

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

**FORM 8-K**

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

**DATE OF REPORT (Date of earliest event reported): February 28, 2017**

Commission File Number 0-17071

**FIRST MERCHANTS CORPORATION**

(Exact name of registrant as specified in its charter)

INDIANA	35-1544218
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

**200 East Jackson Street  
P.O. Box 792  
Muncie, IN 47305-2814**

(Address of principal executive offices, including zip code)

**(765) 747-1500**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)**
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)**
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))**
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))**

Item 7.01. Regulation FD Disclosure.

The executive officers of First Merchants Corporation intend to use the material filed herewith, in whole or in part, in one or more meetings with investors and analysts. A copy of the investor presentation is attached hereto as Exhibit 99.1.

First Merchants Corporation does not intend for this Item 7.01 or Exhibit 99.1 to be treated as "filed" for purposes of the Securities Exchange Act of 1934, as amended, or incorporated into its filings under the Securities Act of 1933, as amended.

Item 9.01. Financial Statements and Exhibits.

(d) (99.1) First Merchants Corporation Investor Presentation

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DATE: **February 28, 2017**

FIRST MERCHANTS CORPORATION

By: /s/ Mark K. Hardwick

Mark K. Hardwick

Executive Vice President,

Chief Financial Officer and Chief Operating Officer



# FIRST MERCHANTS CORPORATION

4<sup>th</sup> Quarter 2016

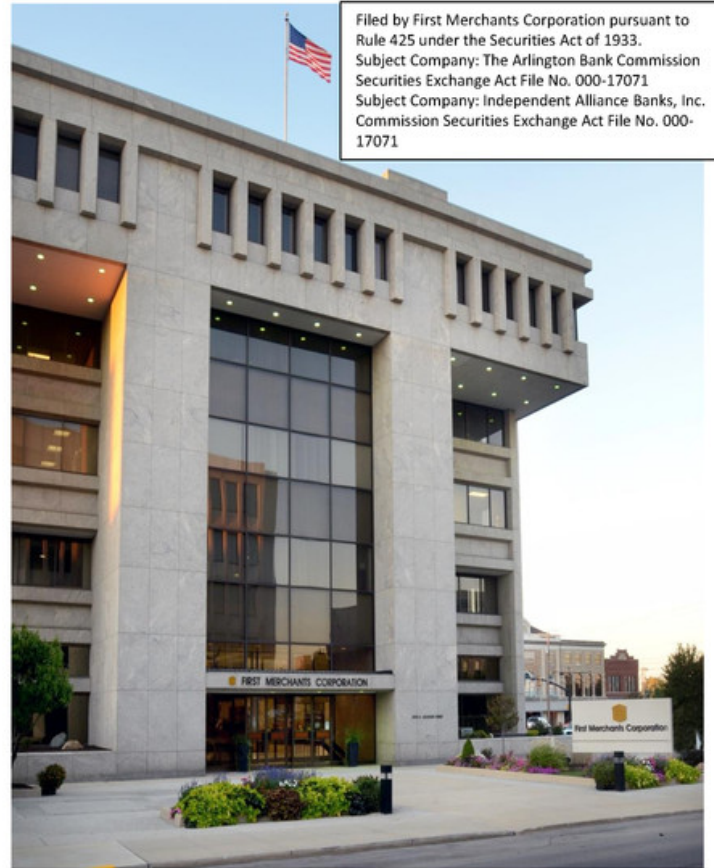
**NASDAQ: FRME**

Michael C. Rechin  
President  
Chief Executive Officer

Mark K. Hardwick  
Executive Vice President  
Chief Financial Officer  
Chief Operating Officer

Michael J. Stewart  
Executive Vice President  
Chief Banking Officer

John J. Martin  
Executive Vice President  
Chief Credit 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  
Subject Company: Independent Alliance Banks, Inc. Commission Securities Exchange Act File No. 000-17071



# Forward-Looking Statements

This presentation contains forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements can often, but not always, be identified by the use of words like “believe”, “continue”, “pattern”, “estimate”, “project”, “intend”, “anticipate”, “expect” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “might”, “can”, “may”, or similar expressions. These forward-looking statements include, but are not limited to, statements relating to the expected timing and benefits of the proposed merger between First Merchants Corporation (“First Merchants”) and The Arlington Bank and the proposed merger between First Merchants and Independent Alliance Banks, Inc. (the “Mergers”), including future financial and operating results, cost savings, enhanced revenues, and accretion/dilution to reported earnings that may be realized from the Mergers, as well as other statements of expectations regarding the Mergers, 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 Mergers or otherwise. These forward-looking statements are subject to significant risks, assumptions and uncertainties that may cause results to differ materially from those set forth in forward-looking statements, including, among other things: the risk that the businesses of First Merchants and The Arlington Bank, and the businesses of First Merchants and Independent Alliance Banks, Inc. 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 Mergers may not be fully realized or realized within the expected time frame; revenues following the Mergers may be lower than expected; customer and employee relationships and business operations may be disrupted by the Mergers; the ability to obtain required governmental and shareholder approvals, and the ability to complete the Mergers 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 Merchant, The Arlington Bank, nor Independent Alliance Banks, Inc. 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, the companies’ past results of operations do not necessarily indicate either of their anticipated future results, whether the Mergers are effectuated or not.



# Forward-Looking Statements

## ADDITIONAL INFORMATION

Communications in this report 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 mergers will be submitted to The Arlington Bank shareholders and Independent Alliance Banks, Inc.'s shareholders for their consideration. In connection with the proposed mergers, it is expected that such shareholders shall be provided with a Proxy Statement, as well as other relevant documents concerning the proposed transactions. **SHAREHOLDERS ARE URGED TO READ THE PROXY STATEMENT REGARDING THE MERGERS 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 Independent Alliance Banks, Inc. and their directors and executive officers may be deemed to be participants in the solicitation of proxies from their shareholders in connection with the proposed Mergers. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the Proxy Statements regarding the proposed Mergers when they become 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.



# Why Invest in First Merchants?

**Top  
25**  
Regional  
Banks  
2015  
SNL Financial





# Company Profile (as of 12/31/2016)

(\$ in Thousands)

## Market Information

Common Shares Outstanding	40,912,697
Market Cap	\$ 1,540,363
Dividend Yield	1.43%
Price/Tangible Book Value	2.38x
Price/LTM EPS	19.0x
Price/2016 Est. EPS	19.5x

## Financial Highlights

Assets	\$ 7,211,611
Loans, Net	\$ 5,073,608
Deposits	\$ 5,556,498
Tangible Common Equity	\$ 642,666
TCE/TA	9.24%
2016 Net Income – YTD	\$ 81,051
2016 ROAA – YTD	1.17%
2016 ROATCE - YTD	12.82%
NPAs/Loans + OREO	0.85%

## First Merchants

- First Merchants Bank, formed in 1893, celebrating its 123<sup>rd</sup> anniversary.
- First Merchants Corporation, organized in 1982, is the largest financial services holding company headquartered in Central Indiana

## Leadership Team – First Merchants

### Name/Title

Michael C. Rechin, President & CEO

Mark K. Hardwick, EVP, Chief Financial Officer & Chief Operating Officer

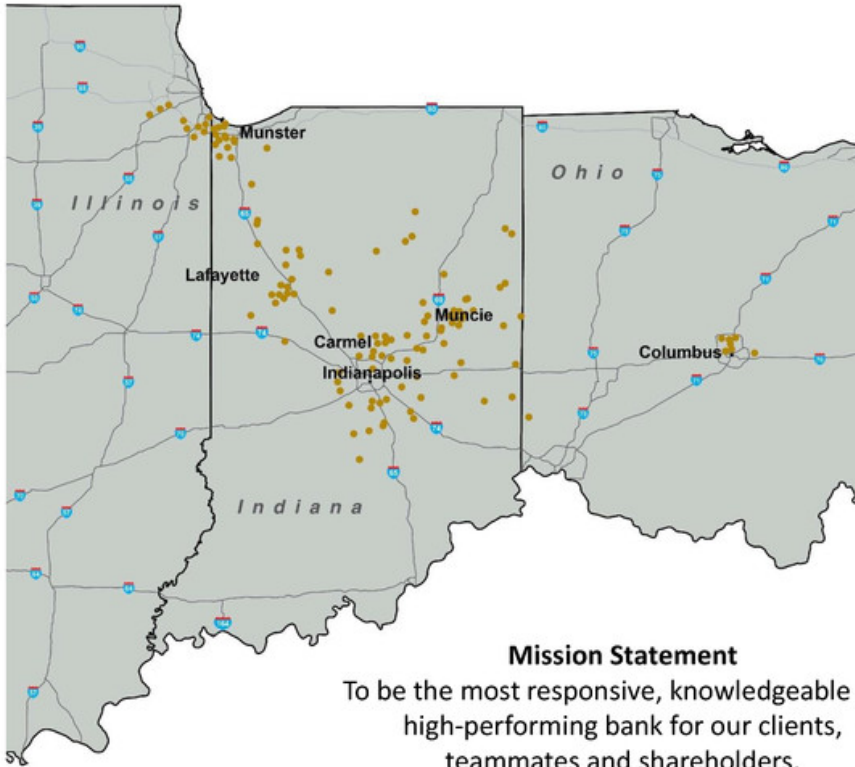
Michael J. Stewart, EVP & Chief Banking Officer

John J. Martin, EVP & Chief Credit Officer

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# Our Franchise



## Key Market Profiles

Loans		Deposits
\$2,250M	Indianapolis	\$1,572M
948M	Muncie	1,644M
668M	Munster	1,002M
565M	Lafayette	987M
709M	Columbus	351M
\$5,140M	Total	\$5,556M

