

FIRST MERCHANTS CORP
Form S-4
April 24, 2017
Table of Contents

As filed with the Securities and Exchange Commission on April 24, 2017

Registration Statement No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

FIRST MERCHANTS CORPORATION
(Exact name of registrant as specified in its charter)

INDIANA
(State or other jurisdiction of
incorporation or organization)

6712
(Primary Standard Industrial
Classification Code Number)

35-1544218
(I.R.S. Employer
Identification No.)

Edgar Filing: FIRST MERCHANTS CORP - Form S-4

200 East Jackson Street

Muncie, Indiana 47305

(765) 747-1500

(Address, including Zip Code, and telephone number, including area code, of registrant's principal executive offices)

Mark K. Hardwick

Executive Vice President,

Chief Financial Officer and Chief Operating Officer

First Merchants Corporation

200 East Jackson Street

Muncie, Indiana 47305

(765) 747-1500

(Name, address, including Zip Code, and telephone number, including area code, of agent for service)

With copies to:

Jeremy E. Hill, Esq.

Bradley C. Arnett, Esq.

Bingham Greenebaum Doll LLP

2700 Market Tower

10 W. Market Street

Indianapolis, Indiana 46204

(317) 635-8900

Martin D. Werner, Esq.

Shumaker, Loop & Kendrick, LLP

1000 Jackson Street

Toledo, Ohio 43604

(419) 241-9000

Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after the effective date of this Registration Statement and upon the effective time of the merger described in the accompanying proxy statement and prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		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 7(a)(2)(B) of the Securities Act.

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price	Proposed Maximum Aggregate	Amount of Registration Fee (3)
---	------------------------------------	--	-----------------------------------	---------------------------------------

Edgar Filing: FIRST MERCHANTS CORP - Form S-4

		Per Share	Offering Price (2)	
Common Stock, no par value	Up to 5,968,170 shares	N/A	\$221,612,981	\$25,684.94

- (1) This represents the maximum number of shares of First Merchants Corporation common stock estimated to be issuable upon completion of the merger described herein. This number is based on the 3,610,508 shares of Independent Alliance Banks, Inc. common stock expected to be outstanding when the transaction is consummated, and the exchange of each such shares of Independent Alliance Banks, Inc. common stock for 1.6530 shares of First Merchants Corporation common stock, pursuant to the terms of the Agreement and Plan of Reorganization and Merger, dated as of February 17, 2017 (the Merger Agreement), by and between First Merchants Corporation and Independent Alliance Banks, Inc., which is attached to the proxy statement and prospectus as Annex A.
- (2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act of 1933 and computed pursuant to Rule 457(f)(1) thereunder on the basis of the market value of the common stock of Independent Alliance Banks, Inc. to be exchanged in the transaction, which is calculated as the product of (i) \$61.38 (the average of the high and low prices, as quoted on the OTCQX Market, on April 17, 2017, a date within five business days prior to the date of filing this registration statement) and (ii) 3,610,508 (the aggregate number of shares of Independent Alliance Banks, Inc. common stock expected to be outstanding when the transaction is consummated).
- (3) The registration fee of \$25,684.94 for the securities registered hereby has been calculated pursuant to Rule 457(f) under the Securities Act, as \$221,612,981 multiplied by .0001159.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

THE INFORMATION IN THIS PROXY STATEMENT AND PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. WE MAY NOT ISSUE THESE SECURITIES UNTIL THE REGISTRATION STATEMENT IS EFFECTIVE. THIS PROXY STATEMENT AND PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PRELIMINARY PROXY STATEMENT AND PROSPECTUS

DATED APRIL 24, 2017 SUBJECT TO COMPLETION

**FIRST MERCHANTS CORPORATION INDEPENDENT ALLIANCE BANKS, INC.
YOUR VOTE IS VERY IMPORTANT**

**PROSPECTUS OF FIRST MERCHANTS CORPORATION FOR UP TO
5,968,170 SHARES OF COMMON STOCK AND
PROXY STATEMENT OF INDEPENDENT ALLIANCE BANKS, INC.**

The Board of Directors of First Merchants Corporation (First Merchants) and the Board of Directors of Independent Alliance Banks, Inc. (IALB) have approved an Agreement and Plan of Reorganization and Merger (the Merger Agreement), pursuant to which IALB will merge with and into First Merchants (the Merger). This proposed strategic business combination will further expand the second largest bank holding company headquartered in the State of Indiana. Following the Merger and the consummation of the proposed acquisition by First Merchants Bank, the wholly-owned banking subsidiary of First Merchants, of The Arlington Bank, an Ohio savings bank (as further discussed herein), the combined company will have 126 banking offices in thirty-one Indiana counties, as well as two counties in both Ohio and Illinois, and have approximately \$8.8 billion in assets, \$6.1 billion in loans, \$6.7 billion in deposits, and total shareholders equity of \$1.2 billion.

If the Merger Agreement is approved by a majority of the shareholders of IALB and the Merger is subsequently completed, the shares of IALB common stock owned by each IALB shareholder will be converted into the right to receive 1.6530 shares (the Exchange Ratio) of First Merchants common stock. First Merchants will pay cash for any fractional shares resulting from application of the Exchange Ratio. The Exchange Ratio is subject to adjustments for stock splits, stock dividends, recapitalization, or similar transactions.

First Merchants common stock is listed on The NASDAQ Global Select Market under the symbol FRME. On February 16, 2017, the last business day prior to the public announcement of the Merger, the closing price of a share of First Merchants common stock was \$42.10, which, after giving effect to the Exchange Ratio of 1.6530, results in an

implied value of approximately \$69.59 per share of IALB common stock as of such date. On [], 2017, the latest practicable date before the date of this proxy statement and prospectus, the closing price of a share of First Merchants common stock was \$[], which, after giving effect to the Exchange Ratio of 1.6530, results in an implied value of approximately \$[] per share of IALB common stock as of such date. You should obtain a current market quotation for First Merchants before you vote.

We cannot complete the Merger unless a majority of the issued and outstanding shares of common stock of IALB vote to approve the Merger Agreement. IALB will hold a special meeting of its shareholders to vote on this merger proposal. **Your vote is very important.** Whether or not you plan to attend the shareholder meeting, please take the time to vote by completing the enclosed proxy card and mailing it in the enclosed envelope. **If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote in favor of the Merger Agreement. Not returning your card will have the same effect as a vote against the Merger Agreement.**

The date, time and place of the meeting are as follows:

[], 2017, []:[] [] .m., local time

[]

[]

[]

This proxy statement and prospectus provides you with detailed information about the special meeting and the proposed Merger. It also contains or references information about IALB and First Merchants. You can also get information about First Merchants from publicly available documents that have been filed with the Securities and Exchange Commission.

We strongly support the Merger of our companies. **The Board of Directors of IALB recommends that you vote in favor of the Merger Agreement.**

/s/ Michael C. Rechin

/s/ Michael C. Marhenke

President and Chief Executive Officer

President and Chief Executive Officer

FIRST MERCHANTS CORPORATION

INDEPENDENT ALLIANCE BANKS, INC.

For a discussion of certain risk factors which you should consider in evaluating the Merger, see Risk Factors beginning on page 23. We encourage you to read this entire document carefully.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued pursuant to this proxy statement and prospectus or determined if this proxy statement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

These securities are not savings or deposit accounts or other obligation of any bank or non-bank subsidiary of either of our companies, and they are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other federal or state governmental agency.

Proxy statement and prospectus dated [], 2017, and first mailed to IALB shareholders on or about [], 2017.

Table of Contents

ADDITIONAL INFORMATION

This document incorporates important business and financial information about First Merchants from other documents filed by First Merchants with the Securities and Exchange Commission (SEC) that are not delivered with or included in this document. This information (including the documents incorporated herein by reference) is available to you without charge upon your written or oral request. You may request these documents in writing or by telephone at the following addresses and telephone numbers:

First Merchants Corporation

200 East Jackson Street

Muncie, Indiana 47305

Attention: Brian T. Hunt,

Corporate Secretary

Telephone: (765) 747-1500

To ensure timely delivery, shareholders must request the documents containing the information described above no later than five (5) business days prior to the date of the special meeting of the IALB shareholders. Accordingly, if you would like to make such a request, please do so by [], 2017, in order to receive the requested information before the meeting.

You can also obtain copies of the documents incorporated by reference in this document through the SEC's website at www.sec.gov. See WHERE YOU CAN FIND ADDITIONAL INFORMATION on page [].

Table of Contents

INDEPENDENT ALLIANCE BANKS, INC.

118 East Ludwig Road

Fort Wayne, Indiana 46825

**NOTICE OF SPECIAL MEETING OF
SHAREHOLDERS TO BE HELD ON**

[], 2017

To Our Shareholders:

We will hold a special meeting of the shareholders of Independent Alliance Banks, Inc. (IALB) on [], 2017, at []:[] [].m. local time, at [].

The purposes of the special meeting are the following:

1. *Merger Proposal.* To consider and vote upon a proposal to approve the Agreement and Plan of Reorganization and Merger, dated February 17, 2017 (the Merger Agreement), between First Merchants Corporation (First Merchants) and IALB, and to approve the transactions contemplated thereby (the Merger Proposal). Pursuant to the Merger Agreement, IALB will merge with and into First Merchants (the Merger) and, immediately thereafter, iAB Financial Bank will merge with and into First Merchants Bank (First Merchants Bank), a wholly-owned banking subsidiary of First Merchants (the Bank Merger).
2. *Adjournment Proposal.* To approve one (1) or more adjournments of the IALB special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal (the Adjournment Proposal).
3. *Other Matters.* To vote upon such other matters which may properly be presented at the special meeting or any adjournment or postponement of the special meeting. IALB 's Board of Directors is not aware of any such other matters.

The proxy statement and prospectus describes the Merger Agreement and the proposed Merger in detail and includes, as [Annex A](#), the complete text of the Merger Agreement. We urge you to read these materials for a description of the Merger Agreement and the proposed Merger. **In particular, you should carefully read the section captioned Risk Factors beginning on page [] of the accompanying proxy statement and prospectus for a discussion of certain risk factors relating to the Merger.**

The Board of Directors of IALB has fixed the close of business on [], 2017, as the record date for determining those shareholders who are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of the special meeting. Approval of the Merger Proposal requires the affirmative vote of at least a majority of the outstanding shares of IALB common stock. Approval of the Adjournment Proposal only requires the affirmative vote of at least a majority of the shares of IALB common stock voting at the meeting, in person or by proxy, so long as a

quorum is present.

Our shareholders are entitled to assert dissenters' rights of appraisal in connection with the proposed Merger under Chapter 44 of the Indiana Business Corporation Law, a copy of which is attached as Annex B to the accompanying proxy statement and prospectus.

The IALB Board of Directors recommends that you vote FOR (1) approval of the Merger Proposal; and (2) approval of the Adjournment Proposal.

Whether or not you plan to attend the special meeting in person, please submit your proxy by completing, signing, and dating the enclosed proxy card and returning it as soon as possible using the

Table of Contents

enclosed postage-prepaid envelope. If you attend the special meeting, you may vote in person if you wish, even if you have previously submitted your proxy. Not submitting your proxy will have the same effect as a vote against the Merger Proposal.

By Order of the Board of Directors

Charles R. Schrimper	Michael C. Marhenke
Chairman	President and Chief Executive Officer

[], 2017
Fort Wayne, Indiana

Table of Contents

FORWARD-LOOKING STATEMENTS

This document, and the information included or incorporated by reference into it, contain 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, should, could, might, can, may, or similar expressions. These forward-looking statements include, but are not limited to, statements relating to the benefits of the proposed Merger between First Merchants and IALB, 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 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 the First Merchants and IALB 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 regulatory and shareholder approvals, and the ability to complete the Merger on the expected time frame; 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 banks and bank holding companies; 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' and IALB's business; and other risks and factors identified in First Merchants' filings with the SEC.

Neither First Merchants nor IALB undertakes any obligation to update any forward-looking statement, whether written or oral, relating to the matters discussed herein unless required to under the federal securities laws. In addition, First Merchants' and IALB's past results of operations do not necessarily indicate either of their anticipated future results, whether the Merger is effectuated or not.

Table of Contents

TABLE OF CONTENTS

	PAGE
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SHAREHOLDER MEETING</u>	1
<u>SUMMARY</u>	5
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	18
<u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF FIRST MERCHANTS</u>	19
<u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF IALB</u>	20
<u>UNAUDITED PRO FORMA SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA</u>	
<u>OF FIRST MERCHANTS</u>	21
<u>RISK FACTORS</u>	23
<u>THE IALB SPECIAL MEETING</u>	29
<u>General Information</u>	29
<u>Matters To Be Considered</u>	29
<u>Vote Required</u>	29
<u>Voting Agreement</u>	29
<u>Proxies</u>	29
<u>Solicitation of Proxies</u>	30
<u>Recommendation of the IALB Board of Directors</u>	30
<u>Other Matters</u>	30
<u>Beneficial Ownership of IALB Common Stock by Certain Shareholders</u>	31
<u>MERGER PROPOSAL</u>	32
<u>ADJOURNMENT PROPOSAL</u>	32
<u>THE MERGER</u>	33
<u>Description of the Merger</u>	33
<u>Exchange of IALB Common Stock</u>	33
<u>Effect of the Merger on First Merchants Shareholders</u>	34
<u>Background of the Merger</u>	34
<u>First Merchants' Reasons for the Merger</u>	37
<u>IALB's Reasons for the Merger</u>	37
<u>Opinion of ProBank Austin</u>	39
<u>Rights of Dissenting Shareholders</u>	47
<u>Registration of First Merchants Common Stock</u>	48
<u>Regulatory Approvals</u>	48
<u>Effective Date of the Merger</u>	49
<u>The NASDAQ Global Select Market Listing</u>	49
<u>Registration Statement</u>	49
<u>Interests of Certain Persons in the Merger</u>	49
<u>THE MERGER AGREEMENT</u>	51
<u>Description of the Merger</u>	51
<u>Representations and Warranties</u>	51
<u>Conditions to Completion of the Merger</u>	52
<u>Termination; Waiver; Amendment</u>	53
<u>Restrictions Affecting the Parties Prior to Completion of the Merger</u>	56
<u>Fees and Expenses</u>	57
<u>Management After the Merger</u>	57

<u>Indemnification and Insurance of IALB Directors and Officers</u>	57
<u>Employee Benefit Plans</u>	58
<u>Voting Agreement</u>	58

Table of Contents

	PAGE
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES</u>	59
<u>Tax Consequences of the Merger Generally</u>	59
<u>Tax Consequences to First Merchants, First Merchants Shareholders and IALB</u>	60
<u>Tax Consequences of the Merger to U.S. Holders of IALB Common Stock</u>	60
<u>Information Reporting and Backup Withholding</u>	60
<u>Reporting Requirements</u>	61
<u>DESCRIPTION OF FIRST MERCHANTS</u>	62
<u>Business</u>	62
<u>Incorporation of Certain Information Regarding First Merchants by Reference</u>	62
<u>DESCRIPTION OF IALB</u>	63
<u>Business</u>	63
<u>Market for Common Equity and Related Stockholder Matters</u>	63
<u>Equity Compensation Plan Information</u>	64
<u>COMPARISON OF COMMON STOCK</u>	65
<u>LEGAL MATTERS</u>	73
<u>EXPERTS</u>	73
<u>SHAREHOLDER PROPOSALS FOR NEXT YEAR</u>	73
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	74
<u>ANNEX A: AGREEMENT AND PLAN OF REORGANIZATION AND MERGER</u>	A-1
<u>ANNEX B: CHAPTER 44 OF THE INDIANA BUSINESS CORPORATION LAW (DISSENTERS RIGHTS)</u>	B-1
<u>ANNEX C: OPINION OF PROBANK AUSTIN</u>	C-1

Table of Contents

**QUESTIONS AND ANSWERS ABOUT THE MERGER
AND THE SHAREHOLDER MEETING**

Q: What am I voting on?

