

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): April 25, 2018**

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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.**

On April 25, 2018, First Merchants Corporation issued a press release to report its financial results for the first quarter ended March 31, 2018. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Current Report on Form 8-K, including Exhibit No. 99.1 hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section. The information in this Current Report shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.**

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Exhibits.

Exhibit 99.1 [Press Release, dated April 25, 2018, issued by First Merchants Corporation](#)

## SIGNATURES

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

First Merchants Corporation  
(Registrant)

By: /s/ Mark K. Hardwick  
Mark K. Hardwick  
Executive Vice President,  
Chief Financial Officer and Chief Operating Officer

Dated: April 25, 2018

EXHIBIT INDEX

Exhibit No.                      Description

99.1 [Press Release, dated April 25, 2018, issued by First Merchants Corporation](#)

April 25, 2018

**FOR IMMEDIATE RELEASE**

For more information, contact:

Nicole M. Weaver, Vice President and Director of Corporate Administration

765-521-7619

<http://www.firstmerchants.com>

SOURCE: First Merchants Corporation, Muncie, Indiana

**FIRST MERCHANTS CORPORATION ANNOUNCES 32 PERCENT INCREASE IN FIRST QUARTER 2018 EARNINGS PER SHARE**

First Merchants Corporation (NASDAQ - FRME) has reported first quarter 2018 net income of \$36.7 million, an increase of 58 percent, compared to \$23.2 million during the same period in 2017. Earnings per share for the period totaled \$.74 per share, an increase of 32 percent, compared to the first quarter of 2017 result of \$.56 per share. The increase in net income was driven by several factors including strong core banking performance, two acquisitions that were fully integrated during the second half of 2017 and the impact of tax reform.

Total assets equaled \$9.5 billion as of quarter-end and loans totaled \$6.9 billion. The Corporation's loan portfolio increased by \$1.6 billion, or 31 percent, during the past twelve months. The acquisition of Independent Alliance Banks, Inc. in Fort Wayne, Indiana and the acquisition of The Arlington Bank in Upper Arlington, Ohio accounted for \$950 million, or 18 percent, of loan growth. Additionally, organic loan growth totaled \$677 million, or 13 percent. Total deposits equaled \$7.3 billion as of quarter-end, an increase of \$1.7 billion, or 30 percent. Our acquisition activity accounted for deposit growth of \$1.1 billion, or 20 percent, while organic deposit growth totaled \$577 million, or 10 percent.

Michael C. Rechin, President and Chief Executive Officer, stated, "Our first quarter of 2018 results reflect the strength of First Merchants' earning power and the health of our franchise marketplaces. 2017 was a busy M&A year for the company and it makes First Merchants an even stronger, more impactful player in the Midwest banking industry. Our management team is also pleased that organic balance sheet growth maintained momentum throughout the integration process. We are off to a productive start in 2018 posting a return on assets of 1.57 percent, fueled by a 51.3 percent efficiency ratio. Our organic loan and deposit growth of nearly 9 percent, should produce continued earnings improvement and stock price appreciation."

Net-interest income totaled \$80 million for the quarter, an increase of \$19 million, or 31 percent. Net-interest margin totaling 3.92 percent, declined by 6 basis points and included a reduction of 13 basis points related to tax reform. Yields on earning assets totaled 4.57 percent and the cost of supporting liabilities totaled .65 percent.

Non-interest income totaled \$19.6 million for the quarter, a \$4.7 million increase over the first quarter of 2017. Non-interest expense totaled \$53.7 million, up from the 2017 total of \$43.1 million. Increases in both non-interest income and non-interest expense are reflective of a significantly larger franchise as a result of the acquisition activity in 2017, which drove higher net income and improved efficiency in the quarter.

Tax expense for the first quarter of 2018 totaled \$6.6 million, or 15.3 percent of pre-tax net income. Tax expense in the prior year totaled \$7.2 million, or 23.6 percent. The improvement in tax expense was due to a decline in the federal tax rate from 35 percent to 21 percent. Our effective rate is 5.7 percentage points lower than the federal tax rate of 21 percent, primary due to approximately \$10.9 million of tax-free loan, securities and life insurance income in the quarter.

The Corporation's provision expense totaled \$2.5 million due to loan growth and net charge-offs totaling \$1.1 million during the quarter. The allowance for loan losses totaled \$76.4 million as of March 31, 2018, up from \$68.2 million as of March 31, 2017. Non-accrual loans totaled \$27.5 million as of quarter-end and the allowance is 1.11 percent of total loans and 1.32 percent of non-purchased loans.

As of March 31, 2018, the Corporation's total risk-based capital ratio equaled 13.69 percent, common equity tier 1 capital ratio equaled 11.04 percent, and the tangible common equity ratio totaled 9.32 percent.

## CONFERENCE CALL

First Merchants Corporation will conduct a first quarter earnings conference call and web cast at 2:30 p.m. (ET) on Thursday, April 26, 2018.

To participate, dial (Toll Free) 877-507-0578 and reference First Merchants Corporation's first quarter earnings release. International callers please call +1 412-317-1073. A replay of the call will be available until May 26, 2018. To access a replay of the call, US participants should dial (Toll Free) 877-344-7529, or for International participants, dial +1 412-317-0088. The replay passcode is 10117758.