(as of December 31, 2016)

### Mission Statement

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



County	Region/Type	Market Position	Market %	\$ Deposits
Delaware County, IN	Muncie (Established)	1	46.17%	\$ 893,981
Jasper County, IN	Lafayette (Established)	1	31.26%	198,089
White County, IN	Lafayette (Established)	1	33.24%	159,014
Shelby County, IN	Indianapolis (Growth)	1	19.18%	103,239
Jay County, IN	Muncie (Established)	1	44.32%	91,506
Union County, IN	Muncie (Established)	1	43.39%	47,973
Tippecanoe County, IN	Lafayette (Established)	2	20.91%	510,925
Madison County, IN	Indianapolis (Growth)	2	24.59%	325,704
Henry County, IN	Muncie (Established)	2	37.87%	238,625
Wabash County, IN	Muncie (Established)	2	14.87%	54,790
Hendricks County, IN	Indianapolis (Growth)	3	11.33%	240,483
Adams County, IN	Muncie (Established)	3	16.69%	104,959
Randolph County, IN	Muncie (Established)	3	7.61%	63,409
Clinton County, IN	Lafayette (Established)	3	13.77%	60,689
Morgan County, IN	Indianapolis (Growth)	4	11.59%	98,643
Hancock County, IN	Indianapolis (Growth)	4	8.61%	80,930
Carroll County, IN	Lafayette (Established)	4	10.66%	32,907
Brown County, IN	Indianapolis (Growth)	4	19.11%	18,656
Lake County, IN	Lafayette (Established)	5	7.83%	670,030
Hamilton County, IN	Indianapolis (Growth)	5	6.37%	522,258
Johnson County, IN	Indianapolis (Growth)	5	7.23%	142,769
Fayette County, IN	Muncie (Established)	5	8.47%	26,526
Miami County, IN	Muncie (Established)	5	7.99%	31,331
Sub Total				\$4,717,436
First Merchants Total				\$5,447,848

# First Merchants “Whole Bank” Strategy



- Commercial Banking
- Consumer Banking
- Private Wealth Advisors
- Growth Strategy
  - Organic
  - Merger/Acquisition





# First Merchants Strategy

## ➤ Commercial Bank

- Located in Prime Growth Commercial Banking Markets
  - Indianapolis, Indiana
  - Columbus, Ohio
  - Lafayette, Indiana
  - Northwest Indiana
- Hire the Best Talent Supported with the Finest:
  - Sales Management Process
  - Lending and Cash Management Services
  - Revenue-Based Incentive System





# First Merchants Strategy

## ➤ Consumer Retail Bank

- Diversely Located in Stable Rural and Growth Metro Markets
- Supported by:
  - Talented Customer Service Oriented Banking Center and Call Center Professionals
  - State-of-the-Art Deposit and CRM Systems
  - Highly Usable Online Banking System
  - Widely Available Mobile Banking System
  - Customer Service and Relationship Growth-Oriented Incentive System





# First Merchants Strategy

“Service-driven alternative to super-regional bank competitors.

Deliver superior service with presence close to the customer for . . .”

- Retail Banking
- Mortgage Banking
- Commercial Banking
  - Business Banking
  - Commercial & Industrial
  - Agriculture
  - Specialty Finance
  - Healthcare Services
  - Real Estate
  - Cash Management Services
- Private Wealth Advisory (private banking, investment management, personal trust, brokerage, and retirement)

***“We specialize in our communities”***

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# How We Deliver

## First Merchants Corporation

### Supported by LOB Strategies



**Indianapolis**  
**Higher Growth**  
Brown, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Morgan, Shelby Counties



**Columbus, OH**  
**Higher Growth**  
Franklin County, OH



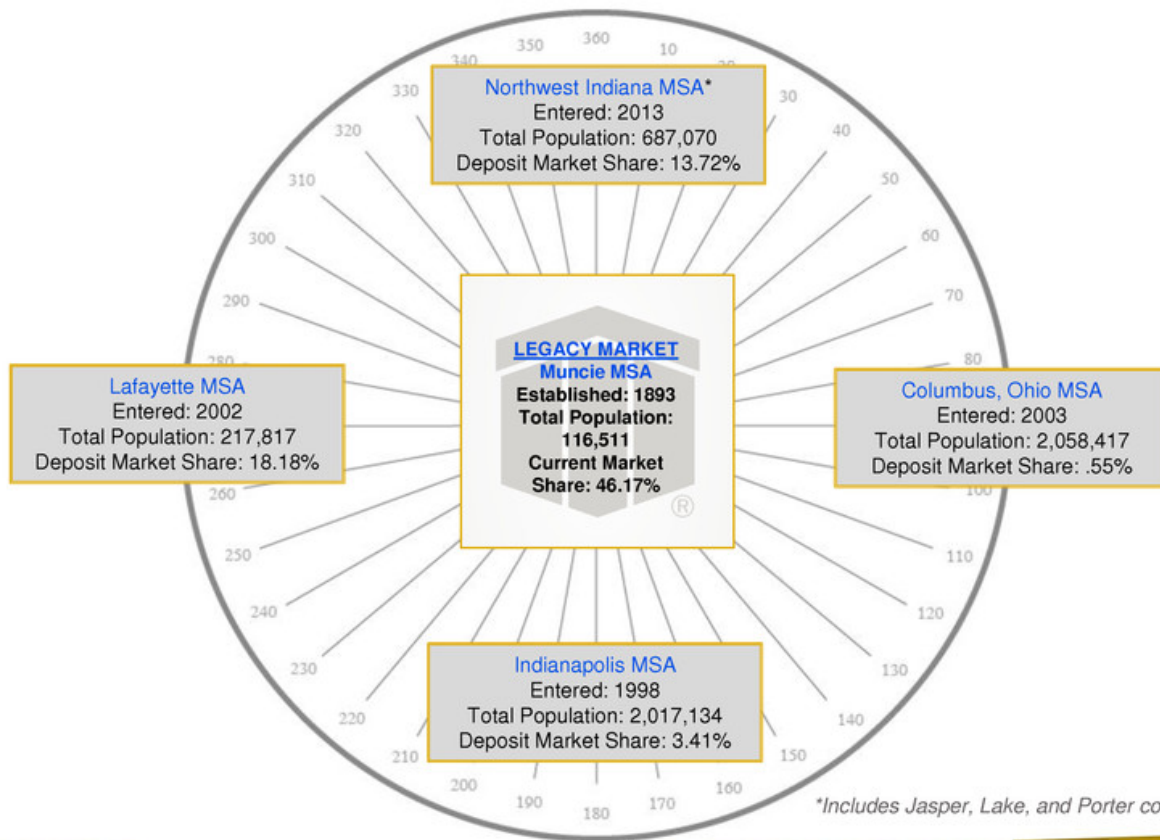
**Lafayette**  
**Established**  
Carroll, Clinton, Jasper, Montgomery, Tippecanoe, White Counties



**Munster**  
**Higher Growth**  
Lake & Porter, IN  
Cook & DuPage, IL



# Organic Growth Opportunities Exists in All Directions







## Ranked Best in the Midwest for Business\*

- AAA Credit Rating\*\*
- 1<sup>st</sup> in the Nation for Small Business Growth
- 1<sup>st</sup> Nationally for Cost of Doing Business
- 1<sup>st</sup> Nationally for Highway Accessibility
- 1<sup>st</sup> in the Midwest/8<sup>th</sup> Nationally for Low Taxes
- Leading the Nation in Manufacturing Job Growth
- 2<sup>nd</sup> Nationally for Availability of Skilled Labor
- 2<sup>nd</sup> Best City in the Nation for Recent Graduates (Indianapolis)
- Home to the 2<sup>nd</sup> Largest Global Fed Ex Air Hub
- Regulatory Climate Ranks 2<sup>nd</sup> in the Nation
- 4<sup>th</sup> Nationally for Cost of Living
- Indiana's 3 Maritime Ports Rank 6<sup>th</sup> in Waterborne Shipping
- 8<sup>th</sup> Best State for Business

\*IEDC  
\*\*S&P, Moody's & Fitch



# Muncie Market

- Located 58 miles northeast of Indianapolis in the east central portion of the state
- Described by several national studies as a typical American community, Delaware County offers the advantages of larger cities without the hassles and costs associated with living in major metropolitan areas.
- Easy access to the top 100 markets in the country, Muncie-Delaware County has a diverse economic landscape
- Ranked #27, Forbes Best Small Places for Business and Careers
- Workforce experienced in life science, advanced manufacturing, 21st century logistics and information technology
- Home to Ball State University

Delaware County, IN*				
Rank		Branches	Deposits	Mkt. Share
1	<b>First Merchants Corporation</b>	12	893,981	46.17%
2	Mutual First Financial	9	476,957	24.63%
3	J.P. Morgan Chase	4	220,534	11.39%
4	Old National Bancorp	7	206,538	10.67%
5	Star Financial Group	3	136,933	7.07%
6	Woodforest Financial Group	1	1,391	0.07%
<b>Market Total</b>		<b>38</b>	<b>\$1,936,334</b>	

