025.

FIRST MERCHANTS CORPORATION

By: /s/ Mark K. Hardwick

Mark K. Hardwick

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities indicated, on this 24th day of February, 2025.

/s/ Mark K. Hardwick

Mark K. Hardwick

Chief Executive Officer

(Principal Executive Officer)

/s/ Michele M. Kawiecki

Michele M. Kawiecki, Executive Vice President

Chief Financial Officer

(Principal Financial and Accounting Officer)

/s/ Michael R. Becher\*

Michael R. Becher, Director

/s/ Kevin D. Johnson\*

Kevin D. Johnson, Director

/s/ Susan W. Brooks\*

Susan W. Brooks, Director

/s/ Clark C. Kellogg\*

Clark C. Kellogg, Director

/s/ Mung Chiang\*

Mung Chiang, Director

/s/ Gary J. Lehman\*

Gary J. Lehman, Director

/s/ Patrick J. Fehring\*

Patrick J. Fehring, Director

/s/ Michael C. Rechin\*

Michael C. Rechin, Director

/s/ Michael J. Fisher\*

Michael J. Fisher, Director

/s/ Charles E. Schalliol\*

Charles E. Schalliol, Director

/s/ F. Howard Halderman\*

F. Howard Halderman, Director

/s/ Jason R. Sondhi\*

Jason R. Sondhi, Director

/s/ Mark K. Hardwick\*

Mark K. Hardwick, Director

/s/ Jean L. Wojtowicz\*

Jean L. Wojtowicz, Director

\* By Michele M. Kawiecki as Attorney-in Fact pursuant to a Limited Power of Attorney executed by the directors listed above, which Power of Attorney is being filed with the Securities and Exchange Commission as an exhibit hereto.

/s/ Michele M. Kawiecki

Michele M. Kawiecki

As Attorney-in-Fact

February 24, 2025

### **CHANGE OF CONTROL AGREEMENT**

This Agreement is made and entered into as of August 23, 2021 (the "Effective Date"), by and between First Merchants Corporation, an Indiana corporation (the "Corporation"), with its principal office located at 200 East Jackson Street, Muncie, Indiana, and Chad W. Kimball (the "Executive"), of Loveland, Ohio.

WHEREAS, the Corporation considers the continuance of proficient and experienced management to be essential to protecting and enhancing the best interests of the Corporation and its shareholders; and

WHEREAS, the Corporation desires to assure the continued services of the Executive on behalf of the Corporation and/or its wholly-owned subsidiary, First Merchants Bank (the "Bank") (for purposes of this Agreement, the term "Corporation" shall include the Bank, unless otherwise expressly stated); and

WHEREAS, the Corporation recognizes that, if faced with a proposal for a Change of Control, the Executive will have a significant role in helping the Board of Directors of the Corporation (the "Board") assess the options and advising the Board on what is in the best interests of the Corporation and its shareholders; and it is necessary for the Executive to be able to provide this advice and counsel without being influenced by the uncertainties of the Executive's own situation; and

WHEREAS, the Corporation desires to provide fair and reasonable benefits to the Executive on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings herein contained and the continued employment of the Executive by the Corporation, the Corporation and the Executive, each intending that this Agreement shall modify and supersede any existing or previous Change of Control Agreement between the parties, agree as follows:

1. Term of Agreement

This Agreement shall continue in effect through the December 31 following the Effective Date; provided, however, that commencing on the December 31 following the Effective Date and each December 31 thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than the October 31 following the Effective Date or the October 31 immediately preceding any December 31 thereafter, the Corporation shall have given the Executive notice that it does not wish to extend this Agreement; and provided further, that if a Change of Control of the Corporation, as defined in Section 2, shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period

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of not less than twenty-four (24) months beyond the month in which such Change of Control occurred.

2. Definitions.

For purposes of this Agreement, the following definitions shall apply:

A. Cause: "Cause" shall mean:

- (1) professional incompetence;
- (2) willful misconduct;
- (3) personal dishonesty;
- (4) breach of fiduciary duty involving personal profit;
- (5) intentional failure to perform stated duties;
- (6) willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist orders; and
- (7) any intentional material breach of any term, condition or covenant of this Agreement.

(B) Change of Control: "Change of Control" shall mean:

- (1) any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 ["Exchange Act"]), other than the Corporation, is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Corporation or the Bank representing twenty-five percent (25%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities;
- (2) persons constituting a majority of the Board were not directors of the Corporation for at least the twenty-four (24) preceding months;
- (3) the stockholders of the Corporation approve a merger or consolidation of the Corporation or the Bank with any other corporation, other than (a) a merger or consolidation which would result in the voting securities of the Corporation or the Bank

outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Corporation or Bank such surviving entity outstanding immediately after such a merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of the Corporation or the Bank (or similar transaction) in which no person acquires fifty percent (50%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities; or

- (4) the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or the Bank or an agreement for the sale or disposition by the Corporation or the Bank of all or substantially all of the Corporation's or the Bank's assets.
- (C) Date of Termination: "Date of Termination" shall mean the date stated in the Notice of Termination (as hereinafter defined) or thirty (30) days from the date of delivery of such notice, as hereinafter defined, whichever comes first.
- (D) Disability: "Disability" shall mean the definition of such term as used in the disability policy then in effect for the Corporation, and a determination of full disability by the Corporation; provided that in the event there is no disability insurance then in force, "disability" shall mean incapacity due to physical or mental illness which will have caused the Executive to have been unable to perform his or her duties with the Corporation on a full time basis for one hundred eighty (180) consecutive calendar days.
- (E) Notice of Termination: "Notice of Termination" shall mean a written notice, communicated to the other parties hereto, which shall indicate the specific termination provisions of this Agreement relied upon and set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated.
- (F) Retirement: "Retirement" shall mean termination of employment by the Executive in accordance with the Corporation's normal retirement policy generally applicable to its salaried employees in effect at the time of a Change of Control.