In order to view the web cast and presentation slides, please go to <http://services.choruscall.com/links/frme180426.html> during the time of the call. A replay of the web cast will be available until April 26, 2019.

Detailed financial results are reported on the attached pages.

### About First Merchants Corporation

First Merchants Corporation is a financial holding company headquartered in Muncie, Indiana. The Corporation has one full-service bank charter, First Merchants Bank. The Bank also operates as Lafayette Bank & Trust and First Merchants Private Wealth Advisors (each as a division of First Merchants Bank).

First Merchants Corporation's common stock is traded on the NASDAQ Global Select Market System under the symbol FRME. Quotations are carried in daily newspapers and can be found on the company's Internet web page (<http://www.firstmerchants.com>).

FIRST MERCHANTS and the Shield Logo are federally registered trademarks of First Merchants Corporation.

### Forward-Looking Statements

This release 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 statements include 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. These forward-looking statements are subject to significant risks, assumptions and uncertainties that may cause results to differ materially from those set forth in forward-looking statements, including, among other things: possible changes in monetary and fiscal policies, and laws and regulations; the effects of easing restrictions on participants in the financial services industry; the cost and other effects of legal and administrative cases; possible changes in the credit worthiness of customers and the possible impairment of collectability of loans; fluctuations in market rates of interest; competitive factors in the banking industry; changes in the banking legislation or regulatory requirements of federal and state agencies applicable to bank holding companies and banks like First Merchants' affiliate bank; continued availability of earnings and excess capital sufficient for the lawful and prudent declaration of dividends; changes in market, economic, operational, liquidity, credit and interest rate risks associated with the First Merchants' business; and other risks and factors identified in each of First Merchants' filings with the Securities and Exchange Commission. First Merchants does not undertake any obligation to update any forward-looking statement, whether written or oral, relating to the matters discussed in this press release. In addition, First Merchants' past results of operations do not necessarily indicate its anticipated future results.

\* \* \* \*

**CONSOLIDATED BALANCE SHEETS**

(Dollars In Thousands)

|   | March 31,           |                     |
|---|---------------------|---------------------|
|   | 2018                | 2017                |
| <b>ASSETS</b>   |                     |                     |
| Cash and cash equivalents   | \$ 128,828          | \$ 104,247          |
| Interest-bearing time deposits  | 24,233              | 20,439              |
| Investment securities   | 1,543,820           | 1,327,217           |
| Loans held for sale   | 4,469               | 1,262               |
| Loans   | 6,901,696           | 5,274,909           |
| Less: Allowance for loan losses   | (76,420)            | (68,225)            |
| Net loans   | 6,825,276           | 5,206,684           |
| Premises and equipment  | 94,741              | 91,311              |
| Federal Home Loan Bank stock  | 24,588              | 17,964              |
| Interest receivable   | 35,223              | 25,174              |
| Goodwill and other intangibles  | 474,777             | 257,963             |
| Cash surrender value of life insurance                                    | 221,949             | 202,574             |
| Other real estate owned   | 9,698               | 8,293               |
| Tax asset, deferred and receivable  | 24,177              | 32,074              |
| Other assets  | 61,017              | 30,991              |
| <b>TOTAL ASSETS</b>   | <b>\$ 9,472,796</b> | <b>\$ 7,326,193</b> |
| <b>LIABILITIES</b>  |                     |                     |
| Deposits:   |                     |                     |
| Noninterest-bearing   | \$ 1,698,958        | \$ 1,373,778        |
| Interest-bearing  | 5,628,677           | 4,261,531           |
| <b>Total Deposits</b>   | <b>7,327,635</b>    | <b>5,635,309</b>    |
| Borrowings:   |                     |                     |
| Federal funds purchased   | 50,000              | 102,000             |
| Securities sold under repurchase agreements                               | 138,910             | 139,007             |
| Federal Home Loan Bank advances   | 449,419             | 338,919             |
| Subordinated debentures and term loans                                    | 138,297             | 128,862             |
| <b>Total Borrowings</b>   | <b>776,626</b>      | <b>708,788</b>      |
| Interest payable  | 5,376               | 3,875               |
| Other liabilities   | 50,086              | 48,751              |
| <b>Total Liabilities</b>  | <b>8,159,723</b>    | <b>6,396,723</b>    |
| <b>STOCKHOLDERS' EQUITY</b>   |                     |                     |
| Cumulative Preferred Stock, \$1,000 par value, \$1,000 liquidation value: |                     |                     |
| Authorized -- 600 shares  |                     |                     |
| Issued and outstanding - 125 shares                                       | 125                 | 125                 |
| Common Stock, \$.125 stated value:  |                     |                     |
| Authorized -- 100,000,000 and 50,000,000 shares <sup>(1)</sup>            |                     |                     |
| Issued and outstanding - 49,243,096 and 41,047,543 shares                 | 6,155               | 5,131               |
| Additional paid-in capital  | 834,894             | 509,953             |
| Retained earnings   | 493,624             | 417,983             |
| Accumulated other comprehensive income (loss)                             | (21,725)            | (3,722)             |
| <b>Total Stockholders' Equity</b>   | <b>1,313,073</b>    | <b>929,470</b>      |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                         | <b>\$ 9,472,796</b> | <b>\$ 7,326,193</b> |

<sup>(1)</sup> On May 1, 2017, the shareholders of First Merchants Corporation approved an amendment to the Articles of Incorporation to increase the number of shares of common stock authorized to issue from 50,000,000 to 100,000,000 shares.