A: You are being asked to vote to approve the Merger Agreement, pursuant to which IALB will merge with and into First Merchants, and to approve the transactions contemplated by the Merger Agreement (the Merger Proposal). First Merchants would be the surviving entity in the Merger, and IALB would no longer be a separate company. You are also being asked to vote on two additional proposals (completion of the Merger is not conditioned upon approval of any of these additional proposals):

a proposal to adjourn the IALB special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal (which we refer to as the Adjournment Proposal); and

to vote on such other matters that may be properly presented at the special meeting or any adjournment or postponement of the special meeting. IALB's Board is not aware of any such other matters.

Q: Why are First Merchants and IALB proposing to merge?

A: We believe the Merger is in the best interests of both companies and our respective shareholders. IALB and First Merchants believe that the Merger will bring together two (2) complementary institutions to create a strategically, operationally and financially strong company that is positioned for further growth. The Merger will give the combined company greater scale and geographic diversity, not only for serving existing customers more efficiently, but also for future expansion. The combination will expand the second largest bank holding company based in the State of Indiana. We believe the Merger will enhance our capabilities to provide banking and financial services to our customers and strengthen the competitive position of the combined organization. You should review the background of and reasons for the Merger described in greater detail beginning on page [].

Q: What will IALB shareholders receive in the Merger?

A: If the Merger Agreement is approved by the shareholders of IALB and the Merger is subsequently completed, the shares of IALB common stock owned by each IALB shareholder will be converted into 1.6530 shares (the Exchange Ratio) of First Merchants common stock (the Merger Consideration). Each IALB shareholder that would otherwise be entitled to receive a fractional share of First Merchants common stock will receive cash in lieu of such fractional share. The Exchange Ratio is subject to adjustments for stock splits, stock dividends, recapitalization, or similar transactions.

Because the Exchange Ratio is fixed (except for customary anti-dilution adjustments), the value of the Merger Consideration that you will receive will depend on the market price of First Merchants common stock when you receive your shares of First Merchants common stock. The implied per share value of the Merger Consideration, based upon First Merchants' closing stock price on [], 2017, the most recent practicable trading day before this proxy statement and prospectus was finalized, was \$[] per share. **No assurance can be given that the current market price of First Merchants common stock will be equivalent to the market price of First Merchants common stock on the date that shares of First Merchants common stock are received by an IALB shareholder or at any other time.** You should obtain current market prices for shares of First Merchants common stock which is listed on The NASDAQ Global Select Market under the symbol FRME.

Q: What risks should I consider before I vote on the Merger Proposal?

A: You should carefully review the section captioned RISK FACTORS beginning on page [].

Table of Contents

Q: Will First Merchants shareholders receive any shares or cash as a result of the Merger?

A: No. After the Merger, First Merchants shareholders will continue to own the same number of First Merchants shares they owned before the Merger.

Q: When is the Merger expected to be completed?

A: We are working to complete the Merger as quickly as possible. We must first obtain the necessary regulatory approvals and the approval of IALB shareholders at the special meeting. We currently expect to complete the Merger during the third quarter of 2017.

Q: What are the tax consequences of the Merger to me?

A: The Merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code). A U.S. Holder (as defined in the section captioned MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES beginning on page []) who exchanges all of its shares of IALB common stock for shares of First Merchants common stock pursuant to the Merger will not recognize any gain or loss on the exchange for federal income tax purposes, except with respect to any cash received in lieu of a fractional share of First Merchants common stock. A U.S. Holder who receives cash in lieu of a fractional share of First Merchants common stock will be treated as having received such fractional share of First Merchants common stock pursuant to the Merger and then as having sold that fractional share of First Merchants common stock for cash. As a result, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount of cash received and the U.S. Holder's basis in the fractional share of First Merchants common stock determined as described above. At the closing of the Merger, First Merchants will receive an opinion from their tax attorneys confirming these tax consequences and IALB will receive a letter from First Merchants' tax attorneys addressed to the shareholders of IALB to the effect that such shareholders shall be permitted to rely upon this tax opinion. Under the Merger Agreement, receipt of the tax opinion and the reliance letter may be waived by First Merchants and IALB, respectively, prior to the closing of the Merger. However, if receipt of such opinion and reliance letter were waived, IALB would resolicit its shareholders if any change in the tax consequences were material and disclose the reasons for the waiver and the change in tax consequences. Such resolicitation would require an amendment to the Registration Statement on Form S-4, of which this proxy statement and prospectus is a part. See MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES beginning on page []. **Your individual tax consequences will depend on your personal situation. You should consult your tax advisor for a full understanding of the tax consequences of the Merger to you.**

Q: Will I have dissenters' rights?

A: The shareholders of IALB are entitled to dissenters' rights in connection with the Merger under Chapter 44 of the Indiana Business Corporation Law, as amended (the Indiana Business Corporation Law), a copy of which is included as Annex B to this proxy statement and prospectus. **If you wish to assert dissenters' rights, you must**

deliver to IALB written notice of your intent to assert such rights before the vote is taken at the special meeting. In addition, you must not vote in favor of the Merger either in person or by proxy. The procedure for dissenting is explained more fully under **THE MERGER** Rights of Dissenting Shareholders beginning on page [] and in Annex B to this proxy statement and prospectus.

Q: What do I need to do now?

A: You should carefully read and consider the information contained in this document and any information incorporated herein by reference. Then, please submit your proxy by completing, signing, and dating the enclosed proxy card and returning it as soon as possible using the enclosed postage-prepaid envelope so that your shares can be voted at the special shareholder meeting. If a returned proxy card is signed but does not specify how you wish to vote your shares, your proxy will be voted **FOR** the: (1) approval of the Merger Proposal; and (2) approval of the Adjournment Proposal.

Table of Contents

Q: What if I don't vote or I abstain from voting?

A: If you do not vote or you abstain from voting, your abstention will count as a vote **AGAINST** the Merger Proposal.

Q: If my shares are held by my broker in street name, will my broker vote my shares for me?

A: Your broker will vote any shares you hold in street name only if you provide instructions to your broker on how to vote your shares. You should follow the directions provided by your broker to vote your shares. If you do not provide your broker with instructions on how to vote your shares held in street name, your broker will not be permitted to vote your shares, which will have the effect of a vote **AGAINST** the Merger.

Q: How do I vote my shares of IALB common stock held in the iAB Financial Bank 401(k)/Profit Sharing Plan (the Plan)?

A: If you invest in IALB common stock through the Plan, you will receive a voting instruction card that reflects all shares that you may direct the trustee to vote on your behalf under the Plan. Under the terms of the Plan, a participant is entitled to direct the trustee how to vote the shares of IALB common stock credited to his or her account under the Plan. If the Plan trustee does not receive timely voting instructions for the shares of IALB common stock held in the Plan, the shares for which the trustee does not receive timely instructions will be voted in a manner calculated to most accurately reflect the instructions received from other Plan participants.

Q: May I change my vote after I have submitted my proxy?

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting. You can do this in one (1) of three (3) ways. First, you can send a written notice stating that you revoke your proxy. Second, you can complete and submit a new proxy, dated at a date later than your most recent proxy. Please submit your notice of revocation and/or new proxy card to IALB, 118 East Ludwig Road, Fort Wayne, Indiana 46825, Attention: James A. Witmer, Corporate Secretary. Third, you may attend the special meeting and vote in person. Simply attending the special meeting, however, will not revoke your proxy. You must request a ballot and vote the ballot at the meeting.

Q: What constitutes a quorum?

A: The presence, in person or by proxy, of shareholders holding at least a majority of the issued and outstanding shares of IALB entitled to vote as of [], 2017, the record date for the special meeting, will constitute a quorum for the special meeting. On the record date, there were [] shares of IALB common stock outstanding and entitled to vote at the special meeting.

Q: Should I send in my stock certificate(s) now?

A: No. After the Merger is completed, IALB shareholders will receive written instructions from First Merchants for exchanging their stock certificates for shares of First Merchants common stock and cash for fractional shares to be received by them in the Merger. Any shares of IALB common stock held in book-entry form will be automatically exchanged for shares of First Merchants common stock. If you are a First Merchants shareholder, you should retain your certificates, as you will continue to hold the First Merchants shares you currently own.

Table of Contents

Q: Whom should I contact if I have other questions about the Merger Agreement or the Merger?

A: You may contact:

Independent Alliance Banks, Inc.

118 East Ludwig Road

Fort Wayne, Indiana 46825

Attention: Kevin J. Himmelhaver,

Executive Vice President and Chief Financial Officer

Telephone: (260) 469-6265

Table of Contents

SUMMARY

This summary highlights selected information from this proxy statement and prospectus. Because this is a summary, it does not contain all of the information that is important to you. You should carefully read this entire document, including the documents incorporated herein by reference, and the other documents to which we have referred you before you decide how to vote. See WHERE YOU CAN FIND ADDITIONAL INFORMATION on page [] for a description of documents that we incorporate by reference into this document. Each item in this summary includes a page reference that directs you to a more complete description in this document of the topic discussed.

Description of First Merchants Corporation (page [])

First Merchants Corporation

200 East Jackson Street

Muncie, Indiana 47305

(765) 747-1500

First Merchants is a financial holding company headquartered in Muncie, Indiana and was organized in September 1982. First Merchants common stock is listed on The NASDAQ Global Select Market under the symbol FRME. First Merchants has one full-service Indiana commercial bank charter, First Merchants Bank, which opened for business in Muncie, Indiana, in March 1893. First Merchants Bank also operates Lafayette Bank and Trust and First Merchants Private Wealth Advisors as divisions of First Merchants Bank. First Merchants Bank includes over 106 banking locations in 27 Indiana, two Illinois and two Ohio counties. First Merchants Bank's business activities are currently limited to one significant business segment, which is community banking.

As of December 31, 2016, First Merchants had consolidated assets of \$7.2 billion, consolidated deposits of \$5.6 billion and shareholders' equity of \$902 million. As of December 31, 2016, First Merchants and its subsidiaries had 1,449 full-time equivalent employees.

Description of Independent Alliance Banks, Inc. (page [])

Independent Alliance Banks, Inc.

118 East Ludwig Road

Fort Wayne, Indiana 46825

(260) 422-2265

IALB is a financial holding company incorporated under Indiana law and headquartered in Fort Wayne, Indiana. IALB's wholly-owned bank subsidiary is iAB Financial Bank, an Indiana commercial bank. IALB was formed in 2005 as a result of the merger of Grabill Bancorp and MarBanc Financial Corporation, at which time IALB began operating two wholly-owned bank subsidiaries, MarkleBank and Grabill Bank. In 2012, IALB collapsed the bank charter of MarkleBank into Grabill Bank and simultaneously changed Grabill Bank's name to iAB Financial Bank. In addition to iAB Financial Bank, IALB's other direct subsidiary is IAB Risk Management, Inc., a Nevada corporation. IAB Investments Inc., a Nevada corporation (IAB Investments), and Grabill Bank Insurance Services, LLC, an Indiana

limited liability company, are wholly-owned by iAB Financial Bank. IAB REIT, Inc., a Maryland corporation, is wholly-owned by IAB Investments. iAB Financial Bank operates 17 banking centers in Allen, Huntington, Marshall and Wells counties in Indiana and employed approximately 285 people at December 31, 2016.

At December 31, 2016, on a consolidated basis, IALB had assets of approximately \$1.1 billion, deposits of approximately \$861 million, and shareholders' equity of approximately \$122.1 million.

Table of Contents

The Merger (page [])

We have attached a copy of the Merger Agreement to this document as Annex A. Please read the Merger Agreement in its entirety. It is the legal document that governs the Merger.

The Merger Agreement provides that, if all of the conditions are satisfied or waived, IALB will be merged with and into First Merchants and, immediately thereafter, IALB will cease to exist. Immediately following the Merger, iAB Financial Bank will be merged with and into First Merchants Bank and iAB Financial Bank will cease to exist. We expect to complete the Merger during the third quarter of 2017.

Reasons for the Merger (pages [])

First Merchants. First Merchants' Board of Directors considered a number of financial and nonfinancial factors in making its decision to merge with IALB, including its respect for the ability and integrity of IALB's Board of Directors, management and staff. The Board believes that expanding First Merchants' operations in the market areas where IALB operates offers financial and strategic benefits to First Merchants and IALB as a combined company.