3. Termination.

- (A) General. If any of the events described in Section 2 constituting a Change in Control of the Corporation or the Bank shall have occurred, the Executive shall be entitled to the benefits described in Section 4 upon the subsequent termination of the Executive's employment during the term of this Agreement, unless such termination is (a) because of the death or Disability of the Executive, (b) by the Corporation for Cause, or (c) by the Executive other than on account of Constructive Termination (as hereinafter defined).
- (B) If, following a Change of Control, the Executive's employment shall be terminated for Cause, the Corporation shall pay the Executive his or her salary through the Date of Termination at the rate in effect on the date of the Notice of Termination, and the Corporation shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment shall be terminated as a result of death or Disability, compensation to the Executive shall be made pursuant to the Corporation's then existing policies on death or Disability, and the Corporation shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment is terminated by and at the request of the Executive as a result of Retirement, compensation to the Executive shall be made pursuant to the Corporation's normal retirement policy generally applicable to its salaried employees at the time of the Change of Control, and the Corporation shall have no further obligations under this Agreement.
- (C) Constructive Termination. The Executive shall be entitled to terminate his or her employment upon the occurrence of Constructive Termination. For purposes of this Agreement, "Constructive Termination" shall mean, without the Executive's express written consent, the occurrence, after a Change of Control of the Corporation or the Bank, of any of the following circumstances:
  - (1) the assignment to the Executive of any duties inconsistent (unless in the nature of a promotion) with the position in the Corporation that the Executive held immediately prior to the Change of Control of the Corporation or the Bank, or a significant adverse reduction or alteration in the nature or status of the Executive's position, duties or responsibilities or the conditions of the Executive's employment from those in effect immediately prior to such Change of Control;

- (2) a reduction in the Executive's annual base salary, as in effect immediately prior to the Change of Control of the Corporation or the Bank or as the same may be adjusted from time to time, except for across-the-board salary reductions similarly affecting all management personnel of the Corporation;
- (3) the Corporation requires the Executive to be relocated anywhere other than its offices serving the market areas of the Corporation;
- (4) the taking of any action to deprive the Executive of any material fringe benefit enjoyed by him at the time of the Change of Control, or the failure to provide him with the number of paid vacation days to which he is entitled on the basis of years of service with the Corporation and in accordance with the Corporation's normal vacation policy in effect at the time of the Change of Control;
- (5) the failure to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Corporation's life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change of Control of the Corporation or the Bank, or the taking of any action which would directly or indirectly materially reduce any of such benefits; or
- (6) the failure of the Corporation to continue this Agreement in effect, or to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 hereof.

For purposes of this Section 3(C), a Constructive Termination shall be deemed to have occurred thirty (30) days after the Executive has given the Corporation written notice of any condition that the Executive believes constitutes Constructive Termination under this Agreement, but only if the Corporation has failed within such thirty (30)-day period to remedy such condition. Any failure by the Executive to give written notice, within ninety (90) days of its initial existence, of a condition that the Executive believes constitutes Constructive Termination under this Agreement shall be deemed to be a waiver and consent by the Executive to the action or inaction by the Corporation causing the existence of the condition and shall not thereafter provide a basis for a claim by the Executive of Constructive Termination. In any Notice of Termination given by the Executive on account of Constructive Termination in accordance with Section 2(E), the Date of Termination stated in such Notice shall not be earlier than the date a Constructive Termination is deemed to have



occurred, as provided above; provided, however, if the Executive's claim of Constructive Termination is based on the condition described in Subsection (6) of this Section 3(C), then the Date of Termination shall be the date provided in Section 5.

#### 4. Compensation Upon Termination

Following a Change of Control, if his or her employment by the Corporation shall be terminated by the Executive on account of Constructive Termination or by the Corporation other than for Cause, death, Disability, or Retirement (by and at the request of the Executive), then the Executive shall be entitled to the benefits provided below:

- (A) No later than the fifth day following the Date of Termination, the Corporation shall pay to the Executive his or her full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which the Executive is entitled under any incentive, bonus or other compensation plan of the Corporation in effect at the time such payments are due;
- (B) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination, no later than the fifth day following the Date of Termination, the Corporation shall pay to the Executive a lump sum severance payment, in cash, equal to one and one-half (1.50) times the sum of (a) the Executive's annual base salary rate as in effect on the date of the Notice of Termination, and (b) the largest bonus received by the Executive during the two (2) years immediately preceding the Date of Termination under the Corporation's Management Incentive Plan covering the Executive;
- (C) During the period beginning with the Executive's Date of Termination and continuing until the earlier of (a) the second anniversary of such Date of Termination, or (b) Executive's sixty-fifth (65th) birthday, the Corporation shall arrange to provide the Executive with life, disability, accident and health insurance benefits substantially similar to those which the Executive was receiving immediately prior to the Notice of Termination and shall pay the same percentage of the cost of such benefits as the Corporation or the Bank was paying on the Executive's behalf on the date of such Notice;
- (D) The Corporation shall provide the Executive with individual out-placement services in accordance with the general custom and practice generally accorded to an executive of the Executive's position.

5. Successors; Binding Agreement

- (A) The Corporation shall require any successor to the Corporation or the Bank, as the result of a Change of Control (whether direct or indirect, by purchase, merger, consolidation or otherwise), to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place. Failure of the Corporation to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Corporation in the same amount and on the same terms to which the Executive would be entitled hereunder if the Executive terminates his or her employment on account of Constructive Termination following a Change of Control of the Corporation or the Bank, except that for the purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "the Corporation or the Bank" shall mean the Corporation or the Bank and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement, by operation of law or otherwise.
- (B) This Agreement shall inure to the benefit of and be enforceable by the Executive and his or her personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the devisee, legatee or other designee or, if there is no such designee, to his or her estate.

6. Miscellaneous.

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Corporation. No waiver by either party hereto at the time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Indiana without regard to its conflicts of law principles. All references to a section of the Exchange Act shall be deemed also to refer to any successor

provisions to such section. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Corporation under Section 4 shall survive the expiration of the term of this Agreement.