**CONSOLIDATED STATEMENTS OF INCOME**  
(Dollars In Thousands, Except Per Share Amounts)

Three Months Ended  
March 31,

|  | 2018             | 2017             |
|--|------------------|------------------|
| <b>INTEREST INCOME</b>                                       |                  |                  |
| Loans receivable:  |                  |                  |
| Taxable  | \$ 78,267        | \$ 56,357        |
| Tax-exempt   | 3,596            | 2,333            |
| Investment securities:                                       |                  |                  |
| Taxable  | 5,096            | 4,308            |
| Tax-exempt   | 6,126            | 5,003            |
| Deposits with financial institutions                         | 131              | 44               |
| Federal Home Loan Bank stock                                 | 404              | 189              |
| <b>Total Interest Income</b>                                 | <b>93,620</b>    | <b>68,234</b>    |
| <b>INTEREST EXPENSE</b>                                      |                  |                  |
| Deposits   | 9,002            | 4,124            |
| Federal funds purchased                                      | 380              | 228              |
| Securities sold under repurchase agreements                  | 173              | 88               |
| Federal Home Loan Bank advances                              | 2,159            | 978              |
| Subordinated debentures and term loans                       | 1,990            | 1,817            |
| <b>Total Interest Expense</b>                                | <b>13,704</b>    | <b>7,235</b>     |
| <b>NET INTEREST INCOME</b>                                   | <b>79,916</b>    | <b>60,999</b>    |
| Provision for loan losses                                    | 2,500            | 2,385            |
| <b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>   | <b>77,416</b>    | <b>58,614</b>    |
| <b>OTHER INCOME</b>  |                  |                  |
| Service charges on deposit accounts                          | 4,777            | 4,174            |
| Fiduciary and wealth management fees                         | 3,416            | 2,640            |
| Other customer fees  | 5,416            | 4,863            |
| Earnings on cash surrender value of life insurance           | 1,176            | 898              |
| Net gains and fees on sales of loans                         | 1,821            | 1,275            |
| Net realized gains on sales of available for sale securities | 1,609            | 598              |
| Other income   | 1,346            | 398              |
| <b>Total Other Income</b>                                    | <b>19,561</b>    | <b>14,846</b>    |
| <b>OTHER EXPENSES</b>  |                  |                  |
| Salaries and employee benefits                               | 32,226           | 25,732           |
| Net occupancy  | 4,670            | 4,216            |
| Equipment  | 3,668            | 2,807            |
| Marketing  | 884              | 565              |
| Outside data processing fees                                 | 2,964            | 2,616            |
| Printing and office supplies                                 | 334              | 264              |
| Intangible asset amortization                                | 1,726            | 903              |
| FDIC assessments   | 719              | 570              |
| Other real estate owned and foreclosure expenses             | 402              | 531              |
| Professional and other outside services                      | 1,541            | 1,734            |
| Other expenses   | 4,553            | 3,161            |
| <b>Total Other Expenses</b>                                  | <b>53,687</b>    | <b>43,099</b>    |
| <b>INCOME BEFORE INCOME TAX</b>                              | <b>43,290</b>    | <b>30,361</b>    |
| Income tax expense   | 6,611            | 7,168            |
| <b>NET INCOME AVAILABLE TO COMMON STOCKHOLDERS</b>           | <b>\$ 36,679</b> | <b>\$ 23,193</b> |
| <b>Per Share Data:</b>                                       |                  |                  |
| Basic Net Income Available to Common Stockholders            | \$ 0.75          | \$ 0.57          |
| Diluted Net Income Available to Common Stockholders          | \$ 0.74          | \$ 0.56          |
| Cash Dividends Paid  | \$ 0.18          | \$ 0.15          |
| Average Diluted Shares Outstanding (in thousands)            | 49,428           | 41,221           |



## FINANCIAL HIGHLIGHTS

(Dollars in thousands)