IALB. In considering the Merger with First Merchants, IALB's Board of Directors collected and evaluated a variety of economic, financial and market information regarding First Merchants and its subsidiaries, their respective businesses and First Merchants' reputation and future prospects. In the opinion of IALB's Board of Directors, favorable factors included First Merchants' strong earnings and stock performance, its management, the compatibility of its markets to those of IALB, the likelihood of regulatory approvals of the Merger, and the attractiveness of First Merchants' offer from a financial perspective. In addition, the Board of Directors considered the fairness opinion of ProBank Austin, described below.

Opinion of ProBank Austin (page [])

IALB's Board of Directors retained ProBank Austin to render a fairness opinion in connection with the proposed Merger. At the meeting of IALB's Board of Directors on February 15, 2017, ProBank Austin delivered to IALB's Board of Directors an oral opinion, which was confirmed by delivery of a written opinion, dated February 17, 2017, to the effect that, as of the date of the opinion and based upon and subject to the conditions, limitations, qualifications and assumptions set forth in the opinion, the right of the holders of IALB common shares to receive 1.6530 shares (the Exchange Ratio) of First Merchants common stock (the Merger Consideration) was fair, from a financial point of view, to such holders of IALB common stock, other than any holders who properly perfect their right to dissent under applicable law (the Excluded Holders).

The full text of the written opinion of ProBank Austin, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion of ProBank Austin, is attached as Annex C to this proxy statement and prospectus and is incorporated herein by reference. IALB shareholders are urged to read ProBank Austin's written opinion carefully and in its entirety. ProBank Austin's opinion is limited solely to the fairness, from a financial point of view, of the Exchange Ratio to be received in the Merger by the holders of IALB common stock (other than any Excluded Holders) and does not address IALB's underlying business decision to effect the Merger or the relative merits of the Merger as compared to any alternative business strategies or transactions that might be available with respect to IALB. ProBank Austin's opinion does not constitute a recommendation to any shareholder of IALB as to how such shareholder should vote or act with respect to any matter relating to the Merger or otherwise.

Table of Contents

What IALB Shareholders Will Receive (page [])

If the Merger Agreement is approved and the Merger is subsequently completed, each outstanding share of IALB common stock will be converted into the right to receive the Exchange Ratio of 1.6530 shares of First Merchants common stock. The Exchange Ratio is subject to adjustment for stock splits, stock dividends, recapitalization or similar transactions. Each IALB shareholder that would otherwise be entitled to receive a fractional share of First Merchants common stock will receive cash in lieu of such fractional share.

Because the Exchange Ratio is fixed (except for customary anti-dilution adjustments), the value of the Merger Consideration that you will receive will depend on the market price of First Merchants common stock when you receive your shares of First Merchants common stock. The implied per share value of the Merger Consideration, based upon First Merchants' closing stock price on [], 2017, the most recent practicable trading day before this proxy statement and prospectus was finalized, was \$[] per share. **No assurance can be given that the current market price of First Merchants common stock will be equivalent to the market price of First Merchants common stock on the date that shares of First Merchants common stock are received by an IALB shareholder or at any other time.**

Within three (3) business days following the effective date of the Merger, First Merchants will mail a letter of transmittal to each person who was, immediately prior to the effective time of the Merger, a holder of record of IALB common stock. The letter of transmittal will contain instructions for use in effecting the surrender of IALB stock certificates (or shares held in book-entry form) in exchange for the consideration to which such person may be entitled pursuant to the Merger Agreement.

What First Merchants Shareholders Will Receive (page [])

First Merchants shareholders will not receive any consideration in the Merger. After the Merger, First Merchants shareholders will continue to own the same number of First Merchants shares owned before the Merger.

The IALB Special Shareholders Meeting (page [])

The special meeting of IALB shareholders will be held on [], 2017, at []:[] [] .m. local time, at [].

At the special meeting, IALB shareholders will be asked:

1. *Merger Proposal.* To consider and vote upon a proposal to approve the Merger Agreement and to approve the transactions contemplated thereby. Pursuant to the Merger Agreement, IALB will merge with and into First Merchants and, immediately thereafter, iAB Financial Bank will merge with and into First Merchants Bank.
2. *Adjournment Proposal.* To approve one (1) or more adjournments of the IALB special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal.
3. *Other Matters.* To vote upon such other matters which may properly be presented at the special meeting or any adjournment or postponement of the special meeting. IALB's Board of Directors is not aware of any such

other matters.

IALB Recommendation to Shareholders (page [])

IALB's Board of Directors approved and adopted the Merger Agreement and approved and authorized the proposed Merger. IALB's Board of Directors concluded that entering into the Merger Agreement and completing the Merger and the other transactions contemplated by the Merger Agreement are in the best interest of IALB

Table of Contents

and the IALB shareholders. IALB's Board of Directors recommends that IALB shareholders vote **FOR** (1) approval of the Merger Proposal, and (2) approval of the Adjournment Proposal. In reaching its determination, IALB's Board of Directors considered a number of factors, which are described in the section captioned **THE MERGER IALB's Reasons for the Merger** beginning on page []. Because of the wide variety of factors considered, IALB's Board of Directors did not believe it practicable, nor did it attempt, to quantify or otherwise assign relative weight to the specific factors it considered in reaching its decision.

IALB Special Meeting Record Date; Vote Required (page [])

Only IALB shareholders of record as of the close of business on [], 2017, are entitled to notice of, and to vote at, the IALB special meeting and any adjournments or postponements of the special meeting. As of the record date, there were [] shares of IALB common stock outstanding. Approval of the Merger Proposal requires the affirmative vote of holders of at least a majority of the outstanding shares of IALB common stock entitled to vote. The approval of the Adjournment Proposal requires more votes to be cast in favor of the proposal than are cast against it. You can vote your shares by attending the IALB special meeting and voting in person, or you can vote by proxy by marking the enclosed proxy card with your vote, signing it and mailing it in the enclosed return envelope. You can revoke your proxy at any time before the special meeting by sending a written notice of revocation, submitting a new proxy or by attending the special meeting and voting in person.

No approval by First Merchants shareholders is required.

Voting Agreement (page [])

Each member of the Board of Directors of IALB, as of February 17, 2017, the date the Merger Agreement was executed, entered into a voting agreement with First Merchants to cause all IALB common stock owned by each of them of record or beneficially on such date to be voted in favor of the Merger Proposal. See **THE MERGER AGREEMENT Voting Agreement** on page []. As of the record date, the members of IALB's Board of Directors had power to vote, or caused to be voted, an aggregate of 155,794 shares of IALB common stock outstanding, representing 3.8% of the outstanding shares on that date.

First Merchants ownership of IALB Shares (page [])

First Merchants currently holds 495,112 shares or 12.1% of IALB's outstanding common stock, having purchased such shares from an IALB shareholder for \$19.8 million in November 2016. First Merchants will vote all of its shares in favor of the Merger Proposal and Adjournment Proposal. See **THE MERGER AGREEMENT Vote Required** on page [].

What We Need to Do to Complete the Merger (page [])

Completion of the Merger depends on a number of conditions being met or waived. In addition to our compliance with the Merger Agreement, these conditions include among others:

the approval of the Merger Agreement at the special meeting by a majority of the issued and outstanding shares of IALB common stock;

the approval of the Merger and the Bank Merger by certain regulatory agencies and the expiration of any regulatory waiting periods;

the representations and warranties made by the parties in the Merger Agreement must be true, accurate and correct in all material respects on and as of the effective date of the Merger, except that representations and warranties that are qualified by materiality or a Material Adverse Effect (as defined below in THE MERGER AGREEMENT Conditions to Completion of the Merger) must be true

Table of Contents

and correct in all respects, and provided that for those representations and warranties which address matters only as of an earlier date, then they shall be tested as of such earlier date;

the covenants made by the parties must have been complied with in all material respects from the date of the Merger Agreement through and as of the effective date of the Merger;

First Merchants must have received an opinion of Bingham Greenebaum Doll LLP that, for U.S. federal income tax purposes, the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

IALB must have received a letter from Bingham Greenebaum Doll LLP addressed to the shareholders of IALB, dated as of the effective date of the Merger, to the effect that such shareholders may rely on the opinion referenced immediately above;

the Registration Statement on Form S-4, of which this proxy statement and prospectus is a part, relating to the First Merchants shares to be issued pursuant to the Merger Agreement, must have become effective under the Securities Act of 1933, as amended (the Securities Act), and no stop order suspending the effectiveness of the Registration Statement shall have been issued or threatened by the SEC;

the shares of First Merchants common stock to be issued in the Merger shall have been listed for trading on The NASDAQ Global Select Market (subject to official notice of issuance);

there must be no order, decree or injunction of a court or agency of competent jurisdiction which enjoins or prohibits the consummation of the Merger or the Bank Merger; and

other customary conditions and obligations of the parties set forth in the Merger Agreement.

Under the Merger Agreement, receipt of the tax opinion and the reliance letter referred to above may be waived by First Merchants and IALB, respectively, prior to the closing of the Merger. However, if receipt of such opinion and reliance letter were waived, IALB would resolicit its shareholders if any change in the tax consequences were material and disclose the reasons for the waiver and the change in tax consequences. Such resolicitation would require an amendment to the Registration Statement on Form S-4, of which this proxy statement and prospectus is a part.

Regulatory Approvals (page [])

The Merger cannot be completed until First Merchants Bank receives necessary regulatory approvals, which include the approval of the Indiana Department of Financial Institutions (the Indiana DFI) and the Federal Deposit Insurance Corporation (the FDIC). First Merchants Bank has filed an application with the Indiana DFI and the FDIC, but cannot be certain when or if such approval will be obtained. First Merchants has also requested that the Federal Reserve Board of Governors (the Federal Reserve) waive its right to receive an application in connection with the Merger as permitted under Regulation Y of the Bank Holding Company Act. The Federal Reserve waiver was granted on April 14, 2017.

Conduct of Business Pending Merger (page [])

Under the terms of the Merger Agreement, IALB and First Merchants must carry on their business in the ordinary course and, subject to certain limited exceptions, may not take certain extraordinary actions without first obtaining the other party's consent.

We have agreed that IALB will continue to pay quarterly dividends at no more than the current rate of \$0.22 per share until the Merger closes. We will each cooperate to insure that IALB shareholders will receive

Table of Contents

only one (1) quarterly dividend for the quarter in which the Merger closes, and not a separate dividend from both First Merchants and IALB.

Agreements of First Merchants (pages [] and [])

In the Merger Agreement, First Merchants has agreed, among other matters, to:

Proceed and use its reasonable and diligent efforts to obtain any consents and approvals for the Merger. See THE MERGER Regulatory Approvals on page [].

Take action as may be necessary to allow IALB and its subsidiaries employees, as soon as reasonably practicable following the effective date of the Merger, to participate in benefit plans First Merchants maintains for its employees. Until such time as participation is implemented, First Merchants will assume, honor and continue the employee plans and benefit arrangements of IALB as in effect on the effective date of the Merger, subject to certain limitations set forth in the Merger Agreement. See THE MERGER AGREEMENT Employee Benefit Plans on page [].

Provide, or allow for, director and officer liability insurance and indemnification. See THE MERGER AGREEMENT Indemnification and Insurance of IALB Directors and Officers on page [].

Dissenters Rights (page [])

The shareholders of IALB are entitled to dissenters rights in connection with the Merger under the Indiana Business Corporation Law. **If you wish to assert dissenters rights, you must deliver to IALB written notice of your intent to assert such rights before the vote is taken at the special meeting. In addition, you must not vote in favor of the Merger Proposal either in person or by proxy.** If the Merger Proposal is approved and the Merger is completed, and you have dissented and followed the required procedures, then you will not receive any shares of common stock of First Merchants. Instead, you will be entitled to receive the fair value of your IALB common stock in cash as determined through the dissenters rights procedures. The procedure for dissenting is explained more fully under THE MERGER Rights of Dissenting Shareholders beginning on page [] and in Annex B to this proxy statement and prospectus.

Management and Operations After the Merger (page [])

IALB s corporate existence will cease after the Merger. Accordingly, except as otherwise described herein, directors and officers of IALB will not serve in such capacities after the effective date of the Merger. Upon completion of the Merger, the current officers and directors of First Merchants will continue to serve in such capacities.

Interests of Directors and Officers in the Merger That Are Different From Your Interests (page [])

You should be aware that some of directors and executive officers of IALB and iAB Financial Bank may have interests in the Merger that are different from, or in addition to, their interests as shareholders. Both IALB s Board of Directors and First Merchants Board of Directors were aware of these interests and took them into consideration in approving the Merger Agreement and the Merger. These interests are as follows:

Certain executive officers of IALB and iAB Financial Bank will enter into transition period retention agreements with iAB Financial Bank in connection with the Merger. The agreements provide for amounts to be paid to the officers by iAB Financial Bank (or First Merchants Bank as its successor) and provide for certain non-competition, non-solicitation and confidentiality obligations from the

Table of Contents

officers. Certain executive officers of IALB and iAB Financial Bank are also recipients of long-term incentive (LTI) awards that provide for the acceleration of vesting and payment of benefits following a change in control of IALB. Under the retention agreements and LTI awards, these executive officers would be entitled to receive an aggregate of \$4,924,864 and \$1,343,680, respectively. See THE MERGER Interests of Certain Persons in the Merger: Agreements with IALB on page [].

In connection with entering into the Merger Agreement, First Merchants requested that IALB enter into a Transition Period Retention Agreement (the Transition Agreement) with William H. Thatcher, III, IALB s Executive Vice President and Chief Operating Officer, that provides for certain assurances of employment following the Merger by First Merchants. The Transition Agreement provides that upon the closing of the Merger, First Merchants will enter into an employment arrangement with Mr. Thatcher and appoint Mr. Thatcher as First Merchant s Regional President for the Fort Wayne Region. In the event the Merger does not close and the Merger Agreement is terminated, the Transition Agreement will automatically terminate. See THE MERGER Interests of Certain Persons in the Merger: Agreements with IALB on page [].

