

First Merchants Corporation (NASDAQ: FRME; Muncie, IN) has agreed to acquire Independent Alliance Banks, Inc. (OTCQX: IALB; Fort Wayne, IN)

Deal Value: Approximately \$271.1 Million¹

Sandler O'Neill acted as a financial advisor to First Merchants Corporation in this transaction. This transaction represents Sandler O'Neill's 111th bank or thrift transaction nationwide since January 1, 2015 representing \$33.2 billion in aggregate transaction value. Sandler O'Neill has served as a financial advisor on more bank and thrift transactions and for a greater aggregate deal value than any other investment bank during that time period.²

Since January 1, 2015, Sandler O'Neill has advised on 21 bank or thrift transactions in the Midwest Region for an aggregate transaction value of \$10.6 billion, more than any other investment bank during that time period.²

First Merchants Corporation and Independent Alliance Banks, Inc. today announced they have executed a definitive agreement whereby IALB will merge with and into First Merchants, and its wholly owned bank subsidiary, iAB Financial Bank (iAB), will merge with and into First Merchants Bank.

Headquartered in Fort Wayne, Indiana, IAB operates 16 banking center locations in the Fort Wayne area. IAB was formed in 2005 as a result of the combination of two longstanding banks; Grabill Bank and MarkleBank. IAB has total assets of \$1.1 billion, total loans of \$753 million, and total deposits of \$861 million (91% of which are core) and also earned a 0.94% return on average assets and 9.57% return on tangible common equity in 2016. Additionally, as of June 30, 2016, IAB had approximately \$646 million of deposits in the Fort Wayne, Indiana Metropolitan Statistical Area, ranking it fifth in deposit market share with 8.3% of the market.

The merger agreement provides that shareholders of IAB 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.

First Merchants and IAB will have combined assets of \$8.3 billion and will be the second largest financial holding company headquartered in Indiana. The combined company will have 122 banking offices in thirty-one Indiana counties, as well as two counties in both Ohio and Illinois.

Michael C. Rechin, President and Chief Executive Officer of First Merchants, said, "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. 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."

Rechin 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."

Financial Highlights

(Dollars in millions)	FRME	IALB
Total Assets	\$7,212	\$1,088
Total Net Loans	\$5,077	\$745
Total Deposits	\$5,556	\$861
Total Equity	\$902	\$122
LTM ROAA	1.17%	0.94%

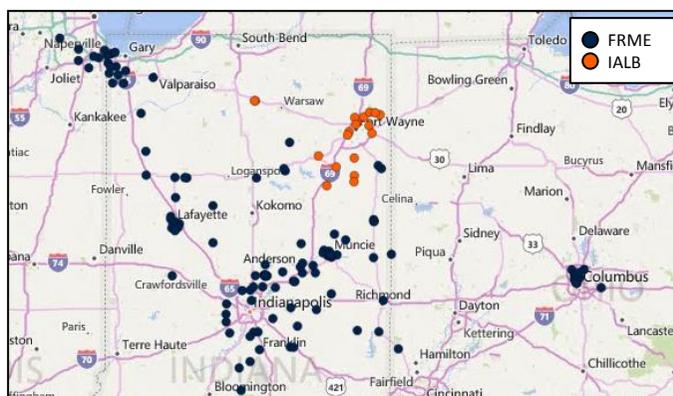
Financial data as of December 31, 2016

¹ Includes FRME's initial investment of \$19.8mm on 11/21/16

² Excludes terminated transactions and self-advisory roles

Source: SNL Financial, Company Documents, Press Release

Pro Forma Map



FRME branches shown pro forma for pending acquisition of The Arlington Bank

Sandler O'Neill Contacts:

Mark Biché
Managing Director
(312) 281-3484

Benjamin Schmitt
Director
(312) 281-3482

Matthew Proven
Associate
(312) 281-3413

Scott Matthews
Analyst
(312) 281-3441