

FIRST MERCHANTS CORP

Form 425

January 26, 2017

FIRST MERCHANTS CORPORATION THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com Tth Quarter 2016
Earnings Highlights January 26, 2017 NASDAQ: FRME Michael C. Rechin Mark K. Hardwick John J. Martin President Executive Vice
President Executive Vice President Chief Executive Officer Chief Financial Officer Chief Credit Officer Chief Operating Officer ® Filed by First
Merchants Corporation pursuant to Rule 425 under the Securities Act of 1933. Subject Company: The Arlington Bank Commission Securities
Exchange Act File No: 000-17071 Q

THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com R This presentation contains forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements can often, but not always, be identified by the use of words like “believe”, “continue”, “pattern”, “estimate”, “project”, “intend”, “anticipate”, “expect” and similar expressions or future or conditional such as “will”, “would”, “should”, “could”, “might”, “can”, “may”, or similar expressions. These forward-looking statements include, but are not limited to, statements relating to the expected timing and benefits of the proposed merger (the “Merger”) between First Merchants Corporation (“First Merchants”) and The Arlington Bank, including future financial and operating results, cost savings, enhanced revenues, and accretion/dilution to reported earnings that may be realized from the Merger, as well as other statements of expectations regarding the Merger, and other statements of First Merchants’ goals, intentions and expectations; statements regarding the First Merchants’ business plan and growth strategies; statements regarding the asset quality of First Merchants’ loan and investment portfolios; and estimates of First Merchants’ risks and future costs and benefits, whether with respect to the Merger or otherwise. These forward-looking statements are subject

Edgar Filing: FIRST MERCHANTS CORP - Form 425

to significant risks, assumptions and uncertainties that may cause results to differ materially from those set forth in forward-looking statements, including, among other things: the risk that the businesses of First Merchants and The Arlington Bank will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; expected revenue synergies and cost savings from the Merger may not be fully realized or realized within the expected time frame; revenues following the Merger may be lower than expected; customer and employee relationships and business operations may be disrupted by the Merger; the ability to obtain required governmental and shareholder approvals, and the ability to complete the Merger on the expected timeframe; possible changes in economic and business conditions; the existence or exacerbation of general geopolitical instability and uncertainty; the ability of First Merchants to integrate recent acquisitions and attract new customers; possible changes in monetary and fiscal policies, and laws and regulations; the effects of easing restrictions on participants in the financial services industry; the cost and other effects of legal and administrative cases; possible changes in the credit worthiness of customers and the possible impairment of collectability of loans; fluctuations in market rates of interest; competitive factors in the banking industry; changes in the banking legislation or regulatory requirements of federal and state agencies applicable to bank holding companies and banks like First Merchants' affiliate bank; continued availability of earnings and excess capital sufficient for the lawful and prudent declaration of dividends; changes in market, economic, operational, liquidity, credit and interest rate risks associated with the First Merchants' business; and other risks and factors identified in each of First Merchants' filings with the Securities and Exchange Commission. Neither First Merchants nor The Arlington Bank undertake any obligation to update any forward-looking statement, whether written or oral, relating to the matters discussed in this presentation or press release. In addition, First Merchants' and The Arlington Bank's past results of operations do not necessarily indicate either of their anticipated future results, whether the Merger is effectuated or not. © Forward-Looking Statements

THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com S ® Forward-Looking Statements ADDITIONAL INFORMATION Communications in this press release do not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any proxy vote or approval. The proposed merger will be submitted to The Arlington Bank shareholders for their consideration. In connection with the proposed merger, it is expected that The Arlington Bank will provide its shareholders with a Proxy Statement, as well as other relevant documents concerning the proposed transaction. SHAREHOLDERS ARE URGED TO READ THE PROXY STATEMENT REGARDING THE MERGER WHEN IT BECOMES AVAILABLE, AS WELL AS ANY OTHER RELEVANT DOCUMENTS CONCERNING THE PROPOSED TRANSACTION, TOGETHER WITH ALL AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, AS THEY WILL CONTAIN IMPORTANT INFORMATION. The Arlington Bank and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of The Arlington Bank in connection with the proposed Merger. Additional information regarding the interests of those participants and other persons who may be deemed participants in

Edgar Filing: FIRST MERCHANTS CORP - Form 425

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

THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com T First Merchants 2016 Performance Full-Year Highlights

