



INDEPENDENT ALLIANCE BANKS

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FOR IMMEDIATE RELEASE

## **INDEPENDENT ALLIANCE BANKS, INC. TO PARTNER WITH FIRST MERCHANTS CORPORATION**

FORT WAYNE, IN and MUNCIE, IN, February 17, 2017 – Independent Alliance Banks, Inc. (OTCQX: IALB) (“IAB”), the holding company of iAB Financial Bank, and First Merchants Corporation (NASDAQ: FRME) (“First Merchants”) jointly announced today the execution of a definitive agreement whereby IAB will merge with and into First Merchants, and iAB Financial Bank will merge with and into First Merchants Bank.

The merger agreement provides that shareholders of Independent Alliance Banks will have the right to receive 1.6530 shares of First Merchants common stock for each share of IAB common stock owned. Based on the closing price of First Merchants’ common stock on February 16, 2017 of \$42.10 per share, the implied price of IAB common stock is \$69.59 per share. On November 21, 2016, First Merchants purchased 495,112 shares or 12.1% of IAB’s outstanding common stock from an IAB shareholder for \$19.8 million in cash. Based on the closing price of First Merchants’ common stock on February 16, 2017, the transaction value for the remaining shares of common stock, not owned by First Merchants, is approximately \$251.3 million.

The transaction is expected to be completed in the third quarter of 2017, subject to the affirmative vote of IAB shareholders, regulatory approvals and other customary considerations.

The merger’s strategic highlights include:

- Combined assets of \$8.3 billion, creating the second largest financial holding company headquartered in Indiana;
- Serving customers from the convenience of 122 banking offices in 31 Indiana counties, as well as two counties in both Ohio and Illinois;
- One of the largest Trust organizations in Indiana;
- Second largest agribusiness portfolio in Indiana;
- Strengthening of a core commitment to community banking;
- Enhancing products, services and technological capabilities; and
- Enhanced lending limits with local decision-making.

“We are excited about the opportunity to become part of the First Merchants family, and we believe this partnership will be good for our clients, shareholders and local communities in which we serve”, stated Michael C. Marhenke, President and CEO of iAB Financial Bank. “For several years our strategic plan has been driven to be the community bank of choice in our marketplace. Our bankers look forward to expanded new product capabilities and lending capacity in continuing to build relationships with our clients as First Merchants. The core values of both companies share a commitment to local decision making, personal service, long-term relationships and community involvement.”



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"Like First Merchants, iAB has a long history and a deep-rooted commitment to community banking, and we are excited for it to become the newest member of the First Merchants family", stated Michael C. Rechin, President and CEO of First Merchants. "We believe that our strategy to be a service-driven alternative to our super-regional bank competitors will support the acceleration of iAB's current initiatives while furthering our goal of growing as a high-performing company. The iAB franchise is a logical geographic extension for us given the less than 20-mile proximity of our nearest banking center locations. iAB Financial Bank's markets in Northeast Indiana, and specifically Fort Wayne, offer outstanding growth opportunities for First Merchants in Indiana's second largest market." He added "We expect this combination to be mutually beneficial to First Merchants and IAB shareholders. We anticipate earnings per share accretion of approximately 2% in 2017 and approximately 5% annually over the longer term through the combination of identified expense savings of 38% plus the company's organic growth resulting in a tangible book value earnback of 3.75 years."

ProBank Austin served as financial advisor to Independent Alliance Banks, Inc. in this transaction and Shumaker, Loop & Kendrick, LLP served as legal advisor. First Merchants was advised by SunTrust Robinson Humphrey and Sandler O'Neill Partners, L.P. and legal advisor was Bingham Greenebaum Doll LLP.

## CONFERENCE CALL

First Merchants Corporation will conduct a conference call and webcast to discuss the pending acquisition of IAB at 1:00 p.m. (ET) on Friday, February 17, 2017.

To participate, dial (Toll Free) 877-507-0578 and reference First Merchants Corporation's February 17th Conference Call. International callers please call +1 412-317-1073.

In order to view the web cast and presentation slides, please go to <http://services.choruscall.com/links/frme170215.html> during the time of the call.

## Additional Information

Communications in this press release do not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any proxy vote or approval. The proposed merger will be submitted to Independent Alliance Banks, Inc. shareholders for their consideration. In connection with the proposed merger, it is expected that Independent Alliance Banks, Inc. will provide its shareholders with a Proxy Statement, as well as other relevant documents concerning the proposed transaction. **SHAREHOLDERS ARE URGED TO READ THE PROXY STATEMENT REGARDING THE MERGER WHEN IT BECOMES AVAILABLE, AS WELL AS ANY OTHER RELEVANT DOCUMENTS CONCERNING THE PROPOSED TRANSACTION, TOGETHER WITH ALL AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, AS THEY WILL CONTAIN IMPORTANT INFORMATION.**

Independent Alliance Banks, Inc. and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Independent Alliance Banks, Inc. in connection with the proposed merger. 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 Statement regarding the proposed merger when it becomes available.

#### FORWARD LOOKING STATEMENT

This press 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 forward-looking statements include, but are not limited to, statements relating to the expected timing and benefits of the proposed merger (the “Merger”) between First Merchants Corporation (“First Merchants”) and Independent Alliance Banks, Inc., including future financial and operating results, cost savings, enhanced revenues, and accretion/dilution to reported earnings that may be realized from the Merger, as well as other statements of expectations regarding the Merger, and other statements of First Merchants’ goals, intentions and expectations; statements regarding the First Merchants’ business plan and growth strategies; statements regarding the asset quality of First Merchants’ loan and investment portfolios; and estimates of First Merchants’ risks and future costs and benefits, whether with respect to the Merger or otherwise. These forward-looking statements are subject 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 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 Merger may not be fully realized or realized within the expected time frame; revenues following the Merger may be lower than expected; customer and employee relationships and business operations may be disrupted by the Merger; the ability to obtain required governmental and shareholder approvals, and the ability to complete the Merger on the expected timeframe; possible changes in economic and business conditions; the existence or exacerbation of general geopolitical instability and uncertainty; the ability of First Merchants to integrate recent acquisitions and attract new customers; possible changes in monetary and fiscal policies, and laws and regulations; the effects of easing restrictions on participants in the financial services industry; the cost and other effects of legal and administrative cases; possible changes in the credit worthiness of customers and the possible impairment of collectability of loans; fluctuations in market rates of interest; competitive factors in the banking industry; changes in the banking legislation or regulatory requirements of federal and state agencies applicable to bank holding companies and banks like First Merchants’ affiliate bank; continued availability of earnings and excess capital sufficient for the lawful and prudent declaration of dividends; changes in market, economic, operational, liquidity, credit and interest rate risks associated with the First Merchants’ business; and other risks and factors identified in each of First Merchants’ filings with the Securities and Exchange Commission. Neither First Merchants nor 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, First Merchants’ and Independent Alliance Banks, Inc.’s past results of operations do not necessarily indicate either of their anticipated future results, whether the Merger is effectuated or not.

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