7. Validity.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

8. Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

9. Arbitration.

Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Muncie, Indiana in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Executive shall be entitled to seek specific performance of his or her right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

10. Entire Agreement.

This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunder subscribed his or her name, as of the day and year first above written.

“CORPORATION”

“EXECUTIVE”

FIRST MERCHANTS CORPORATION

By \_\_\_\_/s/ Mark K. Hardwick\_\_\_\_\_

By \_\_\_\_/s/ Chad W. Kimball\_\_\_\_\_

Mark K. Hardwick  
Chief Executive Officer

Chad W. Kimball

### **CHANGE OF CONTROL AGREEMENT**

This Agreement is made and entered into as of November 1, 2024 (the "Effective Date"), by and between First Merchants Corporation, an Indiana corporation (the "Corporation"), with its principal office located at 200 East Jackson Street, Muncie, Indiana, and Joseph C. Peterson (the "Executive"), of Carmel, IN.

WHEREAS, the Corporation considers the continuance of proficient and experienced management to be essential to protecting and enhancing the best interests of the Corporation and its shareholders; and

WHEREAS, the Corporation desires to assure the continued services of the Executive on behalf of the Corporation and/or its wholly-owned subsidiary, First Merchants Bank, (the "Bank") (for purposes of this Agreement, the term "Corporation" shall include the Bank, unless otherwise expressly stated); and

WHEREAS, the Corporation recognizes that, if faced with a proposal for a Change of Control, the Executive will have a significant role in helping the Board of Directors of the Corporation (the "Board") assess the options and advising the Board on what is in the best interests of the Corporation and its shareholders; and it is necessary for the Executive to be able to provide this advice and counsel without being influenced by the uncertainties of the Executive's own situation; and

WHEREAS, the Corporation desires to provide fair and reasonable benefits to the Executive on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings herein contained and the continued employment of the Executive by the Corporation, the Corporation and the Executive, each intending that this Agreement shall modify and supersede any existing or previous Change of Control Agreement between the parties, agree as follows:

#### **1. Term of Agreement**

This Agreement shall continue in effect through the December 31 following the Effective Date; provided, however, that commencing on the December 31 following the Effective Date and each December 31 thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than the October 31 following the Effective Date or the October 31 immediately preceding any December 31 thereafter, the Corporation shall have given the Executive notice that it does not wish to extend this Agreement; and provided further, that if a Change of Control of the Corporation, as defined in Section 2, shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period

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of not less than twenty-four (24) months beyond the month in which such Change of Control occurred.

2. Definitions.

For purposes of this Agreement, the following definitions shall apply:

A. Cause: "Cause" shall mean:

- (1) professional incompetence;
- (2) willful misconduct;
- (3) personal dishonesty;
- (4) breach of fiduciary duty involving personal profit;
- (5) intentional failure to perform stated duties;
- (6) willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist orders; and
- (7) any intentional material breach of any term, condition or covenant of this Agreement.

(B) Change of Control: "Change of Control" shall mean:

- (1) any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 ["Exchange Act"]), other than the Corporation, is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Corporation or the Bank representing twenty-five percent (25%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities;
- (2) persons constituting a majority of the Board were not directors of the Corporation for at least the twenty-four (24) preceding months;
- (3) the stockholders of the Corporation approve a merger or consolidation of the Corporation or the Bank with any other

corporation, other than (a) a merger or consolidation which would result in the voting securities of the Corporation or the Bank outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Corporation or Bank such surviving entity outstanding immediately after such a merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of the Corporation or the Bank (or similar transaction) in which no person acquires fifty percent (50%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities; or

- (4) the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or the Bank or an agreement for the sale or disposition by the Corporation or the Bank of all or substantially all of the Corporation's or the Bank's assets.
- (C) Date of Termination: "Date of Termination" shall mean the date stated in the Notice of Termination (as hereinafter defined) or thirty (30) days from the date of delivery of such notice, as hereinafter defined, whichever comes first.
- (D) Disability: "Disability" shall mean the definition of such term as used in the disability policy then in effect for the Corporation, and a determination of full disability by the Corporation; provided that in the event there is no disability insurance then in force, "disability" shall mean incapacity due to physical or mental illness which will have caused the Executive to have been unable to perform his or her duties with the Corporation on a full time basis for one hundred eighty (180) consecutive calendar days.
- (E) Notice of Termination: "Notice of Termination" shall mean a written notice, communicated to the other parties hereto, which shall indicate the specific termination provisions of this Agreement relied upon and set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated.
- (F) Retirement: "Retirement" shall mean termination of employment by the Executive in accordance with the Corporation's normal retirement policy generally applicable to its salaried employees in effect at the time of a Change of Control.

### 3. Termination.

- (A) General. If any of the events described in Section 2 constituting a Change in Control of the Corporation or the Bank shall have occurred, the Executive shall be entitled to the benefits described in Section 4 upon the subsequent termination of the Executive's employment during the term of this Agreement, unless such termination is (a) because of the death or Disability of the Executive, (b) by the Corporation for Cause, or (c) by the Executive other than on account of Constructive Termination (as hereinafter defined).
- (B) If, following a Change of Control, the Executive's employment shall be terminated for Cause, the Corporation shall pay the Executive his or her salary through the Date of Termination at the rate in effect on the date of the Notice of Termination, and the Corporation shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment shall be terminated as a result of death or Disability, compensation to the Executive shall be made pursuant to the Corporation's then existing policies on death or Disability, and the Corporation shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment is terminated by and at the request of the Executive as a result of Retirement, compensation to the Executive shall be made pursuant to the Corporation's normal retirement policy generally applicable to its salaried employees at the time of the Change of Control, and the Corporation shall have no further obligations under this Agreement.
- (C) Constructive Termination. The Executive shall be entitled to terminate his or her employment upon the occurrence of Constructive Termination. For purposes of this Agreement, "Constructive Termination" shall mean, without the Executive's express written consent, the occurrence, after a Change of Control of the Corporation or the Bank, of any of the following circumstances:
  - (1) the assignment to the Executive of any duties inconsistent (unless in the nature of a promotion) with the position in the Corporation that the Executive held immediately prior to the Change of Control of the Corporation or the Bank, or a significant adverse reduction or alteration in the nature or status of the Executive's position, duties or responsibilities or the conditions of the Executive's employment from those in effect immediately prior to such Change of Control;