First Merchants has agreed that for a period of six (6) years after the effective time of the Merger, it will maintain directors and officers liability insurance in force covering directors and officers of IALB and iAB Financial Bank, subject to certain conditions set forth in the Merger Agreement.

The Merger Agreement obligates First Merchants to appoint one person who is currently a member of the IALB Board of Directors (chosen by First Merchants after consultation with IALB) to the First Merchants Board of Directors. Such person will be entitled to receive compensation from First Merchants for service to the Board.

Termination of the Merger (page [])

Both First Merchants and IALB can mutually agree to terminate the Merger Agreement before we complete the Merger. In addition, either IALB or First Merchants acting alone can terminate the Merger Agreement under the circumstances described on page [].

IALB has agreed to pay First Merchants a termination fee of \$5,000,000 if:

IALB s Board of Directors terminates the Merger Agreement in the exercise of its fiduciary duties after receipt of an unsolicited superior acquisition proposal from a third party;

First Merchants terminates the Merger Agreement because IALB s Board of Directors withdraws or modifies its recommendation to IALB s shareholders to vote for the Merger following receipt of a written proposal for an acquisition from a third party; or

First Merchants terminates the Merger Agreement because IALB fails to give First Merchants written notice that it intends to furnish information to or enter into discussions or negotiations with a third party relating to a proposed acquisition of IALB, or if IALB, within sixty (60) days after giving such notice, does not

terminate such discussions or negotiations.

Material U.S. Federal Income Tax Consequences (page [])

It is a condition to the closing of the Merger that Bingham Greenebaum Doll LLP deliver an opinion, effective as of the date of the Merger, to First Merchants substantially to the effect that, for United States federal income tax purposes, the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. This opinion will not, however, bind the Internal Revenue Service (the IRS) which could take a different view. It is also a condition to the closing of the Merger that Bingham Greenebaum Doll

Table of Contents

LLP deliver a letter to IALB, addressed to the shareholders of IALB and dated as of the effective date of the Merger, to the effect that the shareholders shall be permitted to rely upon the tax opinion referred to above. Under the Merger Agreement, receipt of the tax opinion and the reliance letter may be waived by First Merchants and IALB, respectively, prior to the closing of the Merger. However, if receipt of such opinion and reliance letter were waived, IALB would resolicit its shareholders if any change in the tax consequences were material and disclose the reasons for the waiver and the change in tax consequences. Such resolicitation would require an amendment to the Registration Statement on Form S-4, of which this proxy statement and prospectus is a part.

Determining the actual tax consequences of the Merger to you can be complicated. We suggest you consult with your own tax advisors with respect to the tax consequences of the Merger to you.

For a more detailed description of the material federal income tax consequences of the Merger to First Merchants and IALB shareholders, see MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES on page [].

Comparative Rights of First Merchants and IALB Shareholders (page [])

The rights of shareholders of First Merchants and IALB differ in some respects. The rights of holders of First Merchants common stock are governed by the laws of the State of Indiana, including the Indiana Business Corporation Law, and First Merchants Articles of Incorporation and Bylaws. The rights of holders of IALB common stock are governed by the laws of the State of Indiana, including the Indiana Business Corporation Law, and IALB s Articles of Incorporation and Bylaws. Upon completion of the Merger, IALB shareholders who receive First Merchants common stock will take such stock subject to First Merchants Articles of Incorporation and Bylaws.

Authorized But Unissued Shares

First Merchants

First Merchants Articles of Incorporation authorize the issuance of 50,000,000 shares of common stock, of which 40,912,697 shares were outstanding as of December 31, 2016. The shareholders of First Merchants will consider, at the May 1, 2017 annual meeting of shareholders, a proposal to amend the First Merchants Articles of Incorporation in order to increase the number of authorized shares of common stock from 50,000,000 shares to 100,000,000.

First Merchants Board of Directors may authorize the issuance of additional shares of common stock up to the amounts authorized in First Merchants Articles of Incorporation without shareholder approval, subject only to the restrictions of the Indiana Business Corporation Law and the Articles of Incorporation. First Merchants has 500,000 shares of preferred stock authorized. First Merchants has designated 116,000 of those preferred shares

IALB

The Articles of Incorporation of IALB authorize the issuance of 10,000,000 shares of common stock, without par value. As of [], 2017, there were [] shares of common stock outstanding. IALB s Board of Directors may authorize the issuance of additional shares of common stock up to the amounts authorized in IALB s Articles of Incorporation, without shareholder approval, subject only to the restrictions of the Indiana Business Corporation Law and its Articles of Incorporation.

as Fixed Rate Cumulative Perpetual Preferred Stock, Series
A, \$1,000 per share liquidation amount, no shares of which
are currently

Table of Contents***First Merchants******IALB***

outstanding. First Merchants has designated 90,823.23 of the preferred shares as Senior Non-Cumulative Perpetual Preferred Stock, Series B, \$1,000 per share liquidation amount, no shares of which are currently outstanding. The preferred shares are available to be issued, without prior shareholder approval, in classes with the rights, privileges and preferences determined for each class by the Board of Directors of First Merchants. The shareholders of First Merchants will consider, at the May 1, 2017 annual meeting of shareholders, a proposal to amend the First Merchants Articles of Incorporation in order to eliminate the Fixed Rate Cumulative Perpetual Preferred Stock, Series A, and the Senior Non-Cumulative Perpetual Preferred Stock, Series B.

As of December 31, 2016, First Merchants had 221,005 shares of its common stock reserved and remaining available for issuance under its 2009 Long-term Equity Incentive Plan, 50,436 shares of its common stock reserved and remaining available for issuance under its Dividend Reinvestment and Stock Purchase Plan and 326,061 shares of its common stock reserved and remaining available for issuance under its 2008 Equity Compensation Plan for Non-Employee Directors. In addition, as of December 31, 2016, First Merchants had no options granted but unexercised under its 1994 Stock Option Plan, 163,811 options granted but unexercised under its 1999 Long-term Equity Incentive Plan, and 96,400 options granted but unexercised under its 2009 Long-term Equity Incentive Plan, with shares reserved and remaining available equal to the outstanding options under each plan.

The issuance of additional shares of First Merchants common stock or the issuance of additional First Merchants preferred stock may adversely affect the interests of First Merchants shareholders by diluting their voting and ownership interests.

Restrictions on Transfer of Shares***First Merchants******IALB***

Edgar Filing: FIRST MERCHANTS CORP - Form S-4

The holders of First Merchants common stock are generally not restricted on sales of their shares. The shares are also registered under Section 12 of the Securities and Exchange Act of 1934 (the Exchange Act) and listed for exchange on The NASDAQ Global Select Market. As a result, a public market exists for the shares of common stock.

The holders of IALB common stock are generally not restricted on sales of their shares. The shares are not registered under Section 12 of the Exchange Act, but are quoted on the OTCQX Market under the symbol IALB. As a result, a limited public market exists for the shares of common stock.

Table of Contents

Dividend Rights

First Merchants

The holders of First Merchants common stock are entitled to dividends and other distributions when, as and if declared by its Boards of Directors.

Generally, First Merchants **may not** pay a dividend if, after giving effect to the dividend:

First Merchants would not be able to pay its debts as they become due in the usual course of business; or

First Merchants' total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy preferential rights of shareholders payable upon dissolution.

The amount of dividends, if any, that may be declared by First Merchants in the future will necessarily depend upon many factors, including, among other things, future earnings, capital requirements, business conditions and capital levels of subsidiaries (since First Merchants is primarily dependent upon dividends paid by its subsidiaries for revenues), the discretion of First Merchants' Board of Directors and other factors that may be appropriate in determining dividend policies.

First Merchants Bank may pay cash dividends to First Merchants on its common stock only out of adjusted retained net profits for the year in which the dividend is paid and the two preceding years.

IALB

The holders of IALB common stock are entitled to dividends and other distributions when, as and if declared by its Boards of Directors. Dividends may be paid in cash, in property or in IALB's stock.

Generally, IALB **may not** pay a dividend if, after giving effect to the dividend:

IALB would not be able to pay its debts as they become due in the usual course of business; or

IALB's total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy preferential rights of shareholders payable upon dissolution.

First Merchants Bank will ordinarily be restricted to paying dividends in a lesser amount to First Merchants than is legally permissible because of the need for the banks to maintain adequate capital consistent with the capital adequacy guidelines promulgated by the banks' principal federal regulatory authorities. If a bank's capital levels are deemed inadequate by the regulatory authorities, payment of dividends to its parent holding company may be prohibited. First Merchants Bank is not currently subject to such a restriction.

Completion of the Merger (page [])

The Merger will become effective when we file Articles of Merger with the Secretary of the State of Indiana, or at such later date and time as may be set forth in the Articles of Merger. We expect the Merger to become effective during the third quarter of 2017.

Table of Contents***Comparative Market Price Information***

Shares of First Merchants common stock are listed on The NASDAQ Global Select Market under the symbol FRME. Shares of IALB common stock are quoted on the OTCQX Market under the symbol IALB. The following table presents quotation information for First Merchants common stock and for IALB common stock on February 16, 2017, the business day before the Merger was publicly announced, and [], 2017, the last practicable trading day for which information was available prior to the date of this proxy statement and prospectus.

	First Merchants Common Stock			IALB Common Stock		
	High	Low	Close	High	Low	Close
February 16, 2017	\$ 42.17	\$ 41.48	\$ 42.10	\$ 39.90	\$ 39.50	\$ 39.90
[], 2017	\$ []	\$ []	\$ []	\$ []	\$ []	\$ []

The market value of the aggregate consideration that IALB shareholders will receive in the Merger is approximately \$251.3 million (or \$69.59 per share of IALB common stock) based on 3,610,508 shares of IALB common stock outstanding (representing the sum of 4,082,479 shares of IALB common stock outstanding on February 16, 2017 and 23,141 shares of IALB common stock to be issued immediately prior to the effective time of the Merger pursuant to certain outstanding stock unit awards and excluding the 495,112 shares of IALB common stock currently held by First Merchants) and First Merchants' closing stock price of \$42.10 on February 16, 2017, the business day before the Merger was publicly announced.

The market value of the aggregate consideration that IALB shareholders will receive in the Merger is approximately \$[] million (or \$[] per share of IALB common stock) based on 3,610,508 shares of IALB common stock outstanding (as described above) and First Merchants' closing stock price of \$[] on [], 2017, the last practicable trading day prior to the date of this proxy statement and prospectus.

Also set forth below for the closing price of First Merchants common stock on February 16, 2017, and [], 2017, is the equivalent pro forma price of IALB common stock, which we determined by multiplying the applicable price of First Merchants common stock by the number of shares of First Merchants common stock we are issuing for each share of IALB common stock in the Merger, which is the Exchange Ratio of 1.6530. The equivalent pro forma price of IALB common stock shows the implied value to be received in the Merger by IALB shareholders who receive First Merchants common stock in exchange for a share of IALB common stock on these dates.

	First Merchants Common Stock	IALB Common Stock	IALB Equivalent Pro Forma
February 16, 2017	\$ 42.10	\$ 39.90	\$ 69.59
[], 2017	\$ []	\$ []	\$ []

We suggest you obtain a current market quotation for First Merchants common stock. We expect that the market price of First Merchants common stock will fluctuate between the date of this document and the date on which the Merger is completed and thereafter. Because the Exchange Ratio is fixed (except for customary anti-dilution adjustments) and the market price of First Merchants common stock is subject to fluctuation, the value of the shares of First Merchants common stock that IALB shareholders will receive in the Merger may increase or decrease prior to and after the

Merger.

Comparative Per Share Data

The following table sets forth the basic and diluted earnings per common share, book value per share and cash dividends per share for each of First Merchants and IALB on a historical basis, for First Merchants on a pro forma combined basis, and on a pro forma combined basis per IALB equivalent share.

Table of Contents

The pro forma data gives effect to: (i) the proposed acquisition by First Merchants Bank of The Arlington Bank, an Ohio savings bank (Arlington Bank); (ii) the proposed issuance of a number of shares of First Merchants common stock to the shareholders of Arlington Bank in connection with that acquisition; (iii) the proposed acquisition of IALB; and (iv) the proposed issuance 5,968,170 shares of First Merchants common shares to IALB shareholders, which assumes 3,610,508 shares of IALB common stock are outstanding at the time of closing (representing the sum of 4,082,479 shares if IALB common stock outstanding on February 17, 2017 and 23,141 shares of IALB common stock to be issued immediately prior to the effective time of the Merger pursuant to certain outstanding stock unit awards and excludes the 495,112 shares of IALB common stock currently held by First Merchants) and assumes that there are no dissenters. For purposes of presenting pro forma basic and diluted earnings per share, cash dividends per share, and book value per share, the comparative pro forma data assumes that First Merchants and IALB had been combined throughout the period shown. The data in the column Pro Forma Equivalent Per IALB Share shows the effect of the Merger from the perspective of an owner of IALB common stock, and was obtained by multiplying the Combined Pro Forma Amounts for First Merchants by the Exchange Ratio) of 1.6530.

We expect that we will incur reorganization and restructuring expenses as a result of combining our two companies. We also anticipate that the Merger will provide the combined company with financial benefits that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of the combined company, does not take into account these expected expenses or these anticipated financial benefits, and does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the merged company would have been had our companies been merged during the periods presented.

IALB does not have a class of securities registered under Section 12 of the Exchange Act, is not subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, and accordingly does not file documents and reports with the SEC to be incorporated by reference.

The information in the following table is based on historical financial information of IALB and First Merchants. The information with respect to First Merchants is included in its report previously filed with the SEC. The historical financial information of First Merchants has been incorporated into this document by reference. See WHERE YOU CAN FIND ADDITIONAL INFORMATION on page [] for a description of documents that we incorporate by reference into this document and how to obtain copies of them.