Three Months Ended

March 31,

|  | 2018         | 2017         |
|--|--------------|--------------|
| NET CHARGE-OFFS                                    | \$ 1,112     | \$ 197       |
| AVERAGE BALANCES:                                  |              |              |
| Total Assets                                       | \$ 9,372,736 | \$ 7,217,151 |
| Total Loans  | 6,811,087    | 5,180,243    |
| Total Earning Assets                               | 8,415,177    | 6,526,685    |
| Total Deposits                                     | 7,153,164    | 5,590,357    |
| Total Stockholders' Equity                         | 1,308,804    | 914,062      |
| FINANCIAL RATIOS:                                  |              |              |
| Return on Average Assets                           | 1.57%        | 1.29%        |
| Return on Average Stockholders' Equity             | 11.21        | 10.15        |
| Return on Average Common Stockholders' Equity      | 11.21        | 10.15        |
| Average Earning Assets to Average Assets           | 89.78        | 90.43        |
| Allowance for Loan Losses as % of Total Loans      | 1.11         | 1.29         |
| Net Charge-offs as % of Average Loans (Annualized) | 0.07         | 0.02         |
| Average Stockholders' Equity to Average Assets     | 13.96        | 12.67        |
| Tax Equivalent Yield on Earning Assets             | 4.57         | 4.42         |
| Cost of Supporting Liabilities                     | 0.65         | 0.44         |
| Net Interest Margin (FTE) on Earning Assets        | 3.92         | 3.98         |
| Efficiency Ratio                                   | 51.47        | 52.61        |
| Tangible Common Book Value Per Share               | \$ 17.14     | \$ 16.49     |

## NON-PERFORMING ASSETS

(Dollars In Thousands)

|  | March 31,<br>2018 | December 31,<br>2017 | September 30,<br>2017 | June 30,<br>2017 | March 31,<br>2017 |
|--|-------------------|----------------------|-----------------------|------------------|-------------------|
| Non-Accrual Loans                                  | \$ 27,497         | \$ 28,724            | \$ 32,253             | \$ 27,347        | \$ 27,920         |
| Renegotiated Loans                                 | 579               | 1,013                | 626                   | 384              | 876               |
| Non-Performing Loans (NPL)                         | 28,076            | 29,737               | 32,879                | 27,731           | 28,796            |
| Other Real Estate Owned                            | 9,698             | 10,373               | 11,912                | 11,893           | 8,293             |
| Non-Performing Assets (NPA)                        | 37,774            | 40,110               | 44,791                | 39,624           | 37,089            |
| 90+ Days Delinquent                                | 738               | 924                  | 425                   | 634              | 123               |
| NPAs & 90 Day Delinquent                           | \$ 38,512         | \$ 41,034            | \$ 45,216             | \$ 40,258        | \$ 37,212         |
| Allowance for Loan Losses                          | \$ 76,420         | \$ 75,032            | \$ 73,354             | \$ 70,471        | \$ 68,225         |
| Quarterly Net Charge-offs                          | 1,112             | 122                  | (800)                 | 629              | 197               |
| NPAs / Actual Assets %                             | 0.40%             | 0.43%                | 0.49 %                | 0.51%            | 0.51%             |
| NPAs & 90 Day / Actual Assets %                    | 0.41%             | 0.44%                | 0.50 %                | 0.52%            | 0.51%             |
| NPAs / Actual Loans and OREO %                     | 0.55%             | 0.59%                | 0.69 %                | 0.70%            | 0.70%             |
| Allowance for Loan Losses / Actual Loans (%)       | 1.11%             | 1.11%                | 1.13 %                | 1.25%            | 1.29%             |
| Net Charge-offs as % of Average Loans (Annualized) | 0.07%             | 0.01%                | (0.05)%               | 0.05%            | 0.02%             |

**CONSOLIDATED BALANCE SHEETS**

(Dollars In Thousands)