\*SNL Financial FDIC Summary of Deposits as of June 30, 2016

## Notable Major Employers



Ball Memorial Hospital & Physicians



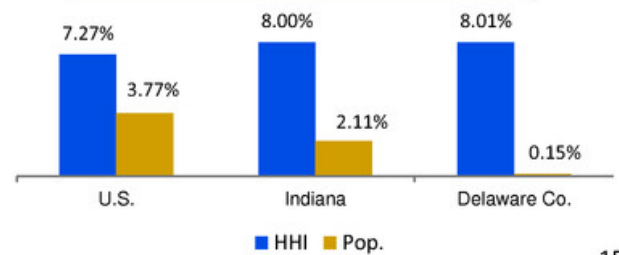
ONTARIO SYSTEMS



Ball Brothers Foundation



## Projected HHI & Pop. Change 2017-2022





# Indianapolis Market

- Indianapolis metropolitan area includes four of the five fastest-growing counties in Indiana and 10 of the 11 fastest-growing cities and towns with populations of at least 5,000\*
- The 2015 population estimates released by the U.S. Census Bureau show suburban Hamilton County's population grew 13% over the last five years\*
- Indiana's population has grown 2% since 2010\*
- Indiana's population growth outpaced those of neighboring states Illinois, Kentucky, Michigan and Ohio\*
- With 862,781 residents, Indianapolis was the nation's 14<sup>th</sup> largest city\*

Hamilton County, IN**				
Rank		Branches	Deposits	Mkt. Share
1	First Internet Bancorp	1	1,397,573	17.05%
2	JPMorgan Chase & Co.	15	1,339,119	16.34%
3	Merchants Bancorp	2	1,119,000	13.65%
4	PNC Financial Services Group	12	566,061	6.91%
5	<b>First Merchants Corporation</b>	<b>12</b>	<b>522,258</b>	<b>6.37%</b>
6	Lakeland Financial Corp	3	520,349	6.35%
7	Fifth Third Bancorp	7	465,152	5.68%
8	Huntington Bancshares	12	408,965	4.99%
9	Bank of Montreal	9	359,542	4.39%
10	KeyCorp	7	271,393	3.31%
<b>Market Total</b>		<b>117</b>	<b>\$8,195,095</b>	

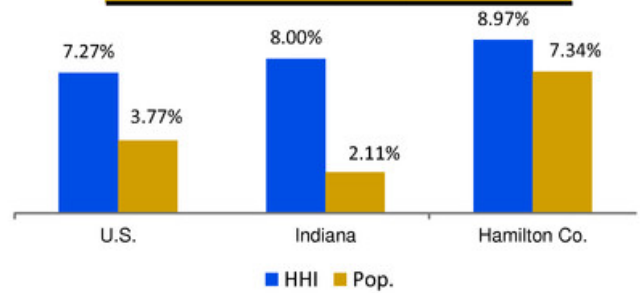
\*IBJ.com

\*\*SNL Financial FDIC Summary of Deposits as of June 30, 2016

## Notable Major Employers



## Projected HHI & Pop. Change 2017-2022





# Lafayette Market

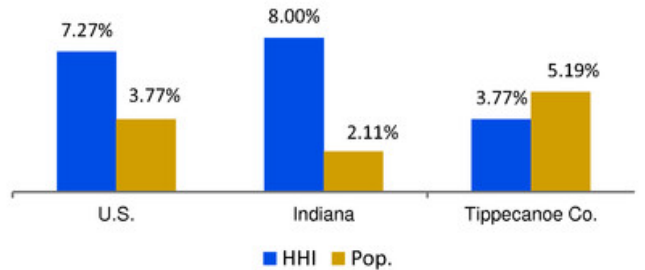
- Ranked #1 in Indiana and #8 nationally, Fortune, Best Place for Small Business, based on cost of business, jobs growth, educational achievements
- Ranked #2, Forbes Best Small Places for Business and Careers
- Ranked #2 in Indiana for STEM job density, with 13.6% of the workforce, topping the state's 10.9% & national average of 11.9% (Lafayette up 70.6% since 2001, with 4,850 new jobs)\*\*
- Ranked #17 of 200, New Geography, Best Cities for Manufacturing
- Home to Purdue University

## Notable Major Employers



Tippecanoe County, IN**				
Rank		Branches	Deposits	Mkt. Share
1	JPMorgan Chase & Co.	6	\$ 701,835	28.72%
2	<b>First Merchants Corporation</b>	<b>9</b>	<b>510,925</b>	<b>20.91%</b>
3	Regions Financial Corp	7	296,336	12.13%
4	Old National Bancorp	5	257,117	10.52%
5	Lafayette Community Bancorp	4	149,577	6.12%
6	First Bancshares, Inc.	4	125,097	5.12%
7	Huntington Bancshares, Inc.	4	123,337	5.05%
8	Fifth Third Bancorp	3	86,976	3.56%
9	1 <sup>st</sup> Source Corp	3	66,711	2.73%
10	Salin Bancshares	3	47,662	1.95%
<b>Market Total</b>		<b>57</b>	<b>\$ 2,443,556</b>	

## Projected HHI & Pop. Change 2017-2022



\*SNL Financial FDIC Summary of Deposits as of June 30, 2016  
 \*\*Indianapolis Business Journal



# Northwest Indiana Market

- Indiana's second-most populous market
- Benefit from its Chicago proximity
- Continue to produce finest steels, refine the cleanest fuels and deliver the best products to the Midwest\*\*
- New investments by world-class companies like BP, Pratt Industries, Alcoa Howmet, Urschel Labs and Monosol\*\*
- Lakefront being revitalized through the Marquette Plan and assistance of the Regional Development Authority\*\*

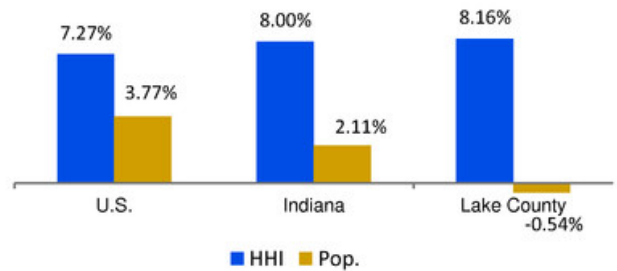
Lake County, IN*				
Rank		Branches	Deposits	Mkt. Share
1	JPMorgan Chase & Co.	24	\$ 1,812,142	21.17%
2	First Bancshares, Inc.	29	1,790,048	20.91%
3	First Midwest Bancorp	21	1,015,796	11.87%
4	Northwest Indiana Bancorp	15	731,032	8.54%
<b>5</b>	<b>First Merchants Corporation</b>	<b>11</b>	<b>670,030</b>	<b>7.83%</b>
6	First Financial Bancorp	7	652,030	7.62%
7	Fifth Third Bancorp	13	499,788	5.84%
8	Bank of Montreal	15	478,887	5.59%
9	PNC Financial Services Group	4	172,235	2.01%
10	AMB Financial Corp	4	172,143	2.01%
<b>Market Total</b>		<b>163</b>	<b>\$ 8,560,942</b>	

\*SNL Financial FDIC Summary of Deposits as of June 30, 2016  
 \*\*www.nwiforum.org/nwi-becoming-an-economic powerhouse

## Notable Major Employers



## Projected HHI & Pop. Change 2017-2022





# Columbus, Ohio Market

- Second-most populous county in Ohio
- Within 600 miles of 60% of All U.S. and Canadian Population
- Ranked 2<sup>nd</sup> in CNBC's 2010 study of state transportation systems for its infrastructure, vitality, quality roads, and ability to cost-effectively ship goods by land, air, and water\*\*
- Home to Ohio State University

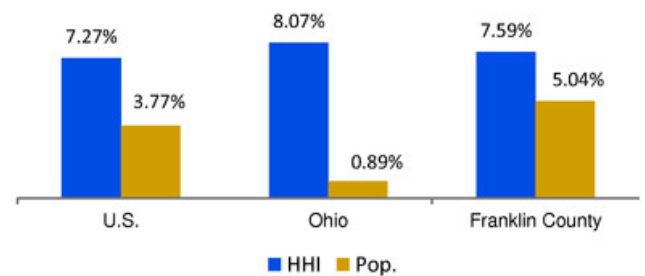
Franklin County, OH*				
Rank		Branches	Deposits	Mkt. Share
1	Huntington Bancshares	70	\$ 19,176,982	39.51%
2	JP Morgan Chares & Co	49	12,524,687	25.80%
3	PNC Financial Services Group	42	5,243,661	10.80%
4	Fifth Third Bancorp	42	4,775,613	9.84%
5	U. S. Bancorp	34	1,282,621	2.64%
6	Key Corp	21	1,171,856	2.41%
7	Wells Fargo & Co	1	802,026	1.65%
8	Heartland BancCorp	11	508,956	1.05%
9	WesBanco Inc.	10	466,849	.96%
10	First Financial Bancorp	6	458,581	.94%
12	<b>First Merchants Corporation</b>	<b>7</b>	<b>325,171</b>	<b>0.67%</b>
<b>Market Total</b>		<b>330</b>	<b>\$ 48,539,002</b>	

\*SNL Financial FDIC Summary of Deposits as of June 30, 2016  
 \*\*<http://jobs-ohio.com/manufacturing/>