Table of Contents

FIRST MERCHANTS AND IALB
HISTORICAL AND PRO FORMA PER SHARE DATA

	First Merchants Historical	Adjusted First Merchants Historical (1)	IALB Historical	Combined Pro forma Amounts for First Merchants (2)	Pro forma Equivalent Per IALB Share
Year ended December 31, 2016					
Net income per share					
Basic	\$ 1.99	\$ 1.99	\$ 2.50	\$ 1.97	\$ 3.26
Diluted	\$ 1.98	\$ 1.98	\$ 2.50	\$ 1.96	\$ 3.24
Cash dividends per share	\$ 0.54	\$ 0.54	\$ 0.87	\$ 0.54	\$ 0.89
Book value per share (at December 31)	\$ 22.04	\$ 22.67	\$ 29.94	\$ 24.96	\$ 41.26

(1) Gives effect to the proposed acquisition of Arlington Bank.

(2) See Unaudited Pro Forma Summary of Selected Consolidated Financial Data on page [] for certain supporting information.

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth certain summary historical consolidated financial data for each of our companies. First Merchants' and IALB's balance sheet and income statement data as of and for the five years in the period ended December 31, 2016 are taken from each of First Merchants' and IALB's respective audited financial statements (which data and financial statements are presented on a consolidated basis).

The following tables also set forth certain summary unaudited pro forma consolidated financial information for First Merchants and IALB reflecting the Merger. The pro forma disclosures are being presented to provide additional information in support of the pro forma data included under the "Comparative Per Share Data" section of this SUMMARY. As a result, this condensed pro forma presentation is not intended to comply with the disclosure requirements under Article 11 of Regulation S-X. The income statement information presented gives effect to the Merger as if it occurred on the first day of the period presented. The balance sheet information presented gives effect to the Merger as if it occurred on December 31, 2016. The pro forma data reflects the following: (i) the proposed acquisition by First Merchants Bank of Arlington Bank; (ii) the proposed issuance of a number of shares of First Merchants common stock to the shareholders of Arlington Bank in connection with that acquisition; (iii) the proposed acquisition of IALB; and (iv) the proposed issuance 5,968,170 shares of First Merchants common shares to IALB shareholders, which assumes 3,610,508 shares of IALB common stock are outstanding at the time of closing (representing the sum of 4,082,479 shares if IALB common stock outstanding on February 17, 2017 and 23,141 shares of IALB common stock to be issued immediately prior to the effective time of the Merger pursuant to certain outstanding stock unit awards and excludes the 495,112 shares of IALB common stock currently held by First Merchants) and assumes that there are no dissenters.

The pro forma information reflects the purchase method of accounting, with IALB's assets and liabilities recorded at their estimated fair values as of December 31, 2016. The actual fair value adjustments to the assets and the liabilities of IALB will be made on the basis of appraisals and evaluations that will be made as of the date the Merger is completed. Thus, the actual fair value adjustments may differ significantly from those reflected in these pro forma financial statements. In the opinion of First Merchants' management, the estimates used in the preparation of these pro forma financial statements are reasonable under the circumstances.

We expect that we will incur reorganization and restructuring expenses as a result of combining our companies. We also anticipate that the Merger will provide the combined company with financial benefits that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under two sets of assumptions, does not take into account these expected expenses or anticipated financial benefits, and does not attempt to predict or suggest future results.

This selected financial data is only a summary and you should read it in conjunction with First Merchants consolidated financial statements and related notes incorporated into this document by reference. See "WHERE YOU CAN FIND ADDITIONAL INFORMATION" on page [] for a description of documents that we incorporate by reference into this document and how to obtain copies of such documents.

Table of Contents**FIRST MERCHANTS****FIVE YEAR SUMMARY OF SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

(Dollars in Thousands, Except Per Share Amounts)

	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
Summary of Operations					
Interest income	\$ 253,312	\$ 221,198	\$ 208,879	\$ 170,834	\$ 175,949
Interest expense	26,839	24,794	21,842	16,569	23,613
Net interest income	226,473	196,404	187,037	154,265	152,336
Provision for loan losses	5,657	417	2,560	6,648	18,534
Net interest income after provision	220,816	195,987	184,477	147,617	133,802
Non-interest income	65,203	69,868	61,816	51,831	63,699
Non-interest expenses	177,359	174,806	164,008	139,034	136,307
Income before income tax expense	108,660	91,049	82,285	60,414	61,194
Income tax expense	27,609	25,665	22,123	15,884	16,072
Net Income	81,051	65,384	60,162	44,530	45,122
Preferred stock dividends and discount accretion				(2,380)	(4,539)
Net Income Available to Common Shareholders	\$ 81,051	\$ 65,384	\$ 60,162	\$ 42,150	\$ 40,583
Per Share Data					
Net income					
Basic	\$ 1.99	\$ 1.73	\$ 1.66	\$ 1.42	\$ 1.42
Diluted	\$ 1.98	\$ 1.72	\$ 1.65	\$ 1.41	\$ 1.41
Cash dividends	\$ 0.54	\$ 0.41	\$ 0.29	\$ 0.18	\$ 0.10
Balance End of Period					
Total assets	\$ 7,211,611	\$ 6,761,003	\$ 5,824,127	\$ 5,437,262	\$ 4,304,821
Total loans	5,142,574	4,703,716	3,932,100	3,637,740	2,924,509
Allowance for loan losses	66,037	62,453	63,964	67,870	69,366
Total deposits	5,556,498	5,289,647	4,640,694	4,231,468	3,346,383
Stockholders equity	901,657	850,509	726,827	634,923	552,236
Selected Ratios					
Return on average assets	1.17%	1.07%	1.08%	0.95%	0.96%

Return on average equity	9.16%	8.67%	8.91%	7.80%	7.58%
--------------------------	-------	-------	-------	-------	-------

Table of Contents**IALB****FIVE YEAR SUMMARY OF SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

(Dollars in Thousands, Except Per Share Amounts)

	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
Summary of Operations					
Interest income	\$ 36,168	\$ 35,137	\$ 35,176	\$ 35,367	\$ 38,705
Interest expense	4,121	4,328	5,306	6,747	8,872
Net interest income	32,047	30,809	29,870	28,620	29,833
Provision for loan losses	799	390	1,200	2,560	2,030
Net interest income after provision	31,248	30,419	28,670	26,060	27,803
Non-interest income	9,768	7,774	7,419	7,765	9,377
Non-interest expenses	28,276	26,592	24,716	25,024	25,556
Income before income tax expense	12,740	11,601	11,373	8,801	11,624
Income tax expense	2,552	2,100	2,064	1,396	2,617
Net Income	\$ 10,188	\$ 9,501	\$ 9,309	\$ 7,405	\$ 9,007
Per Share Data					
Net income					
Basic	\$ 2.50	\$ 2.32	\$ 2.29	\$ 1.81	\$ 2.18
Diluted	2.50	2.32	2.29	1.81	2.18
Cash dividends	0.87	0.84	0.84	0.83	0.78
Balance End of Period					
Total assets	\$ 1,087,866	\$ 1,050,076	\$ 960,796	\$ 948,681	\$ 945,214
Total loans	755,483	713,984	657,758	664,850	658,092
Allowance for loan losses	10,390	9,997	10,057	9,939	11,289
Total deposits	860,997	803,580	729,347	711,640	692,212
Stockholders' equity	122,146	117,878	112,884	104,755	105,777
Selected Ratios					
Return on average assets	0.94%	0.91%	0.97%	0.79%	0.94%
Return on average equity	8.35%	8.23%	8.55%	7.02%	8.72%

Table of Contents**FIRST MERCHANTS****UNAUDITED PRO FORMA SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA**

(Dollars in Thousands, Except Per Share Amounts)

For the Year Ended December 31, 2016

	First Merchants Historical	Adjusted First Merchants Historical (1)	IALB Historical	Combined Pro forma Amounts for First Merchants (2)
Summary of Operations				
Interest income	\$ 253,312	\$ 266,128	\$ 36,168	\$ 305,876
Interest expense	26,839	28,256	4,121	32,552
Net interest income	226,473	237,872	32,047	273,324
Provision for loan losses	5,657	5,657	799	6,456
Net interest income after provision	220,816	232,215	31,248	266,868
Non-interest income	65,203	70,682	9,768	80,450
Non-interest expenses	177,359	187,437	28,276	217,895
Income before income tax expense	108,660	115,460	12,740	129,423
Income tax expense	27,609	29,935	2,552	32,915
Net Income Available to Common Shareholders	\$ 81,051	\$ 85,525	\$ 10,188	\$ 96,508
Per Share Data				
Net income				
Basic	\$ 1.99	\$ 1.99	\$ 2.50	\$ 1.97
Diluted	1.98	1.98	2.50	1.96
Cash dividends	0.54	0.54	0.87	0.54
Balance End of Period				
Total assets	\$ 7,211,611	\$ 7,564,609	\$ 1,087,866	\$ 8,784,553
Total loans	5,142,574	5,370,060	755,483	6,105,630
Allowance for loan losses	66,037	66,037	10,390	66,037
Total deposits	5,556,498	5,818,368	860,997	6,679,365
Stockholders' equity	901,657	974,611	122,146	1,221,810

(1) Gives effect to the proposed acquisition of Arlington Bank.

(2) See Note 1 in Notes to Unaudited Pro Forma Summary of Selected Consolidated Financial Data on page [] for information relating to the determination of the purchase price and application of the purchase method of accounting in estimating the fair values of IALB's assets and liabilities as of December 31, 2016. The actual fair value adjustments to the assets and the liabilities of IALB will be made on the basis of appraisals and evaluations

that will be made as of the date the Merger is completed.

Table of Contents

**NOTES TO UNAUDITED PRO FORMA SUMMARY OF SELECTED
CONSOLIDATED FINANCIAL DATA**

(Dollars in Thousands, Except Per Share Amounts)

Note 1 Determination and Allocation of Purchase Price

Each share of IALB common stock that is outstanding immediately prior to the Merger, other than shares held by persons who have perfected dissenters' rights and any shares owned by First Merchants or IALB, will be converted into the right to receive 1.6530 shares of First Merchants common stock. The table below assumes the issuance of 5,968,170 shares of First Merchants common stock, which represents an assumed 3,610,508 shares of IALB common stock outstanding (which is the sum of the 4,082,479 shares of IALB common stock outstanding on February 16, 2017 and 23,141 shares of IALB common stock to be issued immediately prior to the effective time of the Merger pursuant to certain outstanding stock unit awards and excludes the 495,112 shares of IALB common stock currently held by First Merchants) multiplied by the Exchange Ratio.

To record goodwill generated from the acquisition	
Purchase Price:	
IALB shares outstanding	3,610,508
Exchange Ratio	1.6530
First Merchants shares issued	5,968,170
First Merchants common stock price at 2/16/2017	\$ 42.10
	\$ 251,259,957
Fair market value of IALB shares held by First Merchants prior to the purchase of all remaining outstanding shares	19,750,480
Total Purchase Price	\$ 271,010,437

	(Dollars in thousands)
Total Purchase Price	\$ 271,010
Allocated to:	
Historical book value of IALB assets and liabilities	122,146
IALB estimated transaction costs, net of tax	(5,645)
Adjusted book value of IALB	\$ 116,501
Adjustments to record assets and liabilities at fair value:	
Loans, fair value mark	\$ (19,691)
IALB allowance for loan losses write-off	10,390
Other real estate owned	(45)
Core deposits intangible	12,000
Borrowings	3,154

Edgar Filing: FIRST MERCHANTS CORP - Form S-4

Write-off of IALB's goodwill, core deposits intangible and other purchase accounting adjustments from prior acquisitions		(14,671)
Deferred taxes		(2,033)
Total allocation	\$	(10,896)
Goodwill	\$	165,405

Table of Contents

RISK FACTORS

In addition to general investment risks and the other information contained in or incorporated by reference into this proxy statement and prospectus, including the matters addressed under the section FORWARD-LOOKING STATEMENTS, you should carefully consider the following risk factors in deciding how to vote for the Merger Proposal presented in this proxy statement and prospectus. You should also consider the other information in this proxy statement and prospectus and the other documents incorporated by reference into this proxy statement and prospectus. See WHERE YOU CAN FIND ADDITIONAL INFORMATION on page [].

Risk Factors Relating to the Merged Company and Its Industry

Combining the two (2) companies may be more difficult, costly or time consuming than expected and the anticipated benefits and costs savings of the Merger may not be realized.

Even though First Merchants has acquired other financial services businesses in the past, the success of the Merger with IALB will depend on a number of factors, including, but not limited to, the merged company's ability to:

integrate IALB's operations with the operations of First Merchants;

maintain existing relationships with First Merchants' depositors and IALB's depositors to minimize withdrawals of deposits subsequent to the acquisition;

maintain and enhance existing relationships with borrowers of First Merchants and IALB;

achieve projected net income of First Merchants Bank and expected cost savings and revenue enhancements from the merged company;

control the incremental non-interest expense to maintain overall operating efficiencies;

retain and attract key and qualified management, lending and other banking personnel; and

compete effectively in the communities served by First Merchants and IALB, and in nearby communities. First Merchants' failure to successfully integrate IALB into its business may adversely affect its financial condition and results of operations.

The value of the consideration to be received by IALB shareholders in the Merger will fluctuate.

If the Merger is completed, IALB shareholders will receive a number of shares of First Merchants common stock based on a fixed Exchange Ratio of 1.6530 shares of First Merchants common stock for each share of IALB common stock. Because the market value of First Merchants common stock may (and likely will) fluctuate, the value of the

stock consideration you receive for your shares may also fluctuate. The market value of First Merchants common stock could fluctuate for any number of reasons, including those specific to First Merchants and those that influence trading prices of equity securities generally. As a result, you will not know the exact value of the shares of First Merchants common stock you will receive at the time you must vote your shares. The value of First Merchants common stock on the closing date of the Merger may be greater or less than the market price of First Merchants common stock on the record date, on the date of this proxy statement and prospectus or on the date of the special meeting. Moreover, the fairness opinion of ProBank Austin is dated February 17, 2017. Changes in the operations and prospects of First Merchants and IALB, general market and economic conditions and other factors which are both within and outside of the control of First Merchants and IALB, on which the fairness opinion is based, may alter the relative value of the companies. Therefore, the fairness opinion does not address the fairness of the Exchange Ratio at the time the Merger will be completed.

We encourage you to obtain a current market quotation for First Merchants common stock because the value of any First Merchants shares you receive may be more or less than the value of such shares as of the date of this document.