|   | March 31,<br>2018   | December 31,<br>2017 | September 30,<br>2017 | June 30,<br>2017    | March 31,<br>2017   |
|---|---------------------|----------------------|-----------------------|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                      |                       |                     |                     |
| Cash and cash equivalents   | \$ 128,828          | \$ 154,905           | \$ 146,607            | \$ 142,650          | \$ 104,247          |
| Interest-bearing time deposits  | 24,233              | 35,027               | 72,950                | 48,305              | 20,439              |
| Investment securities   | 1,543,820           | 1,560,602            | 1,468,887             | 1,343,323           | 1,327,217           |
| Loans held for sale   | 4,469               | 7,216                | 4,514                 | 4,036               | 1,262               |
| Loans   | 6,901,696           | 6,751,199            | 6,483,448             | 5,613,144           | 5,274,909           |
| Less: Allowance for loan losses   | (76,420)            | (75,032)             | (73,354)              | (70,471)            | (68,225)            |
| Net loans   | 6,825,276           | 6,676,167            | 6,410,094             | 5,542,673           | 5,206,684           |
| Premises and equipment  | 94,741              | 95,852               | 102,485               | 92,637              | 91,311              |
| Federal Home Loan Bank stock  | 24,588              | 23,825               | 23,825                | 19,015              | 17,964              |
| Interest receivable   | 35,223              | 37,130               | 32,366                | 27,597              | 25,174              |
| Goodwill and other intangibles  | 474,777             | 476,503              | 478,558               | 309,686             | 257,963             |
| Cash surrender value of life insurance                                    | 221,949             | 223,557              | 222,437               | 200,125             | 202,574             |
| Other real estate owned   | 9,698               | 10,373               | 11,912                | 11,893              | 8,293               |
| Tax asset, deferred and receivable  | 24,177              | 23,983               | 36,024                | 27,331              | 32,074              |
| Other assets  | 61,017              | 42,338               | 38,744                | 35,758              | 30,991              |
| <b>TOTAL ASSETS</b>   | <b>\$ 9,472,796</b> | <b>\$ 9,367,478</b>  | <b>\$ 9,049,403</b>   | <b>\$ 7,805,029</b> | <b>\$ 7,326,193</b> |
| <b>LIABILITIES</b>  |                     |                      |                       |                     |                     |
| Deposits:   |                     |                      |                       |                     |                     |
| Noninterest-bearing   | \$ 1,698,958        | \$ 1,761,553         | \$ 1,662,814          | \$ 1,398,237        | \$ 1,373,778        |
| Interest-bearing  | 5,628,677           | 5,410,977            | 5,248,205             | 4,618,867           | 4,261,531           |
| <b>Total Deposits</b>   | <b>7,327,635</b>    | <b>7,172,530</b>     | <b>6,911,019</b>      | <b>6,017,104</b>    | <b>5,635,309</b>    |
| Borrowings:   |                     |                      |                       |                     |                     |
| Federal funds purchased   | 50,000              | 144,038              | 100,000               | 134,608             | 102,000             |
| Securities sold under repurchase agreements                               | 138,910             | 136,623              | 142,107               | 127,884             | 139,007             |
| Federal Home Loan Bank advances   | 449,419             | 414,377              | 406,820               | 312,715             | 338,919             |
| Subordinated debentures and term loans                                    | 138,297             | 139,349              | 139,686               | 128,742             | 128,862             |
| <b>Total Borrowings</b>   | <b>776,626</b>      | <b>834,387</b>       | <b>788,613</b>        | <b>703,949</b>      | <b>708,788</b>      |
| Interest payable  | 5,376               | 4,390                | 4,956                 | 3,477               | 3,875               |
| Other liabilities   | 50,086              | 52,708               | 61,695                | 45,383              | 48,751              |
| <b>Total Liabilities</b>  | <b>8,159,723</b>    | <b>8,064,015</b>     | <b>7,766,283</b>      | <b>6,769,913</b>    | <b>6,396,723</b>    |
| <b>STOCKHOLDERS' EQUITY</b>   |                     |                      |                       |                     |                     |
| Cumulative Preferred Stock, \$1,000 par value, \$1,000 liquidation value: |                     |                      |                       |                     |                     |
| Authorized -- 600 shares  |                     |                      |                       |                     |                     |
| Issued and outstanding  | 125                 | 125                  | 125                   | 125                 | 125                 |
| Common Stock, \$.125 stated value:  |                     |                      |                       |                     |                     |
| Authorized -- 100,000,000 and 50,000,000 shares <sup>(1)</sup>            |                     |                      |                       |                     |                     |
| Issued and outstanding  | 6,155               | 6,145                | 6,143                 | 5,394               | 5,131               |
| Additional paid-in capital  | 834,894             | 834,870              | 833,451               | 593,904             | 509,953             |
| Retained earnings   | 493,624             | 465,231              | 449,759               | 434,309             | 417,983             |
| Accumulated other comprehensive income (loss)                             | (21,725)            | (2,908)              | (6,358)               | 1,384               | (3,722)             |
| <b>Total Stockholders' Equity</b>   | <b>1,313,073</b>    | <b>1,303,463</b>     | <b>1,283,120</b>      | <b>1,035,116</b>    | <b>929,470</b>      |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                         | <b>\$ 9,472,796</b> | <b>\$ 9,367,478</b>  | <b>\$ 9,049,403</b>   | <b>\$ 7,805,029</b> | <b>\$ 7,326,193</b> |

<sup>(1)</sup> On May 1, 2017, the shareholders of First Merchants Corporation approved an amendment to the Articles of Incorporation to increase the number of shares of common stock authorized to issue from 50,000,000 to 100,000,000 shares.

## CONSOLIDATED STATEMENTS OF INCOME

(Dollars In Thousands, Except Per Share Amounts)

|  | March 31,<br>2018 | December 31,<br>2017 | September 30,<br>2017 | June 30,<br>2017 | March 31,<br>2017 |
|--|-------------------|----------------------|-----------------------|------------------|-------------------|
| <b>INTEREST INCOME</b>                                       |                   |                      |                       |                  |                   |
| Loans receivable:  |                   |                      |                       |                  |                   |
| Taxable  | \$ 78,267         | \$ 76,470            | \$ 71,491             | \$ 59,386        | \$ 56,357         |
| Tax-exempt   | 3,596             | 3,018                | 2,851                 | 2,492            | 2,333             |
| Investment securities:                                       |                   |                      |                       |                  |                   |
| Taxable  | 5,096             | 4,477                | 4,524                 | 4,180            | 4,308             |
| Tax-exempt   | 6,126             | 5,830                | 5,455                 | 5,091            | 5,003             |
| Deposits with financial institutions                         | 131               | 294                  | 284                   | 114              | 44                |
| Federal Home Loan Bank stock                                 | 404               | 259                  | 242                   | 204              | 189               |
| <b>Total Interest Income</b>                                 | <b>93,620</b>     | <b>90,348</b>        | <b>84,847</b>         | <b>71,467</b>    | <b>68,234</b>     |
| <b>INTEREST EXPENSE</b>                                      |                   |                      |                       |                  |                   |
| Deposits   | 9,002             | 7,835                | 6,710                 | 5,137            | 4,124             |
| Federal funds purchased                                      | 380               | 55                   | 175                   | 103              | 228               |
| Securities sold under repurchase agreements                  | 173               | 146                  | 133                   | 110              | 88                |
| Federal Home Loan Bank advances                              | 2,159             | 1,577                | 1,464                 | 1,177            | 978               |
| Subordinated debentures and term loans                       | 1,990             | 1,970                | 1,945                 | 1,840            | 1,817             |
| <b>Total Interest Expense</b>                                | <b>13,704</b>     | <b>11,583</b>        | <b>10,427</b>         | <b>8,367</b>     | <b>7,235</b>      |
| <b>NET INTEREST INCOME</b>                                   | <b>79,916</b>     | <b>78,765</b>        | <b>74,420</b>         | <b>63,100</b>    | <b>60,999</b>     |
| Provision for loan losses                                    | 2,500             | 1,800                | 2,083                 | 2,875            | 2,385             |
| <b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>   | <b>77,416</b>     | <b>76,965</b>        | <b>72,337</b>         | <b>60,225</b>    | <b>58,614</b>     |
| <b>OTHER INCOME</b>  |                   |                      |                       |                  |                   |
| Service charges on deposit accounts                          | 4,777             | 5,066                | 5,044                 | 4,438            | 4,174             |
| Fiduciary and wealth management fees                         | 3,416             | 3,345                | 2,995                 | 2,609            | 2,640             |
| Other customer fees  | 5,416             | 5,346                | 5,341                 | 5,406            | 4,863             |
| Earnings on cash surrender value of life insurance           | 1,176             | 1,133                | 1,575                 | 2,971            | 898               |
| Net gains and fees on sales of loans                         | 1,821             | 2,355                | 2,317                 | 1,617            | 1,275             |
| Net realized gains on sales of available for sale securities | 1,609             | 1,134                | 332                   | 567              | 598               |
| Other income   | 1,346             | 682                  | 1,064                 | 826              | 398               |
| <b>Total Other Income</b>                                    | <b>19,561</b>     | <b>19,061</b>        | <b>18,668</b>         | <b>18,434</b>    | <b>14,846</b>     |
| <b>OTHER EXPENSES</b>  |                   |                      |                       |                  |                   |
| Salaries and employee benefits                               | 32,226            | 33,760               | 33,244                | 27,076           | 25,732            |
| Net occupancy  | 4,670             | 4,424                | 4,371                 | 3,965            | 4,216             |
| Equipment  | 3,668             | 3,898                | 3,478                 | 2,907            | 2,807             |
| Marketing  | 884               | 1,361                | 1,021                 | 792              | 565               |
| Outside data processing fees                                 | 2,964             | 3,378                | 3,162                 | 3,086            | 2,616             |
| Printing and office supplies                                 | 334               | 378                  | 366                   | 275              | 264               |
| Intangible asset amortization                                | 1,726             | 2,055                | 1,698                 | 991              | 903               |
| FDIC assessments   | 719               | 711                  | 704                   | 579              | 570               |
| Other real estate owned and foreclosure expenses             | 402               | 311                  | 330                   | 731              | 531               |
| Professional and other outside services                      | 1,541             | 1,914                | 5,843                 | 3,266            | 1,734             |
| Other expenses   | 4,553             | 4,243                | 4,491                 | 3,648            | 3,161             |
| <b>Total Other Expenses</b>                                  | <b>53,687</b>     | <b>56,433</b>        | <b>58,708</b>         | <b>47,316</b>    | <b>43,099</b>     |
| <b>INCOME BEFORE INCOME TAX</b>                              | <b>43,290</b>     | <b>39,593</b>        | <b>32,297</b>         | <b>31,343</b>    | <b>30,361</b>     |
| Income tax expense   | 6,611             | 15,210               | 7,939                 | 7,207            | 7,168             |
| <b>NET INCOME AVAILABLE TO COMMON STOCKHOLDERS</b>           | <b>\$ 36,679</b>  | <b>\$ 24,383</b>     | <b>\$ 24,358</b>      | <b>\$ 24,136</b> | <b>\$ 23,193</b>  |
| <b>Per Share Data:</b>                                       |                   |                      |                       |                  |                   |
| Basic Net Income Available to Common Stockholders            | \$ 0.75           | \$ 0.49              | \$ 0.50               | \$ 0.57          | \$ 0.57           |
| Diluted Net Income Available to Common Stockholders          | \$ 0.74           | \$ 0.49              | \$ 0.50               | \$ 0.57          | \$ 0.56           |
| Cash Dividends Paid  | \$ 0.18           | \$ 0.18              | \$ 0.18               | \$ 0.18          | \$ 0.15           |
| Average Diluted Shares Outstanding (in thousands)            | 49,428            | 49,379               | 48,644                | 42,244           | 41,221            |
| <b>FINANCIAL RATIOS:</b>                                     |                   |                      |                       |                  |                   |
| Return on Average Assets                                     | 1.57%             | 1.06%                | 1.11%                 | 1.28%            | 1.29%             |
| Return on Average Stockholders' Equity                       | 11.21             | 7.53                 | 7.83                  | 9.82             | 10.15             |
| Return on Average Common Stockholders' Equity                | 11.21             | 7.53                 | 7.83                  | 9.82             | 10.15             |
| Average Earning Assets to Average Assets                     | 89.78             | 88.73                | 89.16                 | 89.97            | 90.43             |

|  |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|
| Allowance for Loan Losses as % of Total Loans      | 1.11     | 1.11     | 1.13     | 1.25     | 1.29     |
| Net Charge-offs as % of Average Loans (Annualized) | 0.07     | 0.01     | (0.05)   | 0.05     | 0.02     |
| Average Stockholders' Equity to Average Assets     | 13.96    | 14.11    | 14.15    | 12.98    | 12.67    |
| Tax Equivalent Yield on Earning Assets             | 4.57     | 4.67     | 4.56     | 4.44     | 4.42     |
| Cost of Supporting Liabilities                     | 0.65     | 0.57     | 0.53     | 0.49     | 0.44     |
| Net Interest Margin (FTE) on Earning Assets        | 3.92     | 4.10     | 4.03     | 3.95     | 3.98     |
| Efficiency Ratio                                   | 51.47    | 53.29    | 58.30    | 53.61    | 52.61    |
| Tangible Common Book Value Per Share               | \$ 17.14 | \$ 16.96 | \$ 16.62 | \$ 16.97 | \$ 16.49 |

**LOANS**

(Dollars In Thousands)

|  | March 31,<br>2018   | December 31,<br>2017 | September 30,<br>2017 | June 30,<br>2017    | March 31,<br>2017   |
|--|---------------------|----------------------|-----------------------|---------------------|---------------------|
| Commercial and industrial loans                                  | \$ 1,554,169        | \$ 1,493,493         | \$ 1,436,092          | \$ 1,289,884        | \$ 1,258,840        |
| Agricultural production financing and other loans to farmers     | 98,315              | 121,757              | 117,751               | 75,746              | 77,021              |
| Real estate loans:   |                     |                      |                       |                     |                     |
| Construction   | 590,093             | 612,219              | 498,862               | 442,389             | 336,931             |
| Commercial and farmland  | 2,713,994           | 2,562,691            | 2,571,253             | 2,167,729           | 2,118,431           |
| Residential  | 948,644             | 962,765              | 938,437               | 847,580             | 737,918             |
| Home equity  | 510,545             | 514,021              | 502,240               | 436,038             | 423,708             |
| Individuals' loans for household and other personal expenditures | 88,235              | 86,935               | 86,406                | 79,887              | 77,590              |
| Lease financing receivables, net of unearned income              | 2,193               | 2,527                | 3,877                 | 232                 | 261                 |
| Other commercial loans   | 395,508             | 394,791              | 328,530               | 273,659             | 244,209             |
| Loans  | 6,901,696           | 6,751,199            | 6,483,448             | 5,613,144           | 5,274,909           |
| Allowance for loan losses  | (76,420)            | (75,032)             | (73,354)              | (70,471)            | (68,225)            |
| <b>NET LOANS</b>   | <b>\$ 6,825,276</b> | <b>\$ 6,676,167</b>  | <b>\$ 6,410,094</b>   | <b>\$ 5,542,673</b> | <b>\$ 5,206,684</b> |

**DEPOSITS**

(Dollars In Thousands)

|   | March 31,<br>2018   | December 31,<br>2017 | September 30,<br>2017 | June 30,<br>2017    | March 31,<br>2017   |
|---|---------------------|----------------------|-----------------------|---------------------|---------------------|
| Demand deposits   | \$ 3,740,395        | \$ 3,746,654         | \$ 3,562,718          | \$ 3,015,846        | \$ 2,861,384        |
| Savings deposits  | 2,109,071           | 1,994,366            | 1,884,705             | 1,708,478           | 1,565,174           |
| Certificates and other time deposits of \$100,000 or more | 552,643             | 468,895              | 503,668               | 362,589             | 312,327             |
| Other certificates and time deposits                      | 584,377             | 581,894              | 585,042               | 511,935             | 476,741             |
| Brokered deposits   | 341,149             | 380,721              | 374,886               | 418,256             | 419,683             |
| <b>TOTAL DEPOSITS</b>                                     | <b>\$ 7,327,635</b> | <b>\$ 7,172,530</b>  | <b>\$ 6,911,019</b>   | <b>\$ 6,017,104</b> | <b>\$ 5,635,309</b> |

**NET INTEREST INCOME**

(Dollars in Thousands)