- (2) a reduction in the Executive's annual base salary, as in effect immediately prior to the Change of Control of the Corporation or the Bank or as the same may be adjusted from time to time, except for across-the-board salary reductions similarly affecting all management personnel of the Corporation;
- (3) the Corporation requires the Executive to be relocated anywhere other than its offices serving the market area of the Corporation;
- (4) the taking of any action to deprive the Executive of any material fringe benefit enjoyed by him at the time of the Change of Control, or the failure to provide him with the number of paid vacation days to which he is entitled on the basis of years of service with the Corporation and in accordance with the Corporation's normal vacation policy in effect at the time of the Change of Control;
- (5) the failure to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Corporation's life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change of Control of the Corporation or the Bank, or the taking of any action which would directly or indirectly materially reduce any of such benefits; or
- (6) the failure of the Corporation to continue this Agreement in effect, or to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 hereof.

For purposes of this Section 3(C), a Constructive Termination shall be deemed to have occurred thirty (30) days after the Executive has given the Corporation written notice of any condition that the Executive believes constitutes Constructive Termination under this Agreement, but only if the Corporation has failed within such thirty (30)-day period to remedy such condition. Any failure by the Executive to give written notice, within ninety (90) days of its initial existence, of a condition that the Executive believes constitutes Constructive Termination under this Agreement shall be deemed to be a waiver and consent by the Executive to the action or inaction by the Corporation causing the existence of the condition and shall not thereafter provide a basis for a claim by the Executive of Constructive Termination. In any Notice of Termination given by the Executive on account of Constructive Termination in accordance with Section 2(E), the Date of Termination stated in such Notice shall not be

earlier than the date a Constructive Termination is deemed to have occurred, as provided above; provided, however, if the Executive's claim of Constructive Termination is based on the condition described in Subsection (6) of this Section 3(C), then the Date of Termination shall be the date provided in Section 5.

#### 4. Compensation Upon Termination.

Following a Change of Control, if his or her employment by the Corporation shall be terminated by the Executive on account of Constructive Termination or by the Corporation other than for Cause, death, Disability, or Retirement (by and at the request of the Executive), then the Executive shall be entitled to the benefits provided below:

- (A) No later than the fifth day following the Date of Termination, the Corporation shall pay to the Executive his or her full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which the Executive is entitled under any incentive, bonus or other compensation plan of the Corporation in effect at the time such payments are due;
- (B) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination, no later than the fifth day following the Date of Termination, the Corporation shall pay to the Executive a lump sum severance payment, in cash, equal to two (2) times the sum of (a) the Executive's annual base salary rate as in effect on the date of the Notice of Termination, and (b) the largest bonus received by the Executive during the two (2) years immediately preceding the Date of Termination under the Corporation's Management Incentive Plan covering the Executive;
- (C) During the period beginning with the Executive's Date of Termination and continuing until the earlier of (a) the second anniversary of such Date of Termination, or (b) Executive's sixty-fifth (65th) birthday, the Corporation shall arrange to provide the Executive with life, disability, accident and health insurance benefits substantially similar to those which the Executive was receiving immediately prior to the Notice of Termination and shall pay the same percentage of the cost of such benefits as the Corporation or the Bank was paying on the Executive's behalf on the date of such Notice;
- (D) In lieu of shares of common stock of the Corporation ("Corporation Shares") issuable upon the exercise of outstanding options ("Options"), if any, granted to the Executive under any Corporation stock option plan

(which Options shall be cancelled upon the making of the payment referred to below), the Executive shall receive, no later than the fifth day following the Date of Termination, an amount in cash equal to the product of (a) the excess of the higher of the closing price of Corporation Shares as reported on the national securities exchange where the Corporation's securities are then listed, on or nearest the Date of Termination or the highest per share price for Corporation Shares actually paid in connection with any Change of Control of the Corporation, over the per share exercise price of each Option held by the Executive (whether or not then fully exercisable), times (b) the number of Corporation Shares covered by each such Option;

- (E) The Corporation shall pay to the Executive all reasonable legal fees and expenses incurred by the Executive as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement), unless the decision-maker in any proceeding, contest, or dispute arising hereunder makes a formal finding that the Executive did not have a reasonable basis for instituting such proceeding, contest, or dispute; and
- (F) The Corporation shall provide the Executive with individual out-placement services in accordance with the general custom and practice generally accorded to an executive of the Executive's position.

5. Successors; Binding Agreement

- (A) The Corporation shall require any successor to the Corporation or the Bank, as the result of a Change of Control (whether direct or indirect, by purchase, merger, consolidation or otherwise), to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place. Failure of the Corporation to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Corporation in the same amount and on the same terms to which the Executive would be entitled hereunder if the Executive terminates his or her employment on account of Constructive Termination following a Change of Control of the Corporation or the Bank, except that for the purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "the Corporation or the Bank" shall mean the Corporation or the Bank and any

successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement, by operation of law or otherwise.

- (B) This Agreement shall inure to the benefit of and be enforceable by the Executive and his or her personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the devisee, legatee or other designee or, if there is no such designee, to his or her estate.

6. Miscellaneous.

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Corporation. No waiver by either party hereto at the time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Indiana without regard to its conflicts of law principles. All references to a section of the Exchange Act shall be deemed also to refer to any successor provisions to such section. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Corporation under Section 4 shall survive the expiration of the term of this Agreement.