Table of Contents

The merged company's allowance for loan losses may not be adequate to cover actual loan losses.

The merged company's loan customers may not repay their loans according to their terms, and the customers' collateral securing the payment of their loans may be insufficient to assure repayment. As of December 31, 2016, approximately 64% of the merged company's loans are comprised of commercial real estate and commercial lines of credit and term and development loans, which can result in higher loan loss experience than residential loans in economic downturns. The underwriting, review and monitoring that will be performed by the merged company's officers and directors cannot eliminate all of the risks related to these loans.

Each of First Merchants and IALB make various assumptions and judgments about the collectability of their respective loan portfolios and provide an allowance for loan losses based on a number of factors. If the assumptions are wrong or the facts and circumstances subsequently and materially change, the allowance for loan losses and Merger-related credit marks may not be sufficient to cover the merged company's loan losses. The merged company may have to increase its allowance for loan losses in the future, which could decrease its net income.

Deterioration in loan quality will adversely affect the merged company's results of operations and financial condition.

Each of First Merchants and IALB seek to mitigate the risks inherent in their respective loan portfolios by adhering to sound underwriting practices. Their lending strategies also include emphasizing diversification on a geographic, industry and customer level, regular credit quality reviews and management reviews of large credit exposures and loans experiencing deterioration of credit quality. There is continuous review of their loan portfolios, including internally administered loan watch lists and independent loan reviews. These evaluations take into consideration identified credit problems, as well as the possibility of losses inherent in the loan portfolio that are not specifically identified. Although First Merchants and IALB believe their underwriting and loan review procedures are appropriate for the various kinds of loans they make, the merged company's results of operation and financial condition will be adversely affected in the event the quality of their respective loan portfolios deteriorates. As of December 31, 2016, First Merchants had \$34.7 million and IALB had \$6.0 million in non-performing loans.

Changes in interest rates may reduce the merged company's net interest income.

Like other financial institutions, the merged company's net interest income is its primary revenue source. Net interest income is the difference between interest earned on loans and investments and interest expense incurred on deposits and other borrowings. The merged company's net interest income will be affected by changes in market rates of interest, the interest rate sensitivity of its assets and liabilities, prepayments on its loans and investments and limits on increases in the rates of interest charged on its residential real estate loans.

The merged company will not be able to predict or control changes in market rates of interest. Market rates of interest are affected by regional and local economic conditions, as well as monetary policies of the Federal Reserve Board. The following factors also may affect market interest rates:

inflation;

slow or stagnant economic growth or recession;

unemployment;

money supply;

international disorders;

instability in domestic and foreign financial markets; and

other factors beyond the merged company's control.

Table of Contents

Each of First Merchants and IALB has policies and procedures designed to manage the risks from changes in market interest rates; however, despite risk management, changes in interest rates could adversely affect the merged company's results of operations and financial condition.

Changes in economic conditions and the geographic concentration of the merged company's markets could adversely affect the merged company's financial condition.

The merged company's success will depend to a great extent upon the general economic conditions of the Central and Eastern Indiana areas. Unlike larger banks that are more geographically diversified, the merged company will provide banking and financial services to customers primarily located in these areas. Favorable economic conditions may not exist in the merged company's markets.

A continued economic slowdown could have the following consequences:

loan delinquencies may increase;

problem assets and foreclosures may increase;

demand for the products and services of IALB and First Merchants may decline; and

collateral for loans made by IALB and First Merchants may decline in value, in turn reducing customers borrowing power, and reducing the value of assets and collateral associated with existing loans.

Anti-takeover defenses may delay or prevent future mergers.

Provisions contained in First Merchants' Articles of Incorporation and Bylaws and certain provisions of Indiana law could make it more difficult for a third party to acquire First Merchants, even if doing so might be beneficial to First Merchants shareholders. See "COMPARISON OF COMMON STOCK Anti-Takeover Provisions" on page []. These provisions could limit the price that some investors might be willing to pay in the future for shares of First Merchants common stock and may have the effect of delaying or preventing a change in control.

If the Merger is not completed, the parties will have incurred substantial expenses without realizing the expected benefits.

First Merchants and IALB have incurred substantial expenses in connection with the transactions described in this proxy statement and prospectus. The completion of the Merger depends on the satisfaction of several conditions. We cannot guarantee that these conditions will be met. IALB expects to incur approximately \$3.2 million in pre-tax Merger-related expenses and First Merchants expects to incur approximately \$6.8 million in pre-tax Merger-related expenses, which include legal, accounting and financial advisory expenses and which excludes any termination fees, if applicable. Although some of these expenses will not be incurred if the Merger is not completed, others will and such expenses could have a material adverse impact on the financial condition of First Merchants and IALB because they would not have realized the expected benefits of the Merger. There can be no assurance that the Merger will be completed.

The Merger Agreement may be terminated in accordance with its terms and the Merger may not be completed, which could have a negative impact on IALB.

The Merger Agreement with First Merchants is subject to a number of conditions which must be fulfilled in order to close. Those conditions include: IALB shareholder approval, regulatory approvals, the continued accuracy of certain representations and warranties by both parties and the performance by both parties of certain covenants and agreements. There can be no assurance that the Merger will be completed.

Table of Contents

In addition, certain circumstances exist where IALB may choose to terminate the Merger Agreement, including the acceptance of a superior acquisition proposal. See THE MERGER Exchange of IALB Common Stock for a more complete discussion of the consideration to be paid in the Merger and THE MERGER AGREEMENT Termination; Waiver; Amendment for a more complete discussion of the circumstances under which the Merger Agreement could be terminated. There can be no assurance that the conditions to closing the Merger will be fulfilled or that the Merger will be completed.

If the Merger Agreement is terminated, there may be various consequences to IALB, including:

IALB's businesses may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the Merger, without realizing any of the anticipated benefits of completing the Merger; and

IALB will have incurred substantial expenses in connection with the Merger, without realizing any of the anticipated benefits of completing the Merger.

If the Merger Agreement is terminated by IALB due to its acceptance of a superior acquisition proposal or by First Merchants due to the failure of IALB's Board of Directors to recommend approval of the Merger Agreement to its shareholders by reason of a superior acquisition proposal or for certain related reasons, then IALB has agreed pay to First Merchants a \$5,000,000 termination fee. The payment of the termination fee could have a material adverse effect on IALB's financial condition, and there can be no assurance that IALB would be able to complete a transaction with a party willing to pay an equivalent or more attractive price than the price First Merchants has agreed to pay in the Merger.

The termination fee and the restrictions on solicitation contained in the Merger Agreement may discourage other companies from trying to acquire IALB.

Until the completion of the Merger, with some exceptions, IALB is prohibited from soliciting, initiating, encouraging or participating in any discussion of or otherwise considering any inquiries or proposals that may lead to an acquisition proposal, such as a merger or other business combination transaction, with any person other than First Merchants. In addition, IALB has agreed to pay a termination fee of \$5,000,000 to First Merchants if the IALB Board of Directors does not recommend approval of the Merger Agreement to the IALB shareholders by reason of a superior acquisition proposal. These provisions could discourage other companies from trying to acquire IALB even though such other companies might be willing to offer greater value to IALB's shareholders than First Merchants has offered in the Merger Agreement. The payment of the termination fee also could have a material adverse effect on IALB's financial condition.

The market price of First Merchants common stock after the Merger may be affected by factors different from those affecting the shares of IALB or First Merchants currently.

Upon completion of the Merger, holders of IALB common stock will become holders of First Merchants common stock. First Merchants' business differs in important respects from that of IALB, and, accordingly, the results of operations of the combined company and the market price of First Merchants common stock after the completion of the Merger may be affected by factors different from those currently affecting the independent results of operations of each of First Merchants and IALB. First Merchants is, and will continue to be, subject to the risks described in First Merchants' Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as updated by subsequent

Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are filed with the SEC and incorporated by reference into this proxy statement and prospectus. See the documents incorporated by reference in this proxy statement and prospectus and referred to under WHERE YOU CAN FIND ADDITIONAL INFORMATION on page [].

Table of Contents

IALB shareholders will have a reduced ownership and voting interest after the Merger and will exercise less influence over management.

IALB's shareholders currently have the right to vote in the election of the IALB Board of Directors and on other matters affecting IALB. When the Merger occurs, each IALB shareholder will become a shareholder of First Merchants with a percentage ownership of the combined organization that is smaller than the shareholder's percentage ownership of IALB. Because of this, IALB's shareholders will have less influence over the management and policies of First Merchants than they now have over the management and policies of IALB.

Risk Factors Relating to the Merger

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the Merger.

The transactions contemplated in the Merger Agreement cannot be completed until First Merchants receives necessary regulatory approvals, which include the approval of the Federal Deposit Insurance Corporation and Indiana Department of Financial Institutions. In determining whether to grant these approvals, the regulators consider a variety of factors, including the regulatory standing of each party and the factors described under THE MERGER Regulatory Approvals. An adverse development in either party's regulatory standing or these factors could result in an inability to obtain approval or delay its receipt. These regulators may impose conditions on the completion of the Merger or the Bank Merger or require changes to the terms of the Merger or the Bank Merger. Such conditions or changes could have the effect of delaying or preventing completion of the Merger or the Bank Merger or imposing additional costs on or limiting the revenues of the combined company following the Merger and the Bank Merger, any of which might have an adverse effect on the combined company following the Merger. Regulatory approvals could also be impacted based on the status of any ongoing investigation of either party or its customers, including subpoenas to provide information or investigations, by a federal, state or local governmental agency.

Certain of IALB's directors and executive officers have interests in the Merger that may differ from the interests of IALB's shareholders.

IALB shareholders should be aware that some of IALB's executive officers and directors have interests in the Merger and have arrangements that are different from, or in addition to, those of IALB shareholders generally. IALB's Board of Directors was aware of and considered these interests, among other matters, when making its decision to approve and adopt the Merger Agreement, and in recommending that IALB shareholders vote in favor of approving the Merger Agreement.

For a description of these interests, see THE MERGER Interests of Certain Persons in the Merger on page [].

IALB and First Merchants will be subject to business uncertainties and contractual restrictions while the Merger is pending.

Uncertainty about the effect of the Merger on employees and customers may have an adverse effect on IALB or First Merchants. These uncertainties may impair IALB's or First Merchants' ability to attract, retain and motivate key personnel until the Merger is completed, and could cause customers and others that deal with IALB or First Merchants to seek to change existing business relationships with IALB or First Merchants. Retention of certain employees by IALB or First Merchants may be challenging while the Merger is pending, as certain employees may experience uncertainty about their future roles with IALB or First Merchants. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with IALB or First Merchants, IALB's and/or

First Merchants business could be harmed. In addition, subject to

Table of Contents

certain exceptions, each of IALB and First Merchants has agreed to operate its business in the ordinary course prior to closing. See THE MERGER AGREEMENT Restrictions Affecting the Parties Prior to Completion of the Merger on page [] for a description of the restrictive covenants applicable to IALB and First Merchants while the Merger is pending.

The shares of First Merchants common stock to be received by IALB shareholders as a result of the Merger will have different rights from the shares of IALB common stock.

Upon completion of the Merger, IALB shareholders will become First Merchants shareholders and their rights as shareholders will be governed by the First Merchants Articles of Incorporation and Bylaws. The rights associated with IALB common stock may be different from the rights associated with First Merchants common stock. Please see COMPARISON OF COMMON STOCK beginning on page [] for a discussion of the different rights associated with First Merchants common stock.

The Merger may fail to qualify as a tax-free reorganization for federal tax purposes, resulting in your recognition of taxable gain or loss in respect of your shares of IALB common stock.

IALB intends the Merger to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Although the IRS will not provide a ruling on the matter, First Merchants will, as a condition to closing, obtain an opinion from legal counsel that the Merger will constitute a reorganization for federal tax purposes. This opinion does not bind the IRS or prevent the IRS from adopting a contrary position. As a condition to closing, IALB also will receive a letter from First Merchants legal counsel, addressed to the shareholders of IALB, to the effect that such shareholders shall be permitted to rely upon the tax opinion referred to above. If the Merger fails to qualify as a reorganization, you generally would recognize gain or loss on each share of IALB common share surrendered in an amount equal to the difference between your adjusted tax basis in that share and the fair market value of the Merger consideration received in exchange for that share upon completion of the Merger.

IALB shareholders will have dissenters rights in the Merger.

Dissenters rights are statutory rights that, if applicable under law, enable shareholders to dissent from an extraordinary transaction, such as a Merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction. The shareholders of IALB will have the rights accorded to dissenting shareholders under Chapter 44 of the Indiana Business Corporation Law. The fair value determined through a judicial proceeding may be more or less than the consideration offered under the Merger Agreement. As a result, First Merchants bears the risk that payments owed to dissenting shareholders may exceed the consideration outlined in this proxy statement and prospectus.

Table of Contents

THE IALB SPECIAL MEETING

Special Meeting of Shareholders of

IALB

General Information

We are furnishing this document to the shareholders of IALB in connection with the solicitation by the Board of Directors of IALB of proxies for use at the IALB special meeting of shareholders to be held on [], 2017, at []:[] [].m. local time, at []. This document is first being mailed to IALB shareholders on [], 2017, and includes the notice of IALB special meeting, and is accompanied by a form of proxy.

Matters To Be Considered

The purposes of the special meeting are as follows:

1. *Merger Proposal.* To consider and vote upon a proposal to approve the Merger Agreement, pursuant to which IALB will merge with and into First Merchants and, immediately thereafter, iAB Financial Bank will merge with and into First Merchants Bank.
2. *Adjournment Proposal.* To approve one (1) or more adjournments of the IALB special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal.
3. *Other Matters.* To vote upon such other matters which may properly be presented at the special meeting or any adjournment or postponement of the special meeting. The Board of Directors is not aware of any such other matters.

Pursuant to the Merger Agreement, IALB will merge into First Merchants. The Merger Agreement is attached to this document as Annex A and is incorporated in this document by reference. For a description of the Merger Agreement, see THE MERGER AGREEMENT, beginning on page [].