For the Three Months Ended

|   | March 31, 2018      |                           |              | March 31, 2017      |                           |              |
|---|---------------------|---------------------------|--------------|---------------------|---------------------------|--------------|
|   | Average Balance     | Interest Income / Expense | Average Rate | Average Balance     | Interest Income / Expense | Average Rate |
| <b>Assets:</b>  |                     |                           |              |                     |                           |              |
| Interest-bearing time deposits                              | \$ 32,776           | \$ 131                    | 1.60%        | \$ 30,463           | \$ 45                     | 0.59%        |
| Federal Home Loan Bank stock                                | 24,385              | 404                       | 6.63         | 17,964              | 189                       | 4.21         |
| Investment Securities: <sup>(1)</sup>                       |                     |                           |              |                     |                           |              |
| Taxable   | 810,385             | 5,096                     | 2.52         | 711,490             | 4,308                     | 2.42         |
| Tax-Exempt <sup>(2)</sup>                                   | 736,544             | 7,754                     | 4.21         | 586,525             | 7,697                     | 5.25         |
| Total Investment Securities                                 | 1,546,929           | 12,850                    | 3.32         | 1,298,015           | 12,005                    | 3.70         |
| Loans held for sale   | 10,636              | 137                       | 5.15         | 3,840               | 45                        | 4.69         |
| Loans: <sup>(3)</sup>                                       |                     |                           |              |                     |                           |              |
| Commercial  | 4,980,450           | 62,154                    | 4.99         | 3,781,045           | 44,092                    | 4.66         |
| Real Estate Mortgage  | 728,725             | 7,999                     | 4.39         | 545,148             | 6,121                     | 4.49         |
| Installment   | 623,429             | 7,977                     | 5.12         | 532,128             | 6,098                     | 4.58         |
| Tax-Exempt <sup>(2)</sup>                                   | 467,847             | 4,552                     | 3.89         | 318,082             | 3,589                     | 4.51         |
| Total Loans   | 6,811,087           | 82,819                    | 4.86         | 5,180,243           | 59,945                    | 4.63         |
| Total Earning Assets  | 8,415,177           | 96,204                    | 4.57         | 6,526,685           | 72,184                    | 4.42         |
| Net unrealized gain (loss) on securities available for sale | (6,440)             |                           |              | 593                 |                           |              |
| Allowance for loan losses                                   | (75,851)            |                           |              | (66,933)            |                           |              |
| Cash and cash equivalents                                   | 126,484             |                           |              | 104,017             |                           |              |
| Premises and equipment                                      | 95,525              |                           |              | 93,018              |                           |              |
| Other assets  | 817,841             |                           |              | 559,771             |                           |              |
| <b>Total Assets</b>   | <b>\$ 9,372,736</b> |                           |              | <b>\$ 7,217,151</b> |                           |              |
| <b>Liabilities:</b>   |                     |                           |              |                     |                           |              |
| Interest-bearing deposits:                                  |                     |                           |              |                     |                           |              |
| Interest-bearing NOW deposits                               | \$ 1,980,141        | \$ 2,689                  | 0.54%        | \$ 1,512,839        | \$ 838                    | 0.22%        |
| Money market deposits                                       | 1,089,694           | 1,275                     | 0.47         | 789,378             | 341                       | 0.17         |
| Savings deposits  | 945,940             | 381                       | 0.16         | 776,519             | 156                       | 0.08         |
| Certificates and other time deposits                        | 1,486,093           | 4,657                     | 1.25         | 1,165,079           | 2,789                     | 0.96         |
| Total Interest-bearing Deposits                             | 5,501,868           | 9,002                     | 0.65         | 4,243,815           | 4,124                     | 0.39         |
| Borrowings  | 848,208             | 4,702                     | 2.22         | 664,921             | 3,111                     | 1.87         |
| Total Interest-bearing Liabilities                          | 6,350,076           | 13,704                    | 0.86         | 4,908,736           | 7,235                     | 0.59         |
| Noninterest-bearing deposits                                | 1,651,296           |                           |              | 1,346,542           |                           |              |
| Other liabilities   | 62,560              |                           |              | 47,811              |                           |              |
| Total Liabilities   | 8,063,932           |                           |              | 6,303,089           |                           |              |
| Stockholders' Equity  | 1,308,804           |                           |              | 914,062             |                           |              |
| <b>Total Liabilities and Stockholders' Equity</b>           | <b>\$ 9,372,736</b> | <b>13,704</b>             |              | <b>\$ 7,217,151</b> | <b>7,235</b>              |              |
| <b>Net Interest Income (FTE)</b>                            |                     | <b>\$ 82,500</b>          |              |                     | <b>\$ 64,949</b>          |              |
| <b>Net Interest Spread (FTE)</b>                            |                     |                           | <b>3.71%</b> |                     |                           | <b>3.83%</b> |
| <b>Net Interest Margin (FTE):</b>                           |                     |                           |              |                     |                           |              |
| Interest Income (FTE) / Average Earning Assets              |                     |                           | 4.57%        |                     |                           | 4.42%        |
| Interest Expense / Average Earning Assets                   |                     |                           | 0.65%        |                     |                           | 0.44%        |
| <b>Net Interest Margin (FTE)</b>                            |                     |                           | <b>3.92%</b> |                     |                           | <b>3.98%</b> |

<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.

<sup>(2)</sup> Tax-exempt securities and loans are presented on a fully taxable equivalent basis, using a marginal tax rate of 21 percent and 35 percent for 2018 and 2017, respectively. These totals equal \$2,584 and \$3,950 for the three months ended March 31, 2018 and 2017, respectively.

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