## Notable Major Employers



## Projected HHI & Pop. Change 2017-2022





# Growth Through Acquisition

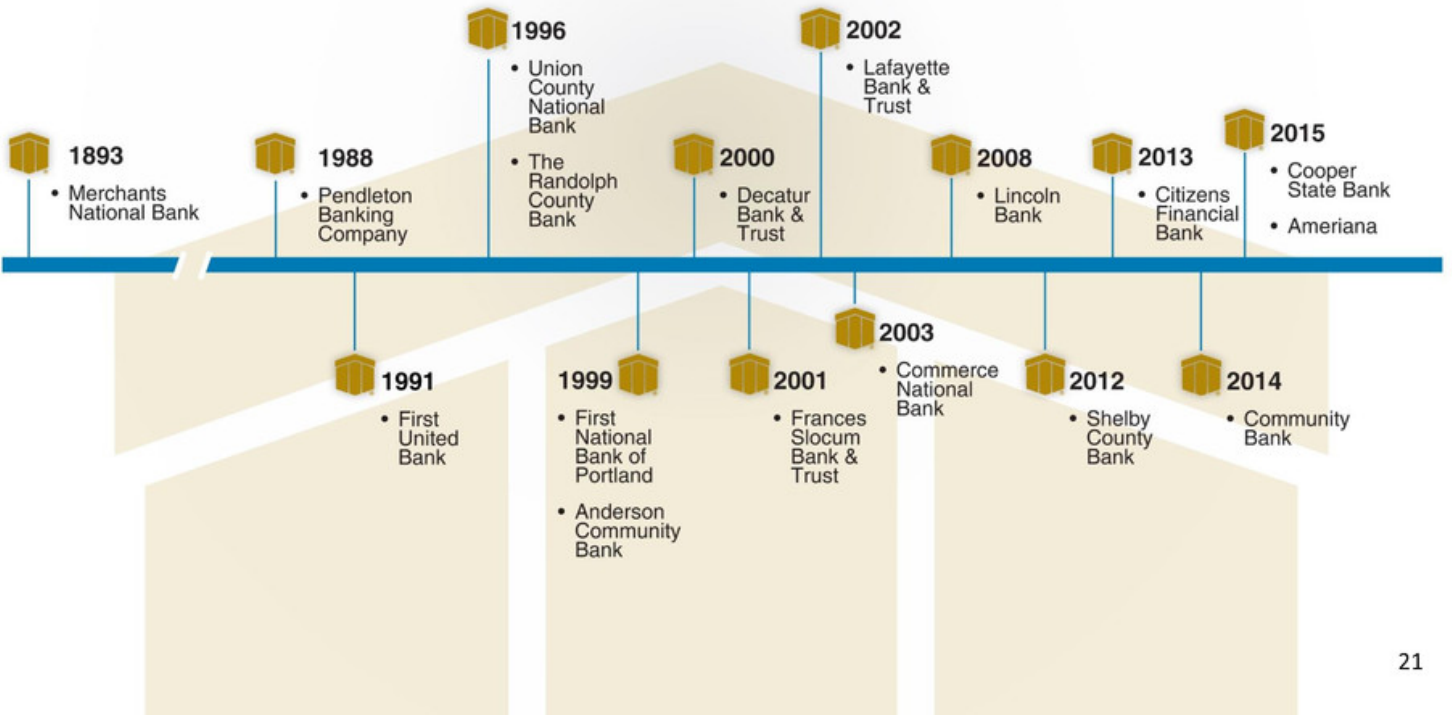
- Experienced Acquirer
- Expand in Current High-Growth Markets
- Extend into Additional High-Growth Markets
- Add to Franchise with Stable Deposit Gathering Markets



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## FIRST MERCHANTS ACQUISITION EXPERIENCE 1893-2016







## FIRST MERCHANTS ACQUISITION PROCESS

- Continuous Relationship Building
- Complete and Thorough Due Diligence Process
- Demonstrated Pricing Discipline:
  - Average Price to TBV of 129%
  - Average EPS Accretion within One Year
  - Average TBV Earn-back of 2.8 Years
- Detailed Project Managed Integration Process
- Single Charter Operating Environment
- Scalable Technology and Operations Center



# Operational Delivery Highlights

## Daleville Operations Facility

- Strategic differentiator in support of growth and scalability
- Operational services execution “hub” focusing on value creation
- Functional focus:
 

• Operations	• Credit Administration
• Risk Management	• Technology
• Project Management	• Vendor Management
- Located off interstate, less than an hour north of Indianapolis, IN
- 60,000+ square feet of flexible space



## Strategic Vendor Partners



# Operational Delivery Highlights

## Customer, Digital Channel & Transaction Activity



<p>➤ <b>Retail Households: 145K</b></p>	
<p>➤ <b>Online Banking/Digital Channel</b></p> <ul style="list-style-type: none"> <li>• Consumer: 62K Users</li> <li>• 810K logins monthly</li> <li>• 12K bill pay users</li> <li>• 74K payments monthly</li> </ul>	<p>➤ <b>Cash Management Annual Volume</b></p> <ul style="list-style-type: none"> <li>• Automated Clearing House (ACH) <ul style="list-style-type: none"> <li>• # Originated: 2M Items (\$5B)</li> <li>• # Received: 12M Items (\$17B)</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Mobile: 26K Users</li> <li>• 22 average logins per month</li> <li>• 80% average active user rate</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic Wires <ul style="list-style-type: none"> <li>• # Originated: 33K Items (\$9B)</li> <li>• # Received: 31K Items (\$14B)</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Business: 9K Users <ul style="list-style-type: none"> <li>• 10% use ACH/Wire/Positive Pay</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• International Wires <ul style="list-style-type: none"> <li>• # Originated: 4K Items (\$207M)</li> <li>• # Received: 530 Items (\$8M)</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Total ATMS: 124</li> </ul>	
<p>➤ <b>Total Debit Cards</b></p> <ul style="list-style-type: none"> <li>• 137K active cards</li> <li>• 3M monthly card swipes</li> <li>• \$100M in monthly volume</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial Remote Deposit Capture <ul style="list-style-type: none"> <li>• 462 businesses using solution</li> <li>• 117K deposits annually</li> <li>• 1.3M items deposited annually</li> <li>• \$2.7B in total deposits</li> </ul> </li> </ul>



# 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

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

- Net Interest Margin Stays Strong at 3.90%
- 1.26% Return on Average Assets
- Efficiency Ratio of 52.18%

***“Record Level Results”***

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## Total Assets

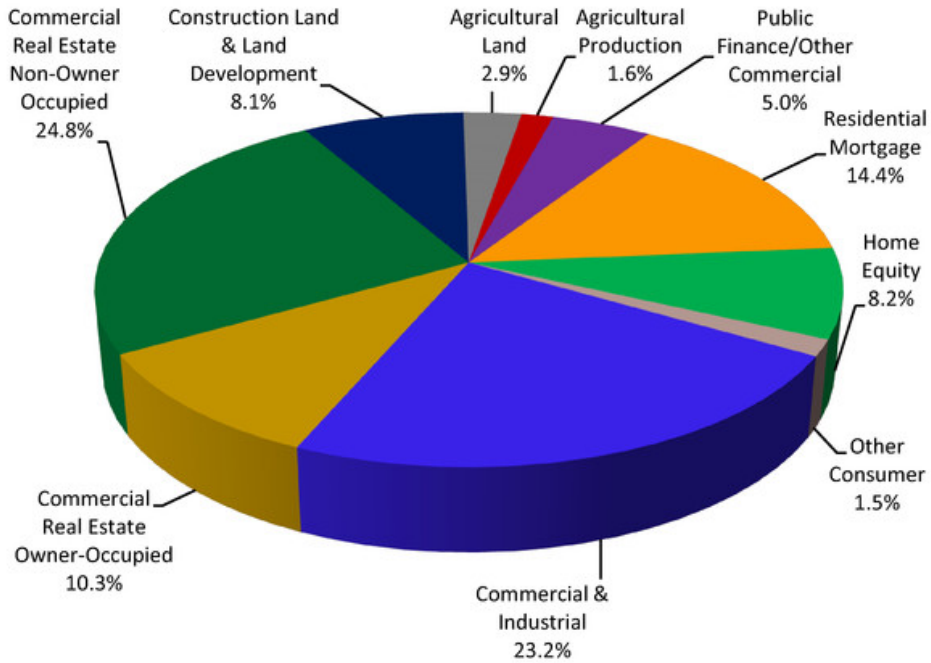
(\$ in Millions)	<u>2014</u>	<u>2015</u>	<u>2016</u>
1. Investments	\$1,181	\$1,277	\$1,305
2. Loans Held for Sale	7	10	3
3. Loans	3,925	4,694	5,140
4. Allowance	(64)	(62)	(66)
5. CD&I & Goodwill	219	260	259
6. BOLI	169	201	202
7. Other	<u>387</u>	<u>381</u>	<u>369</u>
8. Total Assets	<u>\$5,824</u>	<u>\$6,761</u>	<u>\$7,212</u>
Annualized Asset Growth	7.1%	16.1%	6.7%

# Loan and Yield Detail

(as of 12/31/2016)



QTD Yield = 4.56%  
YTD Yield = 4.58%  
Total Loans = \$5.1 Billion

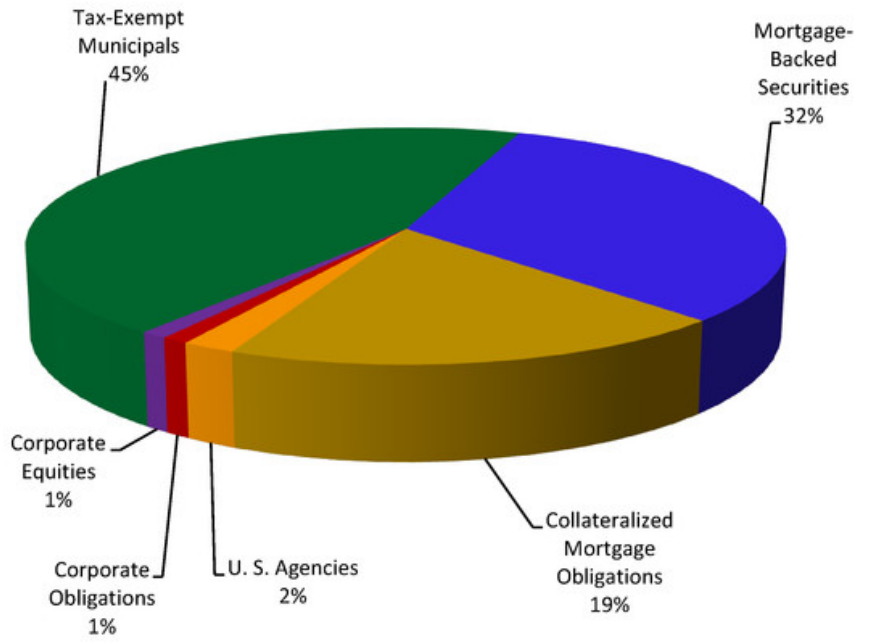


# Investment Portfolio

(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





## Total Liabilities and Capital

(\$ in Millions)	<u>2014</u>	<u>2015</u>	<u>2016</u>
1. Customer Non-Maturity Deposits	\$3,523	\$4,096	\$4,428
2. Customer Time Deposits	784	880	747
3. Brokered Deposits	334	314	381
4. Borrowings	290	446	572
5. Other Liabilities	44	51	60
6. Hybrid Capital	122	123	122
7. Common Equity	<u>727</u>	<u>851</u>	<u>902</u>
8. Total Liabilities and Capital	<u>\$5,824</u>	<u>\$6,761</u>	<u>\$7,212</u>