7. Validity.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

8. Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

9. Arbitration.

Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Muncie, Indiana in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Executive shall be entitled to seek specific performance of his or her right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

10. Entire Agreement.

This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunder subscribed his or her name, as of the day and year first above written.

"CORPORATION"

"EXECUTIVE"

FIRST MERCHANTS CORPORATION

By    /s/ Mark Hardwick                    

By    /s/ Joseph C. Peterson                    

Mark Hardwick                      Joseph C. Peterson  
Chief Executive Officer    Chief Commercial Officer



**INSIDER TRADING POLICY AND  
SECTION 16A REPORTING PROCEDURES**

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Policy Creation Date: Unknown

Nominating & Governance Committee: February 6, 2025

Board of Directors: February 7, 2025

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**I. Purpose**

This Insider Trading Policy (the "Policy") provides guidelines with respect to transactions in the securities of First Merchants Corporation (the "Company") and the handling of confidential information about the Company and the companies with which the Company does business. The Company's Board of Directors has adopted this Policy to promote compliance with federal and state securities laws that prohibit certain persons who are aware of material nonpublic information about a company from: (i) trading in securities of that company; or (ii) providing material nonpublic information to other persons who may trade on the basis of that information.

**II. Coverage**

**Transactions Subject to the Policy**

This Policy applies to transactions in the Company's securities (collectively referred to in this Policy as "Company Securities"), including the Company's common stock, options to purchase common stock, or any other type of securities that the Company may issue, including (but not limited to) preferred stock, convertible debentures and warrants.

**Persons Subject to the Policy**

Except for Article IX, this Policy applies to all employees included in Senior Management of the Company and all members of the Company's Board of Directors ("Covered Persons"). The Company may also determine that other persons are subject to this Policy such as their assistants and contractors or consultants who have access to material nonpublic information. This Policy also applies to family members, other members of a Covered Person's household and entities controlled by a person covered by this Policy, as described below.

**Individual Responsibility**

Persons subject to this Policy have ethical and legal obligations to maintain the confidentiality of information about the Company and to not engage in transactions in Company Securities while in possession of material nonpublic information. Each individual is responsible for making sure that he or she complies with this Policy, and that any family member, household member or entity whose transactions are subject to this Policy, as discussed below, also comply with this Policy. In all cases, the principal responsibility for determining whether an individual is in possession of material nonpublic information rests with that individual, and any action on the part of the Company, the Compliance Officer or any other employee or director pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. Covered Persons may be subject to severe legal penalties and disciplinary action by the Company for any conduct prohibited by this Policy or applicable securities laws. See "Consequences of Violations" page 6.



### **Administration of the Policy**

The Corporate Secretary shall serve as the Compliance Officer for the purposes of this Policy. In the Compliance Officer's absence, another employee designated by the Compliance Officer shall be responsible for administration of this Policy. All determinations and interpretations by the Compliance Officer shall be final and not subject to further review.

### **III. Statement of Policy**

Any person covered by this Policy who is aware of material nonpublic information relating to the Company may not, **directly or indirectly**:

1. Engage in transactions in Company Securities, except as otherwise specified in this Policy under the headings "Transactions Under Company Plans" (page 3); "Rule 10b5-1 Plans" (page 4); and "Transactions Not Involving a Purchase or Sale" (page 5).
2. Recommend the purchase or sale of any Company Securities;
3. Disclose material nonpublic information to persons within the Company, including the Company's contractors and consultants, whose responsibilities do not require them to have that information, or outside of the Company to other persons, including, but not limited to, family, friends, business associates, investors and investment advisors;
4. Assist anyone engaged in the above activities.

In addition, an Insider who, in the course of working for the Company, learns of material nonpublic information about a company with which the Company does business, including a customer or supplier of the Company, may not trade in that company's securities until the information becomes public or is no longer material.

There are no exceptions to this Policy, except as specifically noted herein. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure), or small transactions, are not excepted from this Policy. The securities laws do not recognize any mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct.

#### IV. **Definition of Material Nonpublic Information**

**Material Information.** Information is considered "material" if a reasonable investor would consider that information important in making a decision to buy, hold or sell securities. Any information that could be expected to affect the Company's stock price, whether it is positive or negative, should be considered material. There is no bright-line standard for assessing materiality; rather, materiality is based on assessment of all of the facts and circumstances, and is often evaluated by enforcement authorities with the benefit of hindsight. While it is not possible to define all categories of material information, some examples of information that ordinarily would be regarded as material are:

- Projections of future earnings or losses, or other earnings guidance;
- Changes to previously announced earnings guidance, or the decision to suspend earnings guidance;
- A pending or proposed merger, acquisition or tender offer;
- A pending or proposed acquisition or disposition of a significant asset;
- A pending or proposed joint venture;
- A Company restructuring;
- Significant related party transactions;
- A change in dividend policy, the declaration of a stock split, or an offering of additional securities;
- Bank borrowings or other financing transactions out of the ordinary course;
- The establishment of a repurchase program for Company Securities;
- A change in the Company's pricing or cost structure;
- Major marketing changes;
- A change in senior management;
- A change in auditors or notification that the auditor's reports may no longer be relied upon;
- Development of a significant new product, process, or service;
- Pending or threatened significant litigation, or the resolution of such litigation;
- Impending bankruptcy or the existence of severe liquidity problems;
- The gain or loss of a significant customer or supplier;
- The imposition of a ban on trading in Company Securities or the securities of another company;
- Significant regulatory developments; and
- A significant cybersecurity incident.

### **When Information is Considered Public.**

Information that has not been disclosed to the public is generally considered to be nonpublic information. In order to establish that the information has been disclosed to the public, it may be necessary to demonstrate that the information has been widely disseminated. Information generally would be considered widely disseminated if it has been disclosed through the proper media, the company website, and public disclosure documents filed with the SEC that are available on the SEC's website. Once information is widely disseminated, it is still necessary to afford the investing public sufficient time to absorb the information. As a general rule, information should not be considered fully absorbed by the marketplace until after the second business day after the day on which the information is released. If, for example, the Company were to make an announcement on a Monday, a Covered Person should not trade in Company Securities until the following Thursday. Depending on the particular circumstances, the Company may determine that a longer or shorter period should apply to the release of specific material nonpublic information.

## **V. Exceptions to Policy.**

### **A. Transactions Under Company Plans.**

This Policy does not apply to the following transactions, except as specifically noted:

**Stock Option Exercises.** This Policy does not apply to the exercise of an employee stock option acquired pursuant to the Company's plans, or to the exercise of a tax withholding right pursuant to which a person has elected to have the Company withhold shares subject to an option to satisfy tax withholding requirements. This Policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

**Restricted Stock Awards.** This Policy does not apply to the vesting of restricted stock, or the exercise of a tax withholding right pursuant to which a Covered Person elects to have the Company withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock. The Policy does apply, however, to any market sale of restricted stock.

**401(k) Plan.** This Policy does not apply to purchases of Company Securities in the Company's 401(k) plan resulting from a Covered Person's periodic contribution of money to the plan pursuant to his or her payroll deduction election. This Policy does apply, however, to certain elections a Covered Person may make under the 401(k) plan, including: (a) an election to increase or decrease the percentage of his or her periodic contributions that will be allocated to the Company stock fund; or (b) an election to make an intra-plan transfer of an existing account balance into or out of the Company stock fund.

**Employee Stock Purchase Plan.** This Policy does not apply to purchases of Company Securities in the employee stock purchase plan resulting from a Covered Person's periodic contribution of money to the plan pursuant to the election he or she made at the time of enrollment in the plan. This Policy does apply, however, to the following: (a) an election to participate in the plan for any enrollment period; (b) a sale of Company Securities purchased pursuant to the plan; (c) an election to increase or decrease the amount of his or her contribution during an offering period.

**Dividend Reinvestment Plan.** This Policy does not apply to purchases of Company Securities under the Company's dividend reinvestment plan resulting from a Covered Person's reinvestment of dividends paid on Company Securities. This Policy does apply, however, to voluntary purchases of Company Securities resulting from additional contributions he or she may choose to make to the dividend reinvestment plan, and to his or her election to participate in the plan or increase the level of participation in the plan. This Policy also applies to a Covered Person's sale of any Company Securities purchased pursuant to the plan.

**Equity Compensation Plan for Non-employee Directors.** This policy does not apply to purchases of Company Securities under the Company's equity compensation plan for non-employee directors.

## **B. Rule 10b5-1 Plans**

Rule 10b5-1 under the Exchange Act provides an affirmative defense from insider trading liability under Rule 10b-5. In order to be eligible to rely on this defense, a person subject to this Policy must enter into a Rule 10b5-1 plan for transactions in Company Securities that meets certain conditions specified in the Rule (a "Rule 10b5-1 Plan"). If the plan meets the requirements of Rule 10b5-1, Company Securities may be purchased or sold without regard to certain insider trading restrictions. To comply with the Policy, a Rule 10b5-1 Plan must be approved by the Compliance Officer and meet the requirements of Rule 10b5-1, which may be obtained from the Compliance Officer. In general, a Rule 10b5-1 Plan must be entered into in good faith and at a time when the person entering into the plan is not aware of material nonpublic information. Once the plan is adopted, the person is responsible for compliance with Rule 10b5-1, including "cooling off periods" and the requirements that the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party.

Any Rule 10b5-1 Plan must be submitted for approval at least five days prior to the entry into the Rule 10b5-1 Plan. No further pre-approval of transactions conducted pursuant to an approved Rule 10b5-1 Plan will be required.

## **Transactions Not Involving a Purchase or Sale**

Transactions in mutual funds that are invested in Company Securities are not transactions subject to this Policy.

### **VI. Special and Prohibited Transactions**

The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if the persons subject to this Policy engage in certain types of transactions. Therefore, any persons covered by this Policy shall not engage in any of the following transactions without the prior approval of the Compliance Officer.

#### **Short-Term Trading.**

Short-term trading of Company Securities may be distracting to the person and may unduly focus the person on the Company's short-term stock market performance instead of the Company's long-term business objectives. For these reasons, any Covered Person who purchases Company Securities in the open market shall not sell any Company Securities of the same class during the six months following the purchase (or vice versa).

#### **Hedging and Short Sales.**

Hedging and short sales of Company Securities may signal to the market that a Covered Person lacks confidence in the Company's prospects, and they may reduce a Covered Person's incentive to seek to improve the Company's performance. Therefore, Covered Persons are prohibited from:

1. Purchasing financial instruments that are designed to hedge or offset any decrease in the market value of Company Securities granted to the Covered Person by the Company as part of his or her compensation or held, directly or indirectly, by the Covered Person; or
2. Engaging in short sales of Company Securities (i.e., the sale of a security that the seller does not own).

### **Margin Accounts and Pledged Securities.**

Securities held in a margin account as collateral for a margin loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in Company Securities, Covered Persons are prohibited from holding Company Securities in a margin account or otherwise pledging Company Securities as collateral for a loan without the prior written approval of the Compliance Officer.

**Standing and Limit Orders.** Standing and limit orders (except standing and limit orders under approved Rule 10b5-1 Plans as described above) create heightened risks for insider trading

violations similar to the use of margin accounts. There is no control over the timing of purchases or sales that result from standing instructions to a broker, and as a result the broker could execute a transaction when a director, officer or other employee is in possession of material nonpublic information. The Company therefore discourages placing standing or limit orders on Company Securities.

#### **Post-Termination Transactions**

This Policy continues to apply to transactions in Company Securities even after a covered person's termination of service to the Company. If an individual is in possession of material nonpublic information when his or her service terminates, that individual may not trade in Company Securities until that information has become public or is no longer material. However, the pre-clearance procedures (Page 7), will cease to apply to that individual's transactions in Company Securities upon the expiration of any Blackout Period or other Company-imposed trading restrictions applicable at the time of the termination of service.

### **VII. Cybersecurity Disclosure Controls and Procedures**

The Company's procedures related to cybersecurity risk and incidents are described in the Information Security Policy and Incident Response Plan. In the event of an Incident (as defined in the Incident Response Plan), the General Counsel will determine if the Incident is Material Information. In such case, the Company's Board of Directors and Executive Officers will be advised that they are not permitted to trade in company securities until three (3) business days after the Company's filing of its Form 8-K, or for a longer period as determined by General Counsel.

### **VIII. Consequences of Violations**

A Covered Persons' purchase or sale of Company Securities while aware of material nonpublic information, or his or her disclosure of material nonpublic information to others who then trade in Company Securities, is prohibited by the federal and state securities laws. Insider trading violations are pursued vigorously by the SEC, U.S. Justice Department and state enforcement authorities. Punishment for insider trading violations is severe, and could include significant fines and imprisonment. While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other "controlling persons" if they fail to take reasonable steps to prevent insider trading by company personnel.

In addition, an individual's failure to comply with this Policy violates the Company's Code of Conduct and may subject the individual to Company-imposed sanctions, including dismissal for cause, whether or not the individual's failure to comply also violates securities laws. Needless to say, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish a person's reputation and irreparably damage a career.

## **IX. Section 16a Reporting Procedures Overview**

The Company has established additional procedures to comply with the SEC's rules under Section 16(a) of the Exchange Act, as well as Rule 144 under the Securities Act of 1933 which impose reporting requirements on Insiders (which for purposes of this Article IX includes Board of Director-designated executive officers, directors and 10% shareholders). If there is any change in an Insider's ownership of Company Securities at any time, other than through certain exempt Company benefit plans, the Insider will be required to file a Form 4 with the SEC reporting the change. In virtually all cases, the Form 4 must be filed no later than the second business day following the execution date of the transaction.

Sales of Company Securities by its "affiliates" are subject to specific regulations under the federal securities laws. Rule 144 under the Securities Act of 1933 provides a "safe harbor" procedure under which certain sales by affiliates are permitted. Each executive officer and director is deemed to be an "affiliate" and must comply with Rule 144 when selling common shares held either directly or beneficially.

The filing of Form 144 is required if more than 5,000 shares or shares valued at more than \$50,000 are sold during any three-month period. Further, Rule 144 places limitations on the number of common shares that may be sold under the safe harbor rules. Generally, the number of common shares that may be sold in any three-month period is 1% of the outstanding shares of the same class being sold.

Insiders are also required to report certain exempt transactions to the SEC at year-end on a Form 5. The number and types of transactions eligible for Form 5 reporting are very limited.

### **Pre-Clearance Procedures.**

Before engaging in any transaction in Company Securities, Insiders and their family members and controlled entities must first obtain pre-clearance of the transaction from the Compliance Officer or his or her designee. A request for pre-clearance should be submitted to the Compliance Officer for approval at least two business days before the proposed transaction.

When a request for pre-clearance is made, the requestor should carefully consider whether he or she may be aware of any material nonpublic information about the Company and should describe fully those circumstances to the Compliance Officer. The requestor should also indicate whether he or she has effected any non-exempt "opposite-way" transactions within the past six months and should be prepared to report the proposed transaction on an appropriate Form 4 or Form 5. The requestor should also be prepared to comply with SEC Rule 144 and file Form 144, if necessary, at the time of any sale.

### **Quarterly Trading Restriction.**

Insiders who are subject to the pre-clearance procedures and certain Finance Department employees designated by the Compliance Officer, as well as their family members or controlled entities, may not conduct any transactions involving the Company's Securities (other than as specified by this Policy), during a "Blackout Period" beginning 7 days prior to the end of each fiscal quarter and ending at the end of the 2nd business day following the date of the public release of the Company's earnings results for that quarter. In other words, these persons may only conduct transactions in Company Securities during the "Window Period" beginning on the 3rd business day following the public release of the Company's quarterly earnings and ending one (1) week prior to the close of the next fiscal quarter.

Under certain very limited circumstances, a person subject to this restriction may be permitted to trade during a Blackout Period, but only if the Compliance Officer concludes that the person does not in fact possess material nonpublic information. Persons wishing to trade during a Blackout Period must contact the Compliance Officer for approval at least two (2) business days in advance of any proposed transaction involving Company Securities.

### **Event-Specific Trading Restriction Periods.**

From time to time, Insiders may learn of material nonpublic information about the Company. So long as this information remains material and nonpublic, Insiders may not trade Company Securities. In addition, the Company's financial results may be sufficiently material in a particular fiscal quarter that, in the judgment of the Compliance Officer, Insiders should refrain from trading in Company Securities even sooner than the regular Blackout Period described above. In those situations, the Compliance Officer shall notify these persons that they should not trade in the Company's Securities. The existence of an event-specific trading restriction period or extension of a Blackout Period will not be announced to the Company as a whole and should not be communicated to any other person. Even if the Compliance Officer has not designated a director, executive officer, employee consultant or consultant as a person who should not trade due to an event specific restriction, he or she should not trade while aware of material nonpublic information.

### **Exceptions.**

The quarterly trading restrictions and event-specific trading restrictions do not apply to those transactions to which this Policy does not apply, as described above under the headings "Transactions Under Company Plans" (page 5) and "Transactions Not Involving a Purchase or Sale" (page 7). Further, the requirement for pre-clearance, the quarterly trading restrictions and event-specific trading restrictions do not apply to transactions conducted pursuant to approved Rule 10b5-1 Plans.



### **Company Assistance**

Any person who has a question about this Policy and Procedures, or their application to any proposed transaction, may obtain additional guidance from the Compliance Officer, who can be reached by telephone at 765-521-7619 or by e-mail at [nweaver@firstmerchants.com](mailto:nweaver@firstmerchants.com).

### **Certifications**

All persons subject to this Policy must certify their understanding of, and intent to comply with, this Policy and Procedures.

### **Effective Date**

This policy is effective November 7, 2018, and supersedes any previous policy of the company concerning insider trading and Section 16 compliance and procedures.

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Policy Creation Date: Unknown

Nominating & Governance Committee: February 6, 2025

Board of Directors: February 7, 2025

## ***PART IV: ITEM 15. FINANCIAL STATEMENT SCHEDULES AND EXHIBITS***

### **EXHIBIT-21 SUBSIDIARIES OF THE REGISTRANT**

#### **EXHIBIT 21-SUBSIDIARIES OF THE REGISTRANT**

<b><u>Name</u></b>	<b><u>Jurisdiction of Incorporation</u></b>
First Merchants Bank	Indiana
FMB Portfolio Management, Inc.	Delaware
FMB Properties, Inc	Maryland
First Merchants Capital Trust II	Delaware
Ameriana Capital Trust	Delaware
8711 River Crossing, Inc.	Indiana

## ***PART IV: ITEM 15. FINANCIAL STATEMENT SCHEDULES AND EXHIBITS***

### **EXHIBIT-23**

#### **CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-159643, 333-219924, 333-232362, 333-279939), Form S-4 (333-261869), and Form S-3 (333-263584) of First Merchants Corporation of our reports dated February 24, 2025, with respect to the financial statements of First Merchants Corporation and the effectiveness of internal control over financial reporting, included in this Annual Report on Form 10-K for the year ended December 31, 2024.

/s/ Forvis Mazars, LLP

Indianapolis, Indiana

February 24, 2025

## **PART IV: ITEM 15. FINANCIAL STATEMENT SCHEDULES AND EXHIBITS**

### **EXHIBIT-24 LIMITED POWER OF ATTORNEY**

#### **EXHIBIT 24-LIMITED POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned directors and officers of First Merchants Corporation, an Indiana corporation, hereby constitute and appoint Michele M. Kawiecki, the true and lawful agent and attorney-in-fact of the undersigned with full power and authority in said agent and attorney-in-fact to sign for the undersigned and in their respective names as directors and officers of the Corporation the Form 10-K of the Corporation to be filed with the Securities and Exchange Commission, Washington, D.C., under the Securities Exchange Act of 1934, as amended, and to sign any amendment to such Form 10-K, hereby ratifying and confirming all acts taken by such agent and attorney-in-fact, as herein authorized.

Dated: February 24, 2025

/s/ Mark K. Hardwick

Mark K. Hardwick  
Chief Executive Officer  
(Principal Executive Officer)

/s/ Michele M. Kawiecki

Michele M. Kawiecki, Executive Vice President  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

/s/ Michael R. Becher\*

Michael R. Becher, Director

/s/ Kevin D. Johnson\*

Kevin D. Johnson, Director

/s/ Susan W. Brooks\*

Susan W. Brooks, Director

/s/ Clark C. Kellogg\*

Clark C. Kellogg, Director

/s/ Mung Chiang\*

Mung Chiang, Director

/s/ Gary J. Lehman\*

Gary J. Lehman, Director

/s/ Patrick J. Fehring\*

Patrick J. Fehring, Director

/s/ Michael C. Rechin\*

Michael C. Rechin, Director

/s/ Michael J. Fisher\*

Michael J. Fisher, Director

/s/ Charles E. Schalliol\*

Charles E. Schalliol, Director

/s/ F. Howard Halderman\*

F. Howard Halderman, Director

/s/ Jason R. Sondhi\*

Jason R. Sondhi, Director

/s/ Mark K. Hardwick\*

Mark K. Hardwick, Director

/s/ Jean L. Wojtowicz\*

Jean L. Wojtowicz, Director

## **PART IV: ITEM 15. FINANCIAL STATEMENT SCHEDULES AND EXHIBITS**

### **EXHIBIT-31.1**

#### **FIRST MERCHANTS CORPORATION**

#### **FORM 10-K CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

#### **CERTIFICATION**

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I, Mark K. Hardwick, Chief Executive Officer of First Merchants Corporation, certify that:

1. I have reviewed this Annual Report on Form 10-K of First Merchants Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board or directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2025

By: /s/ Mark K. Hardwick  
Mark K. Hardwick  
Chief Executive Officer  
(Principal Executive Officer)

## **PART IV: ITEM 15. FINANCIAL STATEMENT SCHEDULES AND EXHIBITS**

### **EXHIBIT-31.2**

#### **FIRST MERCHANTS CORPORATION**

#### **FORM 10-K CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

#### **CERTIFICATION**

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I, Michele M. Kawiecki, Executive Vice President and Chief Financial Officer of First Merchants Corporation, certify that:

1. I have reviewed this Annual Report on Form 10-K of First Merchants Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board or directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2025

By: /s/ Michele M. Kawiecki

Michele M. Kawiecki

Executive Vice President,

Chief Financial Officer

(Principal Financial and Accounting Officer)

## **PART IV: ITEM 15. FINANCIAL STATEMENT SCHEDULES AND EXHIBITS**

### **EXHIBIT-32**

**CERTIFICATIONS PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of First Merchants Corporation (the "Corporation") on Form 10-K for the period ending December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Hardwick, Chief Executive Officer of the Corporation, do hereby certify, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o (d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 24, 2025                      By: /s/ Mark K. Hardwick  
Mark K. Hardwick  
Chief Executive Officer  
(Principal Executive Officer)

A signed copy of this written statement required by Section 906 has been provided to First Merchants Corporation and will be retained by First Merchants Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

In connection with the annual report of First Merchants Corporation (the "Corporation") on Form 10-K for the period ending December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michele Kawiecki, Executive Vice President and Chief Financial Officer of the Corporation, do hereby certify, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o (d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 24, 2025                      By: /s/ Michele M. Kawiecki  
Michele M. Kawiecki  
Executive Vice President,  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

A signed copy of this written statement required by Section 906 has been provided to First Merchants Corporation and will be retained by First Merchants Corporation and furnished to the Securities and Exchange Commission or its staff upon request.