• Record Net Income of \$81.1 Million, a 24% Increase over 2015	• Earnings Per Share of \$1.98, a 15.1% Increase over 2015; Highest in Company's History
• Total Assets of \$7.2 Billion; Grew by 6.7% over 2015	• \$446 Million of Organic Loan Growth for the Year Reflects a 9.5% Growth Rate 4th Quarter
Highlights • Net Interest Margin Stays Strong at 3.90%	• 1.26% Return on Average Assets • Efficiency Ratio of 52.18% ® "Record Level Results"

Mark K. Hardwick Executive Vice President Chief Financial Officer and Chief Operating Officer ® U

6	Total Assets (\$ in Millions)	THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com	®	2014	2015	2016	Q.
Investments	\$1,181 \$1,277 \$1,305	R. Loans Held for Sale	7 10 3	S. Loans	3,925 4,694 5,140	T. Allowance	(64) (62) (66)
Goodwill	219 260 259	V. BOLI	169 201 202	W. Other	387 381 369	8. Total Assets	\$5,824 \$6,761 \$7,212
						9. Annualized Asset Growth	
							7.1% 16.1% 6.7%

® THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com Commercial & Industrial R3.2% Commercial Real Estate
 Owner-Occupied Q0.3% Commercial Real Estate Non-Owner Occupied R4.8% Construction Land & Land Development 8.1%
 Agricultural Land R.9% Agricultural Production Q.6% Public Finance/Other Commercial U.0% Residential Mortgage Q4.4%
 Home Equity 8.2% Other Consumer Q.5% QTD Yield = 4.56% YTD Yield = 4.58% Total Loans = \$5.1 Billion Loan and Yield
 Detail (as of 12/31/2016) W 7

® THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com Mortgage- Backed Securities S2% Collateralized
Mortgage Obligations Q9% U. S. Agencies R% Corporate Obligations Q% Corporate Equities Q% Tax-Exempt Municipals
T5% Investment Portfolio (as of 12/31/2016) \$1.3 Billion Portfolio Modified duration of 4.9 years Tax equivalent yield of 3.78% Net
unrealized gain of \$9.1 Million 8 8

2014 2015 2016 Q. Customer Non-Maturity Deposits \$3,523 \$4,096 \$4,428 R. Customer Time Deposits 784 880 747 S. Brokered Deposits 334 314 381
T. Borrowings 290 446 572 U. Other Liabilities 44 51 60 V. Hybrid Capital 122 123 122 W. Common Equity 727 851 902 8. Total Liabilities and
Capital \$5,824 \$6,761 \$7,212 Total Liabilities and Capital (\$ in Millions) THE STRENGTH OF BIG. THE SERVICE OF SMALL.
www.firstmerchants.com ® 9 9

® THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com Deposit Detail (as of 12/31/2016) QTD Cost = .37% YTD
 Cost = .38% Total = \$5.6 Billion Q0 Demand Deposits U2% Savings Deposits R8% Certificates & Time Deposits of >\$100,000 U%
 Certificates & Time Deposits of <\$100,000 8% Brokered Deposits W% Q0

11.40%	11.37%	11.22%	11.31%	11.49%	11.42%	11.39%	11.05%	11.10%	9.06%	9.21%	8.95%	9.17%	9.08%	9.26%	9.43%	9.48%
9.24%	15.34%	15.12%	14.92%	14.85%	14.94%	14.79%	14.67%	14.18%	14.21%	6.00%	7.00%	8.00%	9.00%	10.00%	11.00%	
12.00%	13.00%	14.00%	15.00%	16.00%	17.00%	18.00%	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	THE STRENGTH OF
BIG. THE SERVICE OF SMALL. www.firstmerchants.com Total Risk-Based Capital Ratio (Target = 13.50%) Common Equity Tier 1 Capital Ratio																
(Target = 10.00%) Tangible Common Equity Ratio (TCE) (Target = 8.50%) 11 Capital Ratios (Target) (Target) (Target) ®																

2014 2015 2016 Q. Service Charges on Deposit Accounts \$15.7 \$16.2 \$17.8 R. Wealth Management Fees 11.7 11.3 12.6 S. Insurance Commission
Income 7.4 4.1 T. Card Payment Fees 11.8 13.4 15.0 U. Cash Surrender Value of Life Ins 3.7 2.9 4.3 V. Gains on Sales Mortgage Loans 4.9 6.5 7.1 W.
Securities Gains/Losses 3.6 2.7 3.4 8. Gain on Sale of Insurance Subsidiary 8.3 9. Gain on Cancellation of Trust Preferred Debt 1.3 Q0. Other 3.0 3.1 5.0
Q1. Total \$61.8 \$69.8 \$65.2 (\$ in Millions) Q3 Non-Interest Income THE STRENGTH OF BIG. THE SERVICE

OF SMALL. www.firstmerchants.com ® — — — — —

14 Non-Interest Expense 2014 2015 2016 Q. Salary & Benefits \$ 96.5 \$101.9 \$102.6 R. Premises & Equipment 23.2 25.5 29.5 S. Core Deposit
Intangible Amortization 2.4 2.8 3.9 T. Professional & Other Outside Services 8.1 9.9 6.5 U. OREO/Credit-Related Expense 3.4 3.9 2.9 V. FDIC Expense
3.7 3.7 3.0 W. Outside Data Processing 7.3 7.1 9.2 8. Marketing 3.5 3.5 3.0 9. Other 15.8 16.5 16.7 Q0. Non-Interest Expense \$163.9 \$174.8 \$177.3
(\$ in Millions) THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com ®

15 2014 2015 2016 Q. Net Interest Income \$ 187.0 \$ 196.4 \$ 226.5 R. Provision for Loan Losses (2.6) (0.4) (5.7) S. Net Interest Income after Provision 184.4 196.0 220.8 T. Non-Interest Income 61.8 69.8 65.2 U. Non-Interest Expense (163.9) (174.8) (177.3) V. Income before Income Taxes 82.3 91.0 108.7 W. Income Tax Expense (22.1) (25.6) (27.6) 8. Net Income Avail. for Distribution \$ 60.2 \$ 65.4 \$ 81.1 9. EPS \$ 1.65 \$ 1.72 \$ 1.98 Q0. Efficiency Ratio 62.44% 61.19% 56.51%

Earnings (\$ in Millions) THE STRENGTH OF BIG. THE SERVICE OF SMALL.
www.firstmerchants.com ®

16	Q1-'16	Q2-'16	Q3-'16	Q4-'16	Q. Net Interest Income \$ 54.5 \$ 56.0 \$ 57.7 \$ 58.3	R. Provision for Loan Losses (0.6) (0.8) (1.9) (2.4)	S. Net Interest
					Income after Provision 53.9 55.2 55.8 55.9	T. Non-Interest Income 15.8 16.4 16.9 16.1	U. Non-Interest Expense (46.4) (44.9) (44.1) (41.9)
					V. Income before Income Taxes 23.3 26.7 28.6 30.1	W. Income Tax Expense (5.6) (6.7) (7.5) (7.8)	8. Net Income Avail. for Distribution \$ 17.7 \$ 20.0 \$ 21.1 \$ 22.3
					9. EPS \$ 0.43 \$ 0.49 \$ 0.51 \$ 0.55	Q0. Efficiency Ratio 61.78% 57.33% 55.12% 52.18%	Quarterly Earnings (\$ in Millions) THE
					STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com ®		

17	Per Share Results	THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com										®	R015	Q1	Q2	Q3	Q4	Total	Q.	
Earnings	Per Share	\$.43	\$.47	\$.45	\$.37	\$ 1.72	R. Dividends	\$.08	\$.11	\$.11	\$.11	\$.41	S. Tangible	Book Value	\$13.96	\$14.15	\$14.59	\$ 14.68		
	R016	Q1	Q2	Q3	Q4	Total	Q. Earnings	Per Share	\$.43	\$.49	\$.51	\$.55	\$ 1.98	R. Dividends	\$.11	\$.14	\$.14	\$.15	\$.54	R. Tangible
							Book Value	\$15.02	\$15.53	\$15.86	\$15.85									

\$9.21	\$9.64	\$10.95	\$12.17	\$13.65	\$14.68	\$15.85	THE STRENGTH OF BIG. THE SERVICE OF SMALL.										Dividends and Tangible				
Book Value	P.00	0.02	0.04	0.06	0.08	0.10	0.12	0.14	0.16	.11	www.firstmerchants.com ®				.01	.03	.05	.14	.15		
Q.59%	Forward	Dividend	Yield		R7.3%	Dividend	Payout Ratio	=	Quarterly Dividends Tangible Book Value										Q8	.08	Q8

John J. Martin Executive Vice President and Chief Credit Officer ® Q9

20 Loan Portfolio Trends THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com ® (\$ in Millions) R014 2015
Q3-'16 2016 \$ % \$ % 186.1 186.1 Q. Commercial & Industrial 897\$ 1,057\$ 1,147\$ 1,195\$ 48\$ 4.2% 138\$ 13.1% 2. Construction, Land and Land
Development 207 367 368 419 51 13.9% 52 14.2% 3. CRE Non-Owner Occupied 976 1,090 1,264 1,272 8 0.6% 182 16.7% 4. CRE Owner Occupied 535
554 524 531 7 1.3% (23) (4.2%) 5. Agricultural Production 105 98 93 80 (13) (14.0%) (18) (18.4%) 6. Agricultural Land 162 158 153 149 (4) (2.6%) (9)
(5.7%) 7. Residential Mortgage 647 786 740 739 (1) (0.1%) (47) (6.0%) 8. Home Equity 287 349 399 419 20 5.0% 70 20.1% 9. Public Finance/Other
Commercial 36 160 209 258 49 23.4% 98 61.3% 10. Other Consumer 73 75 77 78 1 1.3% 3 4.0% 11. Total Loans 3,925\$ 4,694\$ 4,974\$ 5,140\$ 166\$
3.3% 446\$ 9.5% 12. Construction Concentration 1 49.6% 47.3% 52.3% 13. Investment RE Concentration 1 197.0% 209.9% 211.2% 1As a %
of Risk Based Capital Change From Change From Q3-'16 2015

21 Asset Quality Summary THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com ® (\$ in Millions) R014 2015 Q3-'16
2016 \$ % \$ % 1. Non-Accrual Loans 48.8\$ 31.4\$ 34.1\$ 30.0\$ (4.1)\$ (12.0%) (1.4)\$ (4.5%) 2. Other Real Estate 19.3 17.3 10.2 9.0 (1.2) (11.8%) (8.3)
(48.0%) 3. Renegotiated Loans 2.0 1.9 4.0 4.7 0.7 17.5% 2.8 147.4% 4. 90+ Days Delinquent Loans 4.6 0.9 1.6 0.1 (1.5) (93.8%) (0.8) (88.9%) 5. Total
NPAs & 90+ Days Delinquent 74.7\$ 51.5\$ 49.9\$ 43.8\$ (6.1)\$ (12.2%) (7.7)\$ (15.0%) 6. Total NPAs & 90+ Days/Loans & ORE 1.9% 1.1% 1.0%
0.9% 7. Classified Assets 191.8\$ 171.8\$ 173.4\$ 174.1\$ 0.7\$ 0.4% 2.3\$ 1.3% 8. Criticized Assets (includes Classified) 253.6\$ 275.0\$ 305.8\$ 292.6\$
(13.2)\$ (4.3%) 17.6\$ 6.4% Change From Change From Q3-'16 2015

22 Non-Performing Asset Reconciliation THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com ® (\$ in Millions)
R014 2015 2016 1. Beginning Balance NPAs & 90+ Days Delinquent 83.0\$ 74.7\$ 51.5\$ Non-Accrual 2. Add: New Non-Accruals 46.8 20.0 24.6 3.
Less: To Accrual/Payoff/Renegotiated (32.4) (24.1) (17.0) 4. Less: To OREO (4.6) (5.0) (1.6) 5. Less: Charge-offs (17.4) (8.3) (7.4) 6. Increase /
(Decrease): Non-Accrual Loans (7.6) (17.4) (1.4) Other Real Estate Owned (ORE) 7. Add: New ORE Properties 11.3 10.7 1.6 8. Less: ORE Sold (10.2)
(10.3) (8.2) 9. Less: ORE Losses (write-downs) (4.0) (2.4) (1.7) 10. Increase / (Decrease): ORE (2.9) (2.0) (8.3) 11. Increase / (Decrease): 90+ Days
Delinquent 3.3 (3.7) (0.8) 12. Increase / (Decrease): Renegotiated Loans (1.1) (0.1) 2.8 13. Total NPAs & 90+ Days Delinquent Change (8.3) (23.2) (7.7)
14. Ending Balance NPAs & 90+ Days Delinquent 74.7\$ 51.5\$ 43.8\$

23	ALLL and Fair Value Summary	THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com	®	(\$ in Millions)	Q4-'15
Q1-'16	Q2-'16	Q3-'16	Q4-'16	1. Allowance for Loan Losses (ALLL)	62.5\$ 62.1\$ 62.2\$ 63.5\$ 66.0\$
				R. Fair Value Adjustment (FVA)	47.0 47.1 42.3 37.9
34.9	3. Total ALLL plus FVA	109.5\$ 109.2\$ 104.5\$ 101.4\$ 100.9\$	T. Specific Reserves	1.8\$ 1.4\$ 2.1\$ 1.6\$ 0.9\$	U. Purchased Loans plus FVA
917.6	863.4	771.6	700.4	V. ALLL/Non-Accrual Loans	199.0% 169.1% 185.3% 186.1% 220.1%
				7. ALLL/Non-purchased Loans	1.65% 1.62% 1.56% 1.50%
1.47%	8. ALLL/Loans	1.33% 1.32% 1.29% 1.28% 1.28%	9. ALLL & FVA/Total Loan Balances plus FVA	1 2.31% 2.29% 2.15% 2.02% 1.95%	1
Management uses this Non-GAAP measure to demonstrate coverage and credit risk					

24 Asset Quality & Portfolio Summary THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com ® Strong quarterly and
YOY loan growth led by C&I, Public Finance, CRE and Home Equity. Construction and CRE portfolios are 52% and 211% of risk-based capital,
respectively; well beneath regulatory guidelines. Total NPAs & 90 days decreased \$39.2 million over the last three years dropping to .9% of loans
and ORE. Provision expense of \$5.7 million exceeded net charge-offs of \$2.1 million in order to support loan growth. ALLL to non-purchased
loans of 1.47%. With fair value adjustments included, the ratio increases to 1.95% on loans.

Michael C. Rechin President and Chief Executive Officer ® R5

26 FMC Strategy and Tactics Overview THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com Looking Forward . . . ®
Continue to Win in our Markets – Geographic Community-Based Banking Model Increase Focus on Treasury Management Services for Deposit and Fee
Generation Exploit Back-Office Infrastructure for Efficiency and Operating Leverage Build Out Specialty Finance Businesses and Lending
Verticals Persistent Focus on Banking Center Optimization in Alignment with Digital Channels Migration Mergers and Acquisitions Continuous
Opportunity

28 The Arlington Bank Summary THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com ® Definitive Agreement Signed
January 24, 2017 Headquartered in Columbus, Ohio Founded in 1998 Balance Sheet as of September 30, 2016 • \$305 Million in Assets • \$244
Million in Loans • \$260 Million in Deposits Income Statement for Nine Months Ending September 30, 2016 • Net Income of \$3.1 Million • Net
Interest Margin of 3.80% Excellent Credit Quality and Highly Profitable • NPAs / Assets of 0.67% • 1.35% ROAA LTM and 11.93% ROAE LTM

29 Financial Overview THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com ® Transaction Value: \$75.8 Million*
Consideration: 100% Stock with Fixed Exchange Ratio of 2.7245 Required Approvals: Regulatory and The Arlington Bank Shareholders Voting
Agreements for 36.40% of Shares Outstanding Key Assumptions: Cost Savings Estimated to be 35%, or \$3.5 Million Estimated One-Time Transaction
Costs of \$6.8 Million Credit and Interest Rate Marks of \$7.8 Million Financial Impact: Accretive to EPS During 2017 Tangible Book Value
Earn-Back in Three Years Minimal Impact to Capital Ratios Termination Fee: \$3.0 Million Anticipated Closing: Mid-Year 2017 *Based on First
Merchants' January 24, 2017 closing price of \$36.46 Per Share

30 Transaction Rationale THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com ® Columbus Ohio Market Expansion

- Adds Three, Full-Service Banking Centers to our Seven; Creating a Columbus Banking Presence with Nearly \$1 Billion in Loans • Banking Centers
- Average More than \$80 Million in Deposits Per Location of which 92% are Core • Improves First Merchants' Deposit Market Position from #12 to #8 •
- Columbus is One of the Fastest Growing Cities in the Midwest • Arlington Bank is the 9th Largest Originator of Residential Mortgages in the Columbus, Ohio Area
- Strategic Opportunity Financially Attractive Accretive to EPS During 2017 Tangible Book Value Earn-Back in Three Years
- Significant Operating Efficiencies – Approximately 35% in Cost Savings Attractive Risk Profile Cultural Fit, Retention of Key Management Members
- Due Diligence Process Completed Experienced Acquirer, Core Competency in Integration Processes

31 Contact Information First Merchants Corporation common stock is traded on the NASDAQ Global Select Market under the symbol FRME. Additional information can be found at www.FIRSTMERCHANTS.COM Investor inquiries: David L. Ortega Investor Relations Telephone: 765.378.8937 dortega@firstmerchants.com THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com ®

33 THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com Appendix – Non-GAAP Reconciliation @ CAPITAL RATIOS
(dollars in thousands): 4Q14 1Q15 2Q15 3Q15 4Q15 1Q16 2Q16 3Q16 4Q16 Total Risk-Based Capital Ratio Total Stockholders' Equity (GAAP)
726,827 739,658 749,955 766,984 850,509 867,263 887,550 900,865 901,657 Adjust for Accumulated Other Comprehensive (Income) Loss a 1,630 1,915
6,490 3,614 1,362 (2,066) (7,035) (3,924) 13,581 Less: Preferred Stock (125) (125) (125) (125) (125) (125) (125) (125) Add: Qualifying Capital Securities
55,000 56,827 56,827 51,827 55,776 55,236 55,296 55,355 55,415 Less: Tier 1 Capital Deductions (4,381) (2,371) (3,418) (2,516) (1,999) (1,828) (1,440)
(376) Less: Disallowed Goodwill and Intangible Assets (218,755) (205,818) (208,980) (208,749) (247,006) (250,367) (249,932) (249,541) (249,104) Less:
Disallowed Servicing Assets (167) Less: Disallowed Deferred Tax Assets (1,786) (1,581) (1,144) (1,677) (2,998) (2,743) (2,161) (564) Total Tier 1 Capital
(Regulatory) 564,535\$ 586,290\$ 600,215\$ 608,989\$ 656,323\$ 664,944\$ 681,183\$ 699,029\$ 720,484\$ Qualifying Subordinated Debentures 65,000 65,000
65,000 65,000 65,000 65,000 65,000 65,000 65,000 Allowance for Loan Losses includible in Tier 2 Capital 55,972 58,688 60,865 62,012 62,453 62,086 62,186

Edgar Filing: FIRST MERCHANTS CORP - Form 425

63,456 66,037 Total Risk-Based Capital (Regulatory) 685,507\$ 709,978\$ 726,080\$ 736,001\$ 783,776\$ 792,030\$ 808,369\$ 827,485\$ 851,521\$ Net
Risk-Weighted Assets (Regulatory) 4,469,765\$ 4,695,073\$ 4,865,157\$ 4,956,737\$ 5,247,617\$ 5,355,827\$ 5,511,557\$ 5,836,806\$ 5,993,381\$ Total
Risk-Based Capital Ratio (Regulatory) 15.34% 15.12% 14.92% 14.85% 14.94% 14.79% 14.67% 14.18% 14.21% Common Equity Tier 1 Capital Ratio
Total Tier 1 Capital (Regulatory) 564,535\$ 586,290\$ 600,215\$ 608,989\$ 656,323\$ 664,944\$ 681,183\$ 699,029\$ 720,484\$ Less: Qualified Capital Securities
(55,000) (56,827) (56,827) (51,827) (55,776) (55,236) (55,296) (55,355) (55,415) Add: Additional Tier 1 Capital Deductions 4,381 2,371 3,418 2,516 1,999
1,828 1,440 376 Less: Preferred Stock (125) Common Equity Tier 1 Capital (Regulatory) 509,410\$ 533,844\$ 545,759\$ 560,580\$ 603,063\$ 611,707\$
627,715\$ 645,114\$ 665,445\$ Net Risk-Weighted Assets (Regulatory) 4,469,765\$ 4,695,073\$ 4,865,157\$ 4,956,737\$ 5,247,617\$ 5,355,827\$ 5,511,557\$
5,836,806\$ 5,993,381\$ Common Equity Tier 1 Capital Ratio (Regulatory) 11.40% 11.37% 11.22% 11.31% 11.49% 11.42% 11.39% 11.05% 11.10% a
Includes net unrealized gains or losses on securities available for sale, net gains or losses on cash flow hedges, and amounts resulting from the application of the
applicable accounting guidance for defined benefit and other postretirement plans.

34 Appendix – Non-GAAP Reconciliation THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com ® TANGIBLE
COMMON EQUITY RATIO (dollars in thousands): 4Q14 1Q15 2Q15 3Q15 4Q15 1Q16 2Q16 3Q16 4Q16 Total Stockholders' Equity (GAAP) 726,827\$
739,658\$ 749,955\$ 766,984\$ 850,509\$ 867,263\$ 887,550\$ 900,865\$ 901,657\$ Less : Preferred Stock (125) (125) (125) (125) (125) (125) (125) (125) (125)
Less : Intangible Assets (218,755) (218,033) (220,196) (219,503) (259,764) (261,799) (260,822) (259,844) (258,866) Tangible Common Equity
(non-GAAP) 507,947\$ 521,500\$ 529,634\$ 547,356\$ 590,620\$ 605,339\$ 626,603\$ 640,896\$ 642,666\$ Total Assets (GAAP) 5,824,127\$ 5,877,521\$
6,140,308\$ 6,189,797\$ 6,761,003\$ 6,798,539\$ 6,906,418\$ 7,022,352\$ 7,211,611\$ Less : Intangibles Assets (218,755) (218,033) (220,196) (219,503) (259,764)
(261,799) (260,822) (259,844) (258,866) Tangible Assets (non-GAAP) 5,605,372\$ 5,659,488\$ 5,920,112\$ 5,970,294\$ 6,501,239\$ 6,536,740\$ 6,645,596\$
6,762,508\$ 6,952,745\$ Tangible Common Equity Ratio (non-GAAP) 9.06% 9.21% 8.95% 9.17% 9.08% 9.26% 9.43% 9.48% 9.24% TANGIBLE COMMON
EQUITY PER SHARE (dollars in thousands): 4Q10 4Q11 4Q12 4Q13 4Q14 1Q15 2Q15 3Q15 4Q15 1Q16 2Q16 3Q16 4Q16 Total Stockholders' Equity

Edgar Filing: FIRST MERCHANTS CORP - Form 425

(GAAP) 454,408\$ 514,467\$ 552,236\$ 634,923\$ 726,827\$ 739,658\$ 749,955\$ 766,984\$ 850,509\$ 867,263\$ 887,550\$ 900,865\$ 901,657\$	Less : Preferred
Stock (67,880) (90,783) (90,908) (125) (125) (125) (125) (125) (125) (125) (125) (125) (125)	Less : Intangible Assets (154,019) (150,471) (149,529) (202,767)
(218,755) (218,033) (220,196) (219,503) (259,764) (261,799) (260,822) (259,844) (258,866)	Tax Benefit† 2,907 2,224 2,249 4,973 6,085 5,849 5,619 5,388
6,278 6,753 6,453 6,204 5,930	Tangible Common Equity, Net of Tax (non-GAAP) 235,416\$ 275,437\$ 314,048\$ 437,004\$ 514,032\$ 527,349\$ 535,253\$
552,744\$ 596,898\$ 612,092\$ 633,056\$ 647,100\$ 648,596\$	Shares Outstanding 25,574,251 28,559,707 28,692,616 35,921,761 37,669,948 37,781,488
37,824,649 37,873,921 40,664,258 40,749,340 40,772,896 40,799,025 40,912,697	Tangible Common Equity per Share (non-GAAP) 9.21\$ 9.64\$ 10.95\$
	12.17\$ 13.65\$ 13.96\$ 14.15\$ 14.59\$ 14.68\$ 15.02\$ 15.53\$ 15.86\$ 15.85\$

35 Appendix – Non-GAAP Reconciliation THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com ® EFFICIENCY RATIO (dollars in thousands): R014 2015 1Q16 2Q16 3Q16 4Q16 2016 Non Interest Expense (GAAP) \$ 164,008 \$ 174,806 \$ 46,475 \$ 44,835 \$ 44,115 \$ 41,934 \$ 177,359 Less: Core Deposit Intangible Amortization (2,445) (2,835) (978) (977) (978) (977) (3,910) Less: OREO and Foreclosure Expenses (3,462) (3,956) (751) (915) (637) (574) (2,877) Adjusted Non Interest Expense (non-GAAP) 158,101 168,015 44,746 42,943 42,500 40,383 170,572 Net Interest Income (GAAP) 187,037 196,404 54,455 55,962 57,682 58,374 226,473 Plus: Fully Taxable Equivalent Adjustment 7,921 10,975 3,136 3,256 3,402 3,747 13,541 Net Interest Income on a Fully Taxable Equivalent Basis (non-GAAP) 194,958 207,379 57,591 59,218 61,084 62,121 240,014 Non Interest Income (GAAP) 61,816 69,868 15,837 16,385 16,861 16,120 65,203 Less: Investment Securities Gains (Losses) (3,581) (2,670) (997) (706) (839) (847) (3,389) Adjusted Non Interest Income (non-GAAP) 58,235 67,198 14,840 15,679 16,022 15,273 61,814 Adjusted Revenue (non-GAAP) 253,193 274,577 72,431 74,897 77,106 77,394 301,828 Efficiency Ratio (non-GAAP) 62.44% 61.19% 61.78% 57.33% 55.12% 52.18% 56.51% FORWARD DIVIDEND

Edgar Filing: FIRST MERCHANTS CORP - Form 425

YIELD TQ16 Most recent quarter's dividend per share \$ 0.15 Most recent quarter's dividend per share - Annualized 0.60 Stock Price at 12/31/16 37.65
Forward Dividend Yield 1.59% DIVIDEND PAYOUT RATIO R016 Dividends per share \$ 0.54 Earnings Per Share 1.98 Dividend Payout Ratio
27.3%

36 Appendix – Non-GAAP Reconciliation THE STRENGTH OF BIG. THE SERVICE OF SMALL. www.firstmerchants.com ® ALLOWANCE AS A PERCENTAGE OF NON-PURCHASED LOANS (dollars in thousands):

4Q15	1Q16	2Q16	3Q16	4Q16	Loans Held for Sale (GAAP)	9,894\$	3,628\$
18,854\$	1,482\$	2,929\$	Loans (GAAP)	4,693,822	4,709,907	4,791,429	4,973,844
5,142,574	Less: Purchased Loans (917,589)	(870,507)	(821,158)	(733,715)	(665,417)	Non-Purchased Loans (non-GAAP)	3,786,127\$
3,989,125\$	4,241,611\$	4,477,157\$	Allowance for Loan Losses (GAAP)	62,453\$	62,086\$	62,186\$	63,456\$
47,057	47,104	42,291	37,898	34,936	Allowance plus FVA (non-GAAP)	109,510\$	109,190\$
104,477\$	101,354\$	100,973\$	Total Loans	4,703,716\$			
4,713,535\$	4,810,283\$	4,975,326\$	5,142,574\$	Fair Value Adjustment (FVA) (GAAP)	47,057	47,104	42,291
37,898	34,936	Total Loans plus FVA	(non-GAAP)	4,750,773\$	4,760,639\$	4,852,574\$	5,013,224\$
5,177,510\$	Allowance as a Percentage of Non-Purchased Loans (non-GAAP)	1.65%	1.62%	1.56%			
1.50%	1.47%	Allowance plus FVA as a Percentage of Total Loans plus FVA (non-GAAP)	2.31%	2.29%	2.15%	2.02%	1.95%

CONSTRUCTION AND

Edgar Filing: FIRST MERCHANTS CORP - Form 425

INVESTMENT REAL ESTATE CONCENTRATIONS (dollars in thousands): 2015 3Q16 2016 Tot l Ri k-Based Capital (Subsidiary Bank Only) Tot l
 Stockholders' Equity (GAAP) 927,774\$ 972,182\$ 973,641\$ Adjust for Accumul ted Other Comprehensive (Income) Loss 1 (579) (6,332) 9,701 Less:
 Preferred Stock (125) (125) (125) Less: Tier 1 Capital Deductions (1,903) (889) - Less: Disallowed Goodwill and Intangible Assets (246,558) (249,093)
 (248,656) Less: Disallowed Deferred Tax Assets (1,269) (1,334) - Total Tier 1 Capital (Regulatory) 677,340 714,409 734,561 Allowance for Loan Losses
 includible in Tier 2 Capital 62,453 63,456 66,037 Total Risk-Based Capital (Regulatory) 739,793\$ 777,865\$ 800,598\$ Construction, Land a d Land
 Developme t Loans 366,704\$ 368,241\$ 418,703\$ Concentration as a % of the Bank's Risk-Based Capital 49.6% 47.3% 52.3% Construction, Land and Land
 Development Loans 366,704\$ 368,241\$ 418,703\$ Investment Real Estate Loans 1,090,573 1,264,304 1,272,415 Total Construction and Investment RE
 Loans 1,457,277\$ 1,632,545\$ 1,691,118\$ Concentration as a % of the Bank's Risk-Based Capital 197.0% 209.9% 211.2% 1 Includes net unrealized gains or
 losses on securities available for sale, net gains or losses on cash flow hedges, and amounts resulting from the application of the applicable accounting
 guidance for defined benefit and other postretirement plans.