Vote Required

Approval of the Merger Proposal requires the affirmative vote of at least a majority of the outstanding shares of IALB common stock. Approval of the Adjournment Proposal only requires the affirmative vote of at least a majority of the shares of IALB common stock voting at the meeting, in person or by proxy, so long as a quorum is present. IALB has fixed [], 2017, as the record date for determining those IALB shareholders entitled to notice of, and to vote at, the special meeting. Accordingly, if you were an IALB shareholder of record at the close of business on [], 2017, you will be entitled to notice of and to vote at the special meeting. Each share of IALB common stock you own on the record date entitles you to one (1) vote on each matter presented at the special meeting. At the close of business on the record date of [], 2017, there were [] shares of IALB common stock outstanding held by approximately [] shareholders of record. First Merchants currently holds 495,112 shares or 12.1% of IALB's outstanding common stock. First Merchants will vote all of its shares in favor of the Merger Proposal and Adjournment Proposal.

Voting Agreement

As of the record date, IALB's Board of Directors had voting power with respect to an aggregate of 155,794 shares of IALB common stock outstanding, representing 3.8% of the outstanding shares on that date. Each member of the Board of Directors of IALB entered into a voting agreement with First Merchants to cause all shares of IALB common stock owned by them of record or beneficially to be voted in favor of the Merger Proposal. See THE MERGER AGREEMENT Voting Agreement on page [].

Proxies

If you are an IALB shareholder, you should have received a proxy card for use at the IALB special meeting with this proxy statement and prospectus. The accompanying proxy card is for your use in voting at the special

Table of Contents

meeting if you are unable or do not wish to attend the special meeting in person. The shares represented by proxies properly signed and returned will be voted at the special meeting as instructed by the IALB shareholder giving the proxies. Proxy cards that are properly signed and returned but do not have voting instructions will be voted **FOR** approval of the Merger Proposal and **FOR** approval of the Adjournment Proposal.

If you deliver a properly signed proxy card, you may revoke your proxy at any time before it is exercised by:

delivering to the Corporate Secretary of IALB at or prior to the special meeting a written notice of revocation addressed to IALB, 118 East Ludwig Road, Fort Wayne, Indiana 46825, Attention: James A. Witmer, Corporate Secretary; or

delivering to IALB at or prior to the special meeting a properly completed proxy card having a later date; or

voting in person by ballot at the special shareholders meeting.

Because approval of the Merger Proposal requires the affirmative vote of at least a majority of the outstanding shares of IALB common stock, abstentions will have the same effect as voting AGAINST approval of the Merger Proposal. Accordingly, your Board of Directors urges all IALB shareholders to vote by proxy by completing, dating and signing the accompanying proxy and returning it promptly in the enclosed postage-paid envelope. Abstentions and broker non-votes will have no effect on the Adjournment Proposal since it only requires a majority of the shares of IALB common stock voting at the meeting. You should not send stock certificates with your proxy card.

Solicitation of Proxies

IALB will bear the entire cost of soliciting proxies from and mailing proxies to its shareholders in connection with the IALB special meeting. In addition to solicitation of proxies by mail, proxies may be solicited personally or by telephone by directors, officers and certain employees of IALB, who will not be specially compensated for such soliciting.

In soliciting proxies, no one has any authority to make any representations and warranties about the Merger or the Merger Proposal in addition to or contrary to the provisions stated in this document. No statement regarding the Merger, the Merger Agreement or the Merger Proposal should be relied upon except as expressly stated in this document.

Recommendation of the IALB Board of Directors

IALB's Board of Directors has approved the Merger Agreement. IALB's Board of Directors believes that the Merger is fair to and in the best interests of IALB and its shareholders. The Board recommends that the IALB shareholders vote **FOR** approval of the Merger Proposal and **FOR** approval of the Adjournment Proposal. See THE MERGER IALB's Reasons for the Merger on page [].

Other Matters

The special meeting of IALB shareholders has been called for the purposes set forth in the Notice to IALB shareholders included in this document. Your Board of Directors is unaware of any matter for action by shareholders at the special meeting other than as stated in the Notice or in this proxy statement and prospectus. However, the enclosed proxy will give discretionary authority to the persons named in the proxy with respect to matters which are not known to your Board of Directors as of the date hereof and which may properly come before the special meeting. It is the intention of the persons named in the proxy to vote with respect to such matters in accordance with the recommendations of the Board of Directors of IALB or, if no recommendations are given, in their best judgment. The approval of the transaction of any other business that may properly come before the special meeting generally requires more votes to be cast in favor of the proposal than are cast against it.

Table of Contents**Beneficial Ownership of IALB Common Stock by Certain Shareholders**

The following table shows, as of [], 2017, the beneficial ownership of IALB common stock of each person who beneficially owns more than five percent (5%) of IALB's outstanding common stock, each IALB director, each of the executive officers of IALB and/or iAB Financial Bank and all of the directors and executive officers as a group. Unless otherwise indicated, each person has sole voting and investment power with respect to the shares set forth in the following table.

Name of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class
Directors		
Kathryn A. Brogan	11,194	*
Robert L. Caley	29,141	*
Brent L. Clifton	25,799	*
Karl R. LaPan	6,500	*
Douglas F. LeMaster, Jr.	34,187	*
Michael C. Marhenke	23,690	*
Ann C. McPherren	10,974	*
William S. Ogden	4,787	*
Charles R. Schrimper	5,787	*
James A. Witmer	4,604	*
Total Directors	156,663	3.8%
Other Executive Officers		
Karen J. Cameron	12,571	*
Paul J. Grandlienard	2,349	*
Kevin J. Himmelhaver	16,245	*
Michael A. Rice	1,015	*
William H. Thatcher III	-0-	*
Total Other Executive Officers	32,180	*
Directors and Executive Officers as a Group (15 persons)		
	188,843	4.6%
Others		
First Merchants Corporation	495,112	12.1%

* Less than 1% of the total outstanding.

Table of Contents

MERGER PROPOSAL

IALB is asking its shareholders to approve the Merger Proposal. Holders of IALB common stock should read this proxy statement and prospectus carefully and in its entirety, including the annexes, for more detailed information concerning the Merger Agreement and the Merger. A copy of the Merger Agreement is attached to this proxy statement and prospectus as Annex A.

After careful consideration, the Board of Directors of IALB approved and adopted the Merger Agreement and determined it to be advisable and in the best interest of IALB and its shareholders. See THE MERGER IALB's Reasons for the Merger; Recommendation of IALB's Board of Directors included elsewhere in this proxy statement and prospectus for a more detailed discussion of the IALB Board of Directors' recommendation.

For the reasons discussed in this proxy statement and prospectus, the Board of Directors of IALB determined that the Merger Agreement and the transactions contemplated by the Merger Agreement are advisable and in the best interests of IALB and its shareholders, and adopted and approved the Merger Agreement. The Board of Directors of IALB recommends that IALB shareholders vote FOR approval of the Merger Proposal.

ADJOURNMENT PROPOSAL

The IALB special meeting may be adjourned to another time or place, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the IALB special meeting to approve the Merger Proposal.

If, at the IALB special meeting, the number of shares of IALB common stock present or represented and voting in favor of the Merger Proposal is insufficient to approve the Merger Proposal, IALB intends to move to adjourn the IALB special meeting in order to enable the Board of Directors of IALB to solicit additional proxies for approval of the Merger Proposal. In that event, IALB will ask its shareholders to vote upon the Adjournment Proposal, but not the Merger Proposal.

In this Adjournment Proposal, IALB is asking its shareholders to authorize the holder of any proxy solicited by the Board of Directors of IALB, on a discretionary basis, to vote in favor of adjourning the IALB special meeting to another time and place for the purpose of soliciting additional proxies, including the solicitation of proxies from IALB shareholders who have previously voted.

The Board of Directors of IALB recommends a vote FOR the Adjournment Proposal.

Table of Contents

THE MERGER

At the special meeting, the shareholders of IALB will consider and vote upon approval of the Merger Agreement. The following summary highlights certain information about the Merger. To understand the Merger, you should read carefully this entire proxy statement and prospectus, including the Merger Agreement, which is attached to this document as Annex A.

Description of the Merger

Under the terms and subject to the conditions of the Merger Agreement approved by each of IALB's and First Merchants' Boards of Directors, IALB will merge with and into First Merchants and the separate corporate existence of IALB will cease. Immediately following the Merger, iAB Financial Bank will merge with and into First Merchants Bank and iAB Financial Bank will cease to exist as a separate entity. The Articles of Incorporation and Bylaws of First Merchants, as in effect prior to the Merger, will be the Articles of Incorporation and Bylaws of First Merchants after the Merger.

Exchange of IALB Common Stock

The Merger Agreement provides that IALB shareholders will have the right, with respect to each of their shares of IALB common stock, to receive, without interest, 1.6530 shares (the Exchange Ratio) of First Merchants common stock (the Merger Consideration), subject to the payment of cash instead of fractional shares.

If First Merchants changes the number of outstanding shares of First Merchants common stock before the Merger through any stock split, stock dividend, recapitalization or similar transaction, then the Exchange Ratio will be proportionately adjusted so that IALB shareholders will receive such number of shares of First Merchants common stock as represents the same percentage of outstanding shares of First Merchants common stock at the effective date of the Merger as would have been represented by the number of shares of First Merchants common stock such shareholder would have received if the recapitalization had not occurred.

First Merchants will not issue fractional shares to IALB shareholders. Instead, IALB common shareholders will receive for each fractional share an amount in cash determined by multiplying (i) the fractional interest by (ii) the average of the closing price of the common stock of First Merchants as reported by Bloomberg, L.P. for the ten (10) days that First Merchants common stock trades on The NASDAQ Global Select Market preceding the fourth calendar day prior to the effective date of the Merger.

If you are an IALB shareholder and you receive First Merchants common stock as Merger Consideration for your shares of IALB common stock, the value of the consideration that you will receive in the Merger will depend on the market price of First Merchants common stock when you receive your shares of First Merchants common stock. The implied per share value of the stock consideration, based upon First Merchants' closing stock price on [], 2017, the most recent practicable trading day before this proxy statement and prospectus was finalized, was \$[] per share. **No assurance can be given (and it is not likely) that the current market price of First Merchants common stock will be equivalent to the market price of First Merchants common stock on the date that shares of First Merchants common stock are received by an IALB shareholder or at any other time.**

On or prior to the effective date of the Merger, First Merchants will deposit with American Stock Transfer, as exchange agent, shares in book entry form of First Merchants common stock, each to be given to the holders of IALB common stock in exchange for old certificates (or shares in book entry form) representing shares of IALB common stock. Within three (3) business days following the effective date of the Merger, First Merchants will mail a letter of

transmittal to each person who was, immediately prior to the effective time of the Merger, a holder of record of IALB common stock. The letter of transmittal will contain instructions for use in effecting the

Table of Contents

surrender of IALB stock certificates (or shares in book entry form) in exchange for the consideration to which such person may be entitled pursuant to the Merger Agreement. Within five (5) business days following the later of the effective date of the Merger or the surrender to American Stock Transfer of the old certificate(s) representing shares of IALB common stock for cancellation, together with such letter of transmittal duly executed and completed, the holder of such old certificate(s) (or shares in book entry form) will be provided evidence of shares in book entry form representing shares of First Merchants common stock and/or a check in the amount to which such holder is entitled pursuant to the Merger Agreement, and the old certificate will be canceled.

Until you surrender your IALB stock certificates (or shares in book entry form) for exchange, you will accrue, but will not be paid, any dividends or other distributions declared after the effective time of the Merger with respect to First Merchants common stock into which any of your shares may have been converted. When you surrender your IALB stock certificates (or shares in book entry form), First Merchants will pay any unpaid dividends or other distributions, without interest. After the completion of the Merger, there will be no transfers on the stock transfer books of IALB of any shares of IALB common stock.

If a certificate for IALB common stock has been lost, stolen or destroyed, First Merchants will issue the consideration properly payable under the Merger Agreement to the registered owner of such certificate upon receipt of an affidavit of lost stock certificate, in form and substance satisfactory to First Merchants, and upon compliance by the IALB's shareholder with all procedures historically required by IALB in connection with lost, stolen or destroyed certificates.

Effect of the Merger on First Merchants Shareholders

The approval of the First Merchants shareholders of the Merger Agreement is not required in order to complete the Merger. First Merchants shareholders will also not be entitled to exchange their shares of First Merchant common stock for any consideration as a result of the Merger. After the Merger, First Merchants shareholders will continue to own the same number of First Merchants shares they owned before the Merger.

Background of the Merger

On September 23, 2016, the IALB Board of Directors held a strategic planning session to discuss IALB's long-term alternatives, prospects and strategies. At this planning session the IALB Board of Directors discussed and reviewed strategic opportunities to maximize value for its shareholders. These opportunities included, among other alternatives, continuing as an independent institution, growing internally and through acquisitions, increasing the visibility and market value of its common stock by listing IALB common shares on a stock exchange such as NASDAQ, or affiliating with another institution. As a result of these deliberations, the IALB Board of Directors made a preliminary decision to further discuss and review the possible affiliation with another financial institution.

First Merchants publicly announced, just prior to the stock market opening on September 26, 2016, that it had entered into an agreement to purchase 12.11% of IALB common stock at \$40 per share, representing a 40% premium price to IALB's then market value, from IALB's principal shareholder and certain related interests of such shareholder. The IALB Board of Directors held a special meeting the evening of September 26, 2016, to further discuss its strategic options including its prior preliminary decision to evaluate the possible affiliation with another financial institution. The IALB Board of Directors reviewed the challenges facing IALB in the market place including the high level of competition in the greater Fort Wayne market, the difficulty of growing earnings in the current interest rate environment and the high costs associated with complying with ever increasing governmental regulations. Furthermore, the IALB Board of Directors considered the substantial investment necessary to construct or lease a new headquarters facility in order to provide the physical resources necessary for continued growth as an independent organization. Consideration was also given to the earlier announcement by First Merchants regarding its purchase of

IALB common stock providing the IALB Board of Directors with additional evidence that the limited market for IALB's common stock had resulted in its trading at

Table of Contents

a price that may not reflect its true value. As a result of these additional deliberations and discussions, the Board resolved to retain an investment banker to assist in the evaluation of IALB's strategic options. The IALB Board of Directors authorized IALB's Chairman, Mr. Charles R. Schrimper, and President and CEO, Mr. Michael C. Marhenke, to interview and retain an investment banker.