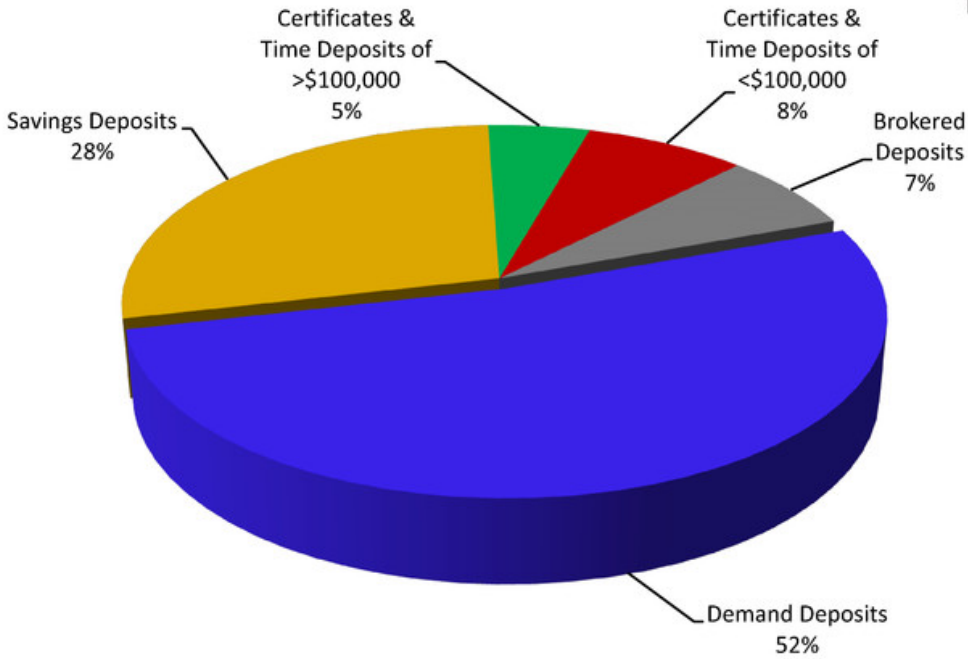


# Deposit Detail

(as of 12/31/2016)

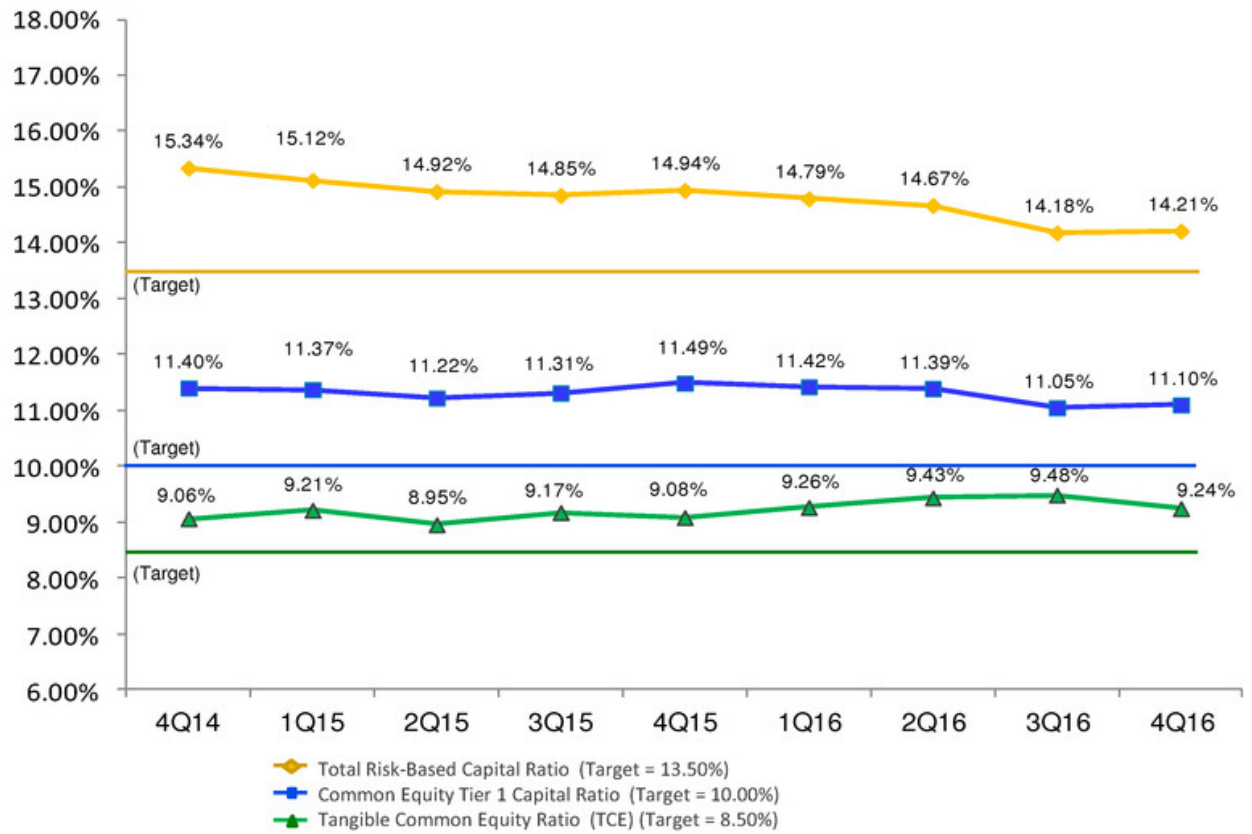


QTD Cost	=	.37%
YTD Cost	=	.38%
Total	=	\$5.6 Billion





# Capital Ratios

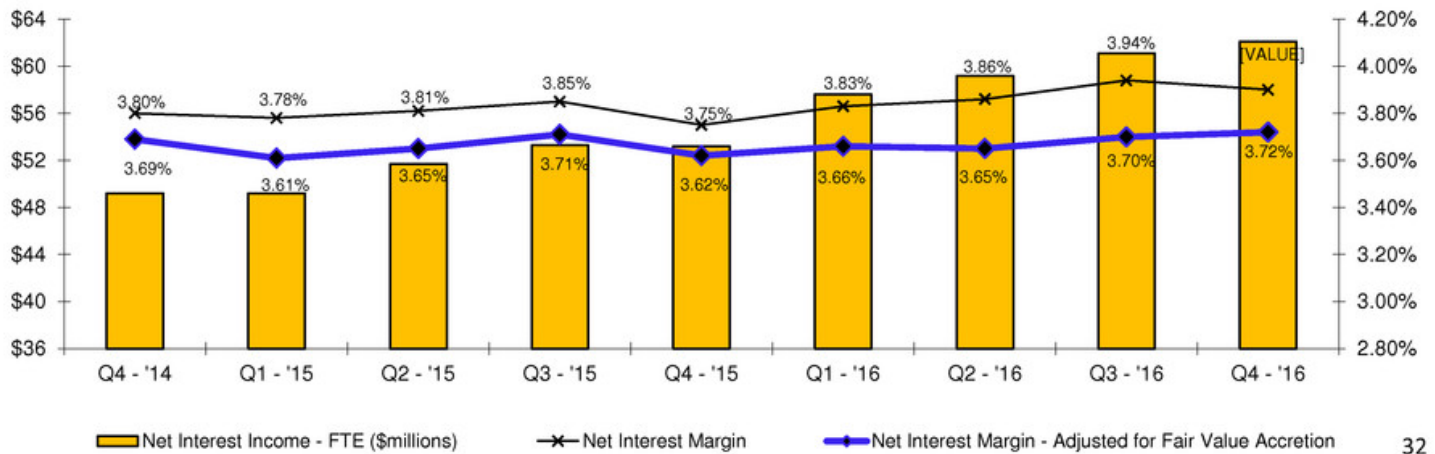




# Net Interest Margin

(\$ in Millions)

	Q4 - '14	Q1 - '15	Q2 - '15	Q3 - '15	Q4 - '15	Q1 - '16	Q2 - '16	Q3 - '16	Q4 - '16
Net Interest Income - FTE (\$millions)	\$ 49.2	\$ 49.2	\$ 51.7	\$ 53.3	\$ 53.2	\$ 57.6	\$ 59.2	\$ 61.1	\$ 62.1
Fair Value Accretion	\$ 1.4	\$ 2.2	\$ 2.2	\$ 2.0	\$ 1.9	\$ 2.5	\$ 3.2	\$ 3.8	\$ 2.9
Tax Equivalent Yield on Earning Assets	4.26%	4.24%	4.26%	4.30%	4.20%	4.28%	4.30%	4.37%	4.32%
Cost of Supporting Liabilities	0.46%	0.46%	0.45%	0.45%	0.45%	0.45%	0.44%	0.43%	0.42%
Net Interest Margin	3.80%	3.78%	3.81%	3.85%	3.75%	3.83%	3.86%	3.94%	3.90%





## Non-Interest Income

(\$ in Millions)	<u>2014</u>	<u>2015</u>	<u>2016</u>
1. Service Charges on Deposit Accounts	\$15.7	\$16.2	\$17.8
2. Wealth Management Fees	11.7	11.3	12.6
3. Insurance Commission Income	7.4	4.1	—
4. Card Payment Fees	11.8	13.4	15.0
5. Cash Surrender Value of Life Ins	3.7	2.9	4.3
6. Gains on Sales Mortgage Loans	4.9	6.5	7.1
7. 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	—
10. Other	<u>3.0</u>	<u>3.1</u>	<u>5.0</u>
11. Total	<u>\$61.8</u>	<u>\$69.8</u>	<u>\$65.2</u>

# Non-Interest Expense



(\$ in Millions)	<u>2014</u>	<u>2015</u>	<u>2016</u>
1. Salary & Benefits	\$ 96.5	\$101.9	\$102.6
2. Premises & Equipment	23.2	25.5	29.5
3. Core Deposit Intangible Amortization	2.4	2.8	3.9
4. Professional & Other Outside Services	8.1	9.9	6.5
5. OREO/Credit-Related Expense	3.4	3.9	2.9
6. FDIC Expense	3.7	3.7	3.0
7. Outside Data Processing	7.3	7.1	9.2
8. Marketing	3.5	3.5	3.0
9. Other	<u>15.8</u>	<u>16.5</u>	<u>16.7</u>
10. Non-Interest Expense	<u>\$163.9</u>	<u>\$174.8</u>	<u>\$177.3</u>



# Earnings

(\$ in Millions)	<u>2014</u>	<u>2015</u>	<u>2016</u>
1. Net Interest Income	\$ 187.0	\$ 196.4	\$ 226.5
2. Provision for Loan Losses	<u>(2.6)</u>	<u>(0.4)</u>	<u>(5.7)</u>
3. <b>Net Interest Income after Provision</b>	<b>184.4</b>	<b>196.0</b>	<b>220.8</b>
4. Non-Interest Income	61.8	69.8	65.2
5. Non-Interest Expense	<u>(163.9)</u>	<u>(174.8)</u>	<u>(177.3)</u>
6. <b>Income before Income Taxes</b>	<b>82.3</b>	<b>91.0</b>	<b>108.7</b>
7. Income Tax Expense	<u>(22.1)</u>	<u>(25.6)</u>	<u>(27.6)</u>
8. <b>Net Income Avail. for Distribution</b>	<b><u>\$ 60.2</u></b>	<b><u>\$ 65.4</u></b>	<b><u>\$ 81.1</u></b>
9. <b>EPS</b>	<b>\$ 1.65</b>	<b>\$ 1.72</b>	<b>\$ 1.98</b>
10. <b>Efficiency Ratio</b>	<b>62.44%</b>	<b>61.19%</b>	<b>56.51%</b>



# Quarterly Earnings

(\$ in Millions)	<u>Q1-'16</u>	<u>Q2-'16</u>	<u>Q3-'16</u>	<u>Q4-'16</u>
1. Net Interest Income	\$ 54.5	\$ 56.0	\$ 57.7	\$ 58.3
2. Provision for Loan Losses	<u>(0.6)</u>	<u>(0.8)</u>	<u>(1.9)</u>	<u>(2.4)</u>
3. <b>Net Interest Income after Provision</b>	<b>53.9</b>	<b>55.2</b>	<b>55.8</b>	<b>55.9</b>
4. Non-Interest Income	15.8	16.4	16.9	16.1
5. Non-Interest Expense	<u>(46.4)</u>	<u>(44.9)</u>	<u>(44.1)</u>	<u>(41.9)</u>
6. <b>Income before Income Taxes</b>	<b>23.3</b>	<b>26.7</b>	<b>28.6</b>	<b>30.1</b>
7. Income Tax Expense	<u>(5.6)</u>	<u>(6.7)</u>	<u>(7.5)</u>	<u>(7.8)</u>
8. <b>Net Income Avail. for Distribution</b>	<b><u>\$ 17.7</u></b>	<b><u>\$ 20.0</u></b>	<b><u>\$ 21.1</u></b>	<b><u>\$ 22.3</u></b>
9. <b>EPS</b>	<b>\$ 0.43</b>	<b>\$ 0.49</b>	<b>\$ 0.51</b>	<b>\$ 0.55</b>
10. <b>Efficiency Ratio</b>	<b>61.78%</b>	<b>57.33%</b>	<b>55.12%</b>	<b>52.18%</b>



## Per Share Results

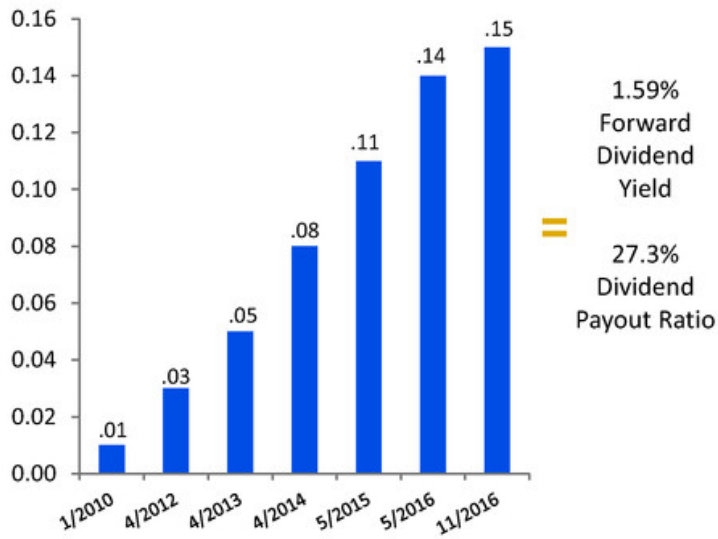
<b><u>2015</u></b>	<b><u>Q1</u></b>	<b><u>Q2</u></b>	<b><u>Q3</u></b>	<b><u>Q4</u></b>	<b><u>Total</u></b>
1. Earnings Per Share	\$ .43	\$ .47	\$ .45	\$ .37	\$ 1.72
2. Dividends	\$ .08	\$ .11	\$ .11	\$ .11	\$ .41
3. Tangible Book Value	\$13.96	\$14.15	\$14.59	\$ 14.68	
<b><u>2016</u></b>	<b><u>Q1</u></b>	<b><u>Q2</u></b>	<b><u>Q3</u></b>	<b><u>Q4</u></b>	<b><u>Total</u></b>
1. Earnings Per Share	\$ .43	\$ .49	\$ .51	\$ .55	\$ 1.98
2. Dividends	\$ .11	\$ .14	\$ .14	\$ .15	\$ .54
2. Tangible Book Value	\$15.02	\$15.53	\$15.86	\$15.85	



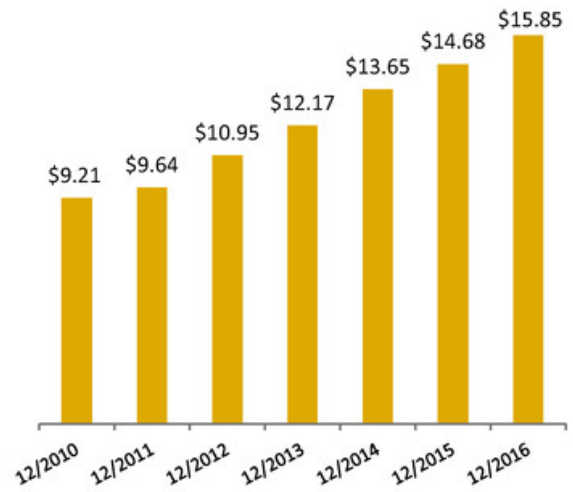


# Dividends and Tangible Book Value

### Quarterly Dividends



### Tangible Book Value





# Asset Quality Summary

(\$ in Millions)

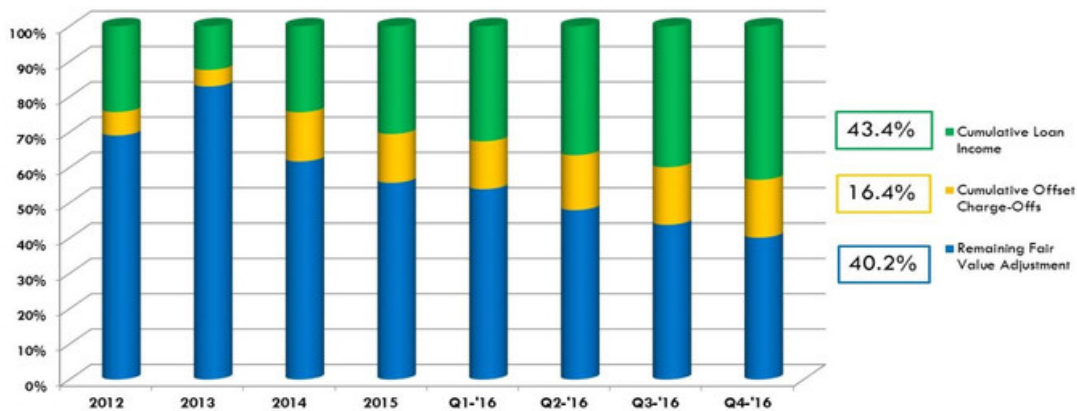
	<u>2014</u>	<u>2015</u>	<u>Q3-'16</u>	<u>2016</u>	<u>Change From Q3-'16</u>		<u>Change From 2015</u>	
					<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
1. Non-Accrual Loans	\$ 48.8	\$ 31.4	\$ 34.1	\$ 30.0	\$ (4.1)	(12.0%)	\$ (1.4)	(4.5%)
2. Other Real Estate	19.3	17.3	10.2	9.0	(1.2)	(11.8%)	(8.3)	(48.0%)
3. 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%)
<b>5. Total NPAs &amp; 90+ Days Delinquent</b>	<b>\$ 74.7</b>	<b>\$ 51.5</b>	<b>\$ 49.9</b>	<b>\$ 43.8</b>	<b>\$ (6.1)</b>	<b>(12.2%)</b>	<b>\$ (7.7)</b>	<b>(15.0%)</b>
6. Total NPAs & 90+ Days/Loans & ORE	1.9%	1.1%	1.0%	0.9%				
<b>7. Classified Assets</b>	<b>\$ 191.8</b>	<b>\$ 171.8</b>	<b>\$ 173.4</b>	<b>\$ 174.1</b>	<b>\$ 0.7</b>	<b>0.4%</b>	<b>\$ 2.3</b>	<b>1.3%</b>
<b>8. Criticized Assets (includes Classified)</b>	<b>\$ 253.6</b>	<b>\$ 275.0</b>	<b>\$ 305.8</b>	<b>\$ 292.6</b>	<b>\$ (13.2)</b>	<b>(4.3%)</b>	<b>\$ 17.6</b>	<b>6.4%</b>

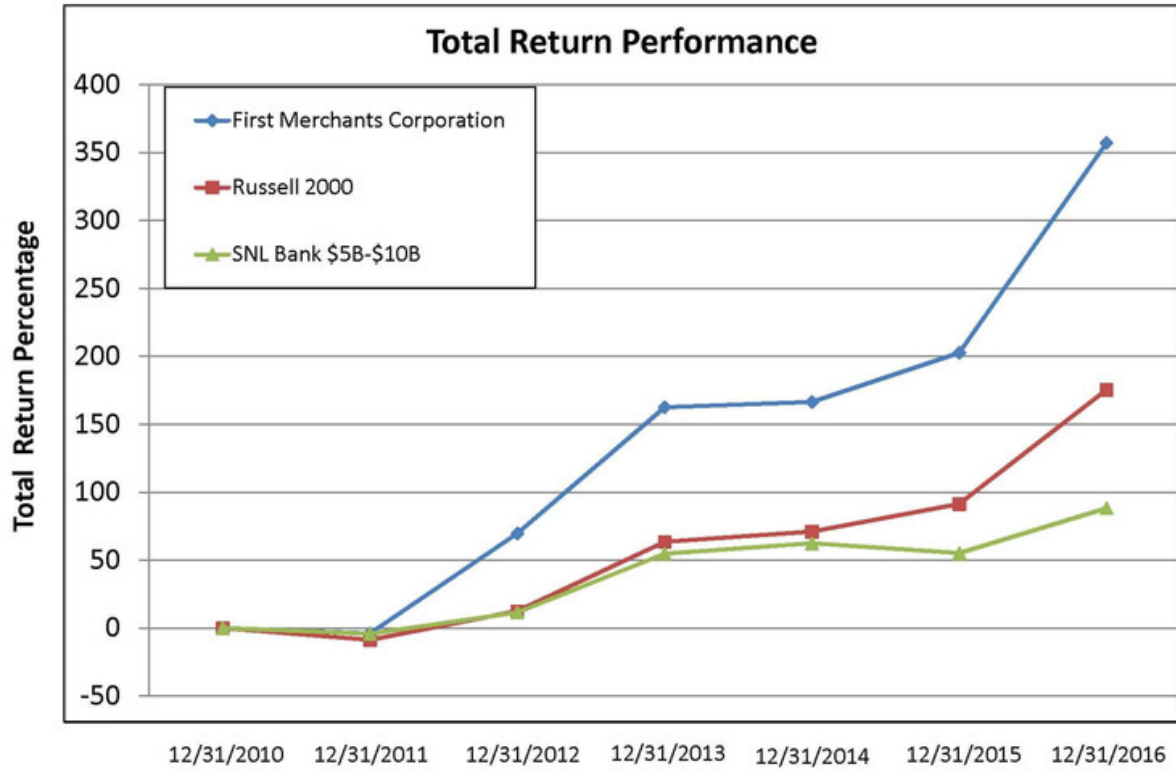


# ALLL and Fair Value Summary

(\$ 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
2. 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
4. Specific Reserves	\$ 1.8	\$ 1.4	\$ 2.1	\$ 1.6	\$ 0.9
5. Purchased Loans plus FVA	965.4	917.6	863.4	771.6	700.4
6. ALLL/Non-Accrual Loans	199.0%	169.1%	185.3%	186.1%	220.1%
<b>7. ALLL/Non-purchased Loans</b>	<b>1.65%</b>	<b>1.62%</b>	<b>1.56%</b>	<b>1.50%</b>	<b>1.47%</b>
8. ALLL/Loans	1.33%	1.32%	1.29%	1.28%	1.28%
<b>9. ALLL &amp; FVA/Total Loan Balances plus FVA<sup>1</sup></b>	<b>2.31%</b>	<b>2.29%</b>	<b>2.15%</b>	<b>2.02%</b>	<b>1.95%</b>

<sup>1</sup> Management uses this Non-GAAP measure to demonstrate coverage and credit risk







## FMC Strategy and Tactics Overview

# 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
- Explore Merger and Acquisition Opportunities



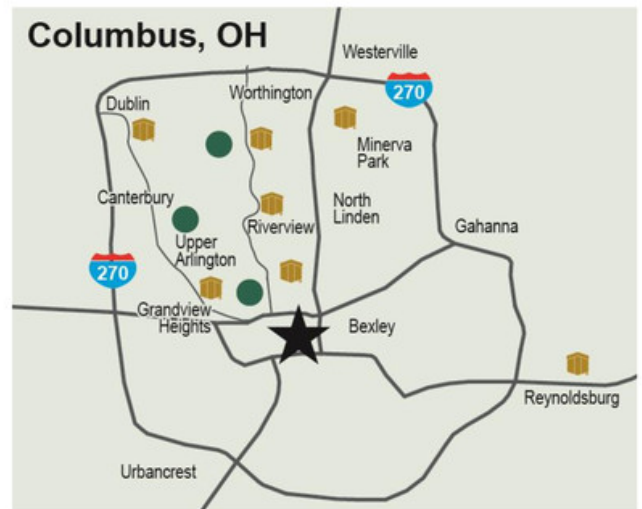
## Recent Acquisition Announcements





# The Arlington Bank Summary

- Definitive Agreement Signed January 25, 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





## The Arlington Bank Financial Overview

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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

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\*Based on First Merchants' January 24, 2017 closing price of \$36.46 Per Share

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# The Arlington Bank Transaction Rationale

## Strategic Opportunity

- 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 9<sup>th</sup> Largest Originator of Residential Mortgages in the Columbus, Ohio Area

## 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

# Independent Alliance Banks, Inc. Overview



- Headquartered in Fort Wayne, Indiana
- Founded in 2005 in a combination of two 70-year old companies; Grabill Bank and MarkleBank
- Operates 16 Banking Centers plus Wealth Management and Mortgage Offices
- Market Capitalization: \$162.8 Million\*
- Balance Sheet as of December 31, 2016
  - \$1,088 Million in Assets
  - \$753 Million in Loans
  - \$861 Million in Deposits
  - 9.98% TCE/TA
  - 0.57% NPAs/Assets
- Income Statement for Year Ending December 31, 2016
  - Net Income of \$10.2 Million
  - Net Interest Margin of 3.31%
  - ROAA of 0.94%
  - ROATCE of 9.57%



# Fort Wayne and Northeast Indiana Markets



- Second Largest MSA in the State of Indiana
  - \$7.8B Deposits
  - 13% Deposit Growth in 2016
  - Population 433,872
  - Median Income \$52,039
- County Seat for Allen County
- Diversified Economy
  - Manufacturing – 17%
  - Health Care – 17%
  - Retail Trade – 11%
  - Food Services – 9%
- Largest Employers
  - Parkview Health – 6,684
  - Lutheran Health Network – 4,824
  - General Motors – 4,100
- Attractive Location for Businesses to Locate and Expand
  - High Quality Labor Force
  - Easy Access to Major Markets
  - Competitive Tax Structure
  - Affordable Real Estate and Low Property Taxes
  - Outstanding Infrastructure and Transportation Systems
- Retail Hub for the Region

## Fort Wayne MSA Deposit Market Share

<u>Institution (ST)</u>	<u>2016 Rank</u>	<u>Number of Branches</u>	<u>Total Deposits (000)</u>	<u>Market Share</u>
Wells Fargo	1	14	\$ 2,429,377	31.1%
Chase	2	13	1,122,546	14.4%
Lakeland Financial	3	6	736,668	9.4%
PNC Financial	4	13	731,482	9.4%
Independent Alliance	5	14	646,055	8.3%
STAR Financial	6	12	517,839	6.6%
Old National	7	5	427,345	5.5%
1st Source	8	11	346,496	4.4%
Fifth Third	9	8	211,105	2.7%
Ossian Financial	10	2	85,504	1.1%
<b>Total Market</b>		<b>125</b>	<b>\$ 7,814,024</b>	

# Independent Alliance Banks, Inc. Transaction Overview\*



Implied Deal Value:	\$251.3 Million
Blended Deal Value:	\$271.1 Million (Inclusive of the 12.1% Purchased for \$19.8 Million Cash)
Consideration	Fixed 1.6530 Exchange Ratio for the Remaining 87.9% IALB Common Stock not already owned by First Merchants
Implied Price Per Share	\$69.59 for 87.9% of IALB Common Stock
Blended Price Per Share	\$66.02 for 100% of IALB Common Stock
Required Approvals:	Regulatory and IALB Shareholder
Key Assumptions:	Cost Savings Estimated to be 38% or \$10.9 Million Pre-Closing Charges of Approximately \$8.3 Million Estimated One-Time Transaction Costs of \$7.2 Million Credit Mark of Approximately 2.5% or \$19.7 Million
Earnings and Capital Impact:	Accretive to EPS By 2% in 2017 and 5% Annually Thereafter Tangible Book Value Earnback of 3.75 Years Minimal Impact to Capital Ratios
Termination Fee:	\$5.0 Million
Anticipated Closing:	3rd Quarter 2017

\*based on FRME closing price on February 16, 2017, taking into account FRME 12.1% IALB Investment made on November 21, 2016



## Strategic Opportunity

- Contiguous Market Expansion
  - Significant Entry into Fort Wayne MSA, Indiana's 2nd Largest MSA, with \$646 Million in Deposits and #5 Market Share Position
  - #1 Market Share in Wells County with Two County Seat Locations
- Market Opportunity
  - Leverage Successful First Merchants Model into Northeast Indiana Markets
  - Diverse Loan Portfolio with Significant Opportunities to Expand
  - Bridge to Significant Markets in North Western Ohio and Southern Michigan

## Financially Attractive

- Strong and Growing Core Earnings, Acquisition Accretive to EPS by 2% in 2017 and 5% annually thereafter
- Tangible Book Value Earn Back of 3.75 Years
- Significant and Stable Core Deposits, 91% of Deposits
- Maintains a Healthy Capital Position

## Attractive Risk Profile

- Comprehensive Due Diligence Process Completed
- Cultural Fit and Retention of Key Management Members including Mike Marhenke and Will Thatcher in Leadership Roles
- Experienced Acquirer, Core Competency in Integration Processes

# Merger & Acquisition History Since 2000



Partner Bank	Closing Dates	Partner Total Assets (in Millions)
Independent Alliance Banks, Inc.	Pending	\$1,088
The Arlington Bank (Columbus, Oh)	Pending	305
Ameriana Bancorp	12/31/2015	483
Cooper State Bank (Columbus, Oh)	8/15/2015	136
Community Bank of Noblesville	11/07/2014	272
CFS Bancorp	11/12/2013	1,146
Shelby County Bank	2/10/2012	148
Lincoln Bancorp	12/31/2008	890
CNBC (Columbus, Oh)	3/01/2003	317
Lafayette Bancorporation	4/01/2002	746
Francor Financial, Inc. (Wabash, In)	7/01/2001	158
Decatur Bank & Trust Co. (Decatur, In)	5/31/2000	130



## Why Invest in First Merchants?

- Attractive and Growing Earnings Stream
- One of SNL's Top 25 Best-Performing Regional Banks in 2015
- 2<sup>nd</sup> Largest Indiana Bank with an Energized and Experienced Management Team
- Attractive Long-Term Deposit Market Shares
- Commercial Presence that Creates a Client Preference
- State-of-the-Art Technology and Operations Center
- Successful Acquisition and Integration Track Record



# Research Coverage



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PARTNERS

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**KEEFE, BRUYETTE & WOODS**  
*Specialists in Financial Services*

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## 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](http://www.FIRSTMERCHANTS.COM)**

**Investor inquiries:**

**David L. Ortega**

**Investor Relations**

**Telephone: 765.378.8937**

**[dortega@firstmerchants.com](mailto:dortega@firstmerchants.com)**





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# Appendix

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# Appendix – Non-GAAP Reconciliation

## CAPITAL RATIOS (dollars in thousands):

	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
<b>Total Risk-Based Capital Ratio</b>									
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 <sup>a</sup>	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	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
<b>Total Risk-Based Capital Ratio (Regulatory)</b>	<b>15.34%</b>	<b>15.12%</b>	<b>14.92%</b>	<b>14.85%</b>	<b>14.94%</b>	<b>14.79%</b>	<b>14.67%</b>	<b>14.18%</b>	<b>14.21%</b>
<b>Common Equity Tier 1 Capital Ratio</b>									
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
<b>Common Equity Tier 1 Capital Ratio (Regulatory)</b>	<b>11.40%</b>	<b>11.37%</b>	<b>11.22%</b>	<b>11.31%</b>	<b>11.49%</b>	<b>11.42%</b>	<b>11.39%</b>	<b>11.05%</b>	<b>11.10%</b>

<sup>a</sup> Includes net unrealized gains or losses on securities available for sale, net gains or losses on cash flow hedges, and amounts resulting from the application of the applicable accounting guidance for defined benefit and other postretirement plans.



## Appendix – Non-GAAP Reconciliation

### TANGIBLE COMMON EQUITY RATIO (dollars in thousands):

	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)
<b>Tangible Common Equity (non-GAAP)</b>	<b>\$ 507,947</b>	<b>\$ 521,500</b>	<b>\$ 529,634</b>	<b>\$ 547,356</b>	<b>\$ 590,620</b>	<b>\$ 605,339</b>	<b>\$ 626,603</b>	<b>\$ 640,896</b>	<b>\$ 642,666</b>
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)
<b>Tangible Assets (non-GAAP)</b>	<b>\$ 5,605,372</b>	<b>\$ 5,659,488</b>	<b>\$ 5,920,112</b>	<b>\$ 5,970,294</b>	<b>\$ 6,501,239</b>	<b>\$ 6,536,740</b>	<b>\$ 6,645,596</b>	<b>\$ 6,762,508</b>	<b>\$ 6,952,745</b>
<b>Tangible Common Equity Ratio (non-GAAP)</b>	<b>9.06%</b>	<b>9.21%</b>	<b>8.95%</b>	<b>9.17%</b>	<b>9.08%</b>	<b>9.26%</b>	<b>9.43%</b>	<b>9.48%</b>	<b>9.24%</b>

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

	4Q10	4Q11	4Q12	4Q13	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Total Stockholders' Equity (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
<b>Tangible Common Equity, Net of Tax (non-GAAP)</b>	<b>\$ 235,416</b>	<b>\$ 275,437</b>	<b>\$ 314,048</b>	<b>\$ 437,004</b>	<b>\$ 514,032</b>	<b>\$ 527,349</b>	<b>\$ 535,253</b>	<b>\$ 552,744</b>	<b>\$ 596,898</b>	<b>\$ 612,092</b>	<b>\$ 633,056</b>	<b>\$ 647,100</b>	<b>\$ 648,596</b>
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
<b>Tangible Common Equity per Share (non-GAAP)</b>	<b>\$ 9.21</b>	<b>\$ 9.64</b>	<b>\$ 10.95</b>	<b>\$ 12.17</b>	<b>\$ 13.65</b>	<b>\$ 13.96</b>	<b>\$ 14.15</b>	<b>\$ 14.59</b>	<b>\$ 14.68</b>	<b>\$ 15.02</b>	<b>\$ 15.53</b>	<b>\$ 15.86</b>	<b>\$ 15.85</b>

# Appendix – Non-GAAP Reconciliation



## EFFICIENCY RATIO (dollars in thousands):

	<u>2014</u>	<u>2015</u>	<u>1Q16</u>	<u>2Q16</u>	<u>3Q16</u>	<u>4Q16</u>	<u>2016</u>
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
<b>Efficiency Ratio (non-GAAP)</b>	<b>62.44%</b>	<b>61.19%</b>	<b>61.78%</b>	<b>57.33%</b>	<b>55.12%</b>	<b>52.18%</b>	<b>56.51%</b>

## FORWARD DIVIDEND YIELD

	<u>4Q16</u>
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
<b>Forward Dividend Yield</b>	<b>1.59%</b>

## DIVIDEND PAYOUT RATIO

	<u>2016</u>
Dividends per share	\$ 0.54
Earnings Per Share	1.98
<b>Dividend Payout Ratio</b>	<b>27.3%</b>

# Appendix – Non-GAAP Reconciliation



## 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	5,139,645
Total Loans	4,703,716	4,713,535	4,810,283	4,975,326	5,142,574
Less: Purchased Loans	(917,589)	(870,507)	(821,158)	(733,715)	(665,417)
Non-Purchased Loans (non-GAAP)	\$ 3,786,127	\$ 3,843,028	\$ 3,989,125	\$ 4,241,611	\$ 4,477,157
Allowance for Loan Losses (GAAP)	\$ 62,453	\$ 62,086	\$ 62,186	\$ 63,456	\$ 66,037
Fair Value Adjustment (FVA) (GAAP)	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 INVESTMENT REAL ESTATE CONCENTRATIONS (dollars in thousands):

	2015	3Q16	2016
<b>Total Risk-Based Capital (Subsidiary Bank Only)</b>			
Total Stockholders' Equity (GAAP)	\$ 927,774	\$ 972,182	\$ 973,641
Adjust for Accumulated Other Comprehensive (Income) Loss <sup>1</sup>	(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 and Land Development Loans	\$ 366,704	\$ 368,241	\$ 418,703
<b>Concentration as a % of the Bank's Risk-Based Capital</b>	<b>49.6%</b>	<b>47.3%</b>	<b>52.3%</b>
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
<b>Concentration as a % of the Bank's Risk-Based Capital</b>	<b>197.0%</b>	<b>209.9%</b>	<b>211.2%</b>

<sup>1</sup> Includes net unrealized gains or losses on securities available for sale, net gains or losses on cash flow hedges, and amounts resulting from the application of the applicable accounting guidance for defined benefit and other postretirement plans.