Based upon its prior relationship and national reputation for assisting community banks in connection with strategic planning and investment banking services, Mr. Schrimper and Mr. Marhenke contacted ProBank Austin to discuss their possible representation of IALB. On October 6, 2016, Mr. Schrimper and Mr. Marhenke met with representatives of ProBank Austin to review and discuss their possible retention as IALB's investment banker. The full IALB Board met with representatives of ProBank Austin on October 13, 2016 to further discuss ProBank Austin's role as IALB's investment banker and to discuss their process and guidance. Subsequently, on October 31, 2016, IALB signed the ProBank Austin engagement letter formally retaining them as IALB's investment banker. The engagement of ProBank Austin included the issuance of a fairness opinion by ProBank Austin in the event that a potential sale, merger or other transaction was entered into by IALB.

During a discussion with Mr. Schrimper and Mr. Marhenke, acting at the direction of the IALB Board of Directors, ProBank Austin identified a possible universe of financial institutions that could be potential candidates for a strategic transaction with IALB. Following that discussion, ProBank Austin was instructed to contact nine financial institutions without naming IALB as the institution under consideration. Of those initial nine institutions, eight candidates, including First Merchants, entered into confidentiality agreements and then obtained access to a virtual data room containing extensive financial and operating information on IALB. Those eight candidates, including First Merchants, executed confidentiality agreements on or about November 28, 2016 and, thereafter, began their respective due diligence processes. On IALB's behalf, ProBank Austin requested non-binding indications of interest from interested parties to be submitted on or before December 16, 2016. Of the eight candidates, five submitted official non-binding indications of interest. Those submitting indications of interest included First Merchants.

The IALB Board of Directors held a special meeting on December 21, 2016, to review the indications of interest with ProBank Austin and its counsel Shumaker, Loop & Kendrick, LLP. Because the IALB Board of Directors felt that the indications of interest submitted by two of the potential candidates presented the best alternatives for IALB and its shareholders, two potential candidates, including First Merchants, were then selected from that group of five and invited to perform a more detailed and comprehensive due diligence process on IALB.

From December 21, 2016 to January 30, 2017, First Merchants and the other finalist conducted comprehensive due diligence reviews of IALB and made presentations to the IALB Board of Directors. First Merchants and the other finalist each presented revised final offers to ProBank Austin on January 30, 2017. On February 2, 2017, the IALB Board of Directors held a special meeting with representatives of ProBank Austin and Shumaker, Loop & Kendrick, LLP to review the final indications of interest. After review of the financial and other terms of the First Merchants revised proposal and the other finalist revised proposal, the Board of Directors determined that the First Merchants revised proposal contained superior financial and other terms and continued with further review of the alternative proposals made by First Merchants for an all-stock transaction or a stock and cash transaction.

The Board of Directors reviewed the two proposals from First Merchants in detail with extensive discussion regarding the history of First Merchants and its stock performance, pro-forma analysis of the combined companies and opportunities as well as risks for IALB shareholders under both proposals. First Merchants' revised indication of interest included two proposals:

One proposal from First Merchants involved a stock and cash transaction where IALB shareholders would receive a fixed exchange ratio of 1.453 shares of First Merchants common stock and \$6.25 per share in cash, equating to \$61.90 per share or approximately \$254.1 million in aggregate consideration

Table of Contents

based on the closing price of First Merchants common stock on February 2, 2017 of \$38.30. That proposal would result in an approximate 90% stock and 10% cash split, based on the First Merchants stock price at that time.

The other proposal from First Merchants, received at the same time, involved an all-stock transaction where IALB shareholders would receive a fixed exchange ratio of 1.6530 shares of First Merchants common stock in exchange for each outstanding share of IALB. This proposal would equate to \$63.31 per share or approximately \$259.9 million in aggregate consideration based on the closing price of First Merchants common stock on February 2, 2017, of \$38.30.

After considering the potential benefits and potential adverse consequences of both proposals from First Merchants, the IALB Board of Directors elected to proceed with the all-stock proposal. ProBank Austin, Shumaker, Loop & Kendrick, LLP and management of IALB were directed by the IALB Board of Directors to proceed to negotiate a definitive agreement with First Merchants consistent with the terms of the all-stock proposal contained in the letter of intent submitted by First Merchants.

On February 5, 2017, the law firm of Bingham Greenebaum Doll LLP, legal counsel for First Merchants, presented a draft Agreement and Plan of Reorganization and Merger (the Draft Merger Agreement) to Shumaker, Loop & Kendrick, LLP.

During the period from February 5, 2017 through February 15, 2017, the parties and their respective legal counsel exchanged comments and negotiated changes to the Draft Merger Agreement. During this time, management of the parties continued discussions and performed additional due diligence. The parties also provided drafts of their respective disclosure letters to the Draft Merger Agreement and discussed other aspects of the proposed transaction and merger integration issues.

On the evening of February 15, 2017, the IALB Board of Directors held a special meeting to discuss the Draft Merger Agreement and related issues. Also present, in addition to the directors, were representatives of ProBank Austin and Shumaker, Loop & Kendrick, LLP. Shumaker, Loop & Kendrick, LLP representatives discussed the purpose for the meeting and the legal standards and responsibilities of the directors with regard to matters before them. A ProBank Austin representative reviewed with the IALB Board of Directors the background of the process which had been undertaken to that point, and presented a financial analysis of First Merchants and of the proposed Merger Consideration. ProBank Austin then delivered to the IALB Board of Directors an oral opinion, which was subsequently confirmed in writing that, based on and subject to the assumptions, limitations, qualifications and conditions set forth in ProBank Austin's written opinion, as of the date of the special meeting, the Exchange Ratio was fair, from a financial point of view, to IALB and its shareholders. Shumaker, Loop & Kendrick, LLP attorneys then requested and received confirmation from the directors that each of the directors present had reviewed the Draft Merger Agreement, resolutions and other ancillary material provided to the directors prior to the special meeting. The Shumaker, Loop & Kendrick, LLP attorneys also reiterated that the directors would need to sign voting agreements, which would require them to vote their shares in favor of the Merger.

Thereafter, the IALB Board of Directors received and considered resolutions concerning the transaction. The IALB Board of Directors then approved the Merger Agreement and transactions set forth therein and authorized Mr. Marhenke to execute and deliver the Merger Agreement and take the other actions necessary to effect the transaction.

IALB and First Merchants executed the Merger Agreement and announced the transaction prior to the opening of the stock market on February 17, 2017.

See THE MERGER Information about ProBank Austin for a description of the fees ProBank Austin will receive for its services to IALB in connection with the Merger.

Table of Contents

First Merchants Reasons for the Merger

In reaching its decision to adopt and approve the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, the First Merchants Board of Directors consulted with First Merchants management and considered a number of factors, including the following material factors:

each of First Merchants and IALB's business, operations, financial condition, asset quality, earnings and prospects. In reviewing these factors, the First Merchants Board of Directors considered that the Merger (1) will expand First Merchants' business within demographically attractive markets in northeastern and northern Indiana; (2) will increase First Merchants' core deposit base, an important funding source; (3) will provide First Merchants with an experienced management team and quality bank branches in and around northeastern and northern Indiana; and (4) will provide First Merchants with the opportunity to sell First Merchants' broad array of products to IALB's client base;

its understanding of the current and prospective environment in which First Merchants and IALB operate, including national and local economic conditions, the competitive environment for financial institutions generally, and the likely effect of these factors on First Merchants both with and without the proposed transaction;

its review and discussions with First Merchants' management concerning the due diligence examination of IALB;

the complementary nature of the cultures of the two companies, which management believes should facilitate integration and implementation of the transaction;

the financial and other terms of the Merger Agreement, including the fixed Exchange Ratio, tax treatment and deal protection and termination fee provisions, which it reviewed with its outside financial and legal advisors;

the potential risk of diverting management attention and resources from the operation of First Merchants business towards the completion of the Merger; and

the regulatory and other approvals required in connection with the Merger and the expectation that such regulatory approvals will be received in a timely manner and without the imposition of unacceptable conditions.

The foregoing discussion of the information and factors considered by the First Merchants Board of Directors is not intended to be exhaustive, but includes the material factors considered by the First Merchants Board of Directors. In reaching its decision to approve and adopt the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, the First Merchants Board of Directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The First

Merchants Board of Directors considered all these factors as a whole, including discussions with, and questioning of, First Merchants management and First Merchants financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

For the reasons set forth above, the First Merchants Board of Directors unanimously determined that the Merger Agreement and the transactions contemplated by the Merger Agreement are advisable and in the best interests of First Merchants and its shareholders, and unanimously approved and adopted the Merger Agreement.

IALB's Reasons for the Merger

In reaching its decision to adopt and approve the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, and to recommend that its shareholders approve the Merger Agreement,

Table of Contents

IALB's Board of Directors consulted with IALB management, as well as its financial and legal advisors, and considered a number of factors, including the following material factors:

the review undertaken by the IALB Board of Directors and management with respect to the strategic alternatives available to IALB;

the business strategy and strategic plan of IALB and its prospects for the future as an independent institution, including the risks inherent in successful execution of its strategic plan, its projected financial results, and expectations relating to the proposed Merger with First Merchants;

a review of the challenges facing IALB in the current competitive, economic, financial and regulatory climate, and the potential benefits of aligning IALB with a larger organization;

the consistency of the Merger with IALB's long-term strategic plan to seek profitable future expansion, leading to continued growth in overall shareholder value and enhanced liquidity for IALB shareholders;

a review of the historical financial statements and condition of IALB and certain other internal information, primarily financial in nature, relating to the business, earnings and balance sheet of IALB;

a review of the limited liquidity for the stock of IALB and the market prices at which IALB traded relative to its financial performance;

a review of the investments that would be required in IALB's physical properties including the likely need for a new headquarters in the near future;

a review of the historical financial statements and condition of First Merchants and certain other information, primarily financial in nature, relating to the business, earnings and financial condition of First Merchants;

its review and discussions with IALB management and its advisors concerning the due diligence examination of First Merchants;

the fact that the Merger would combine two established banking franchises to create a bank with over \$8 billion in assets;

the complementary nature of the businesses of IALB and First Merchants and the anticipated improved stability of the combined company's business and earnings in varying economic and market climates;

the belief of IALB senior management that the management teams and employees of IALB and First Merchants possess complementary skills and expertise and the potential advantages of a larger institution when pursuing, or seeking to retain, talent;

the financial strength of First Merchants based on First Merchants' historical earnings and profitability expectations over the near and long term;

the strength, recent performance and liquidity of First Merchants' common stock;

the financial and other terms of the Merger Agreement, including the fixed exchange ratio, tax treatment and deal protection and termination fee provisions, which it reviewed with its outside financial and legal advisors;

the fact that, based on the closing price of First Merchants' common stock on February 15, 2017, of \$41.92, the implied price per share value of IALB common stock would be \$69.29;

the ability of IALB's shareholders to benefit from First Merchants' potential growth and stock appreciation over time since it is more likely that the combined entity will have superior future earnings and prospects compared to IALB's earnings and prospects on an independent basis as the result of greater operating efficiencies and better penetration of commercial and consumer banking markets;

Table of Contents

the ability of First Merchants to complete a merger transaction from a financial and regulatory perspective;

the regulatory and other approvals required in connection with the Merger and the expectation that such regulatory approvals will be received in a timely manner and without the imposition of unacceptable conditions;

the complementary geographic fit and customer convenience of the branch networks of the combined banks;

the potential continued representation of certain of IALB's management on the management team of the combined entity and the participation of an IALB director on the board of directors of the combined banks;

the nature and amount of payments and other benefits to be received by IALB management in connection with the Merger pursuant to existing IALB plans, as well as compensation arrangements contemplated in connection with the Merger;

the anticipated effect of the acquisition on IALB's employees;

the anticipated effect on IALB's customers and the communities served by IALB;

the belief that, while no assurances could be given, the business and financial advantages contemplated in connection with the Merger were likely to be achieved within a reasonable time frame, particularly in light of the fact that First Merchants has transition experience due to successfully completed acquisitions in the past; and

the opinion of ProBank Austin orally delivered to the IALB Board of Directors on February 15, 2017, and subsequently confirmed in writing on February 17, 2017, that, as of that date, and based upon and subject to the conditions, limitations, qualifications and assumptions set forth in the opinion, the Exchange Ratio was fair, from a financial point of view, to IALB and its shareholders.

The foregoing discussion of the information and factors considered by the IALB Board of Directors is not intended to be exhaustive, but includes the material factors considered by the IALB Board of Directors. In reaching its decision to approve and adopt the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, the IALB Board of Directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The IALB Board of Directors considered all these factors as a whole, including discussions with, and questioning of, IALB's management and IALB's financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

The Board of Directors of IALB approved the Merger Agreement and recommends that IALB's shareholders vote FOR the approval of the Merger Proposal and FOR the Adjournment Proposal. IALB shareholders should be aware that IALB's directors and executive officers have interests in the Merger that are different from, or in addition to, those of other IALB shareholders. The Board of Directors of IALB was aware of and considered these interests, among other

matters, in evaluating and negotiating the Merger Agreement, and in recommending that the Merger Proposal be approved by the shareholders of IALB. See THE MERGER Interests of Certain Persons in the Merger: Agreements with IALB on page [].

This summary of the reasoning of the Board of Directors of IALB and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading FORWARD-LOOKING STATEMENTS.

Opinion of ProBank Austin

By letter dated October 14, 2016, IALB jointly retained ProBank Austin and Investment Bank Services, Inc. (IBS) to render financial advisory and investment banking services in connection with general financial

Table of Contents

strategy and planning and to act as the exclusive financial advisor to IALB in connection with a potential strategic combination. ProBank Austin is an investment banking and consulting firm specializing in community bank mergers and acquisitions. IBS is a registered broker dealer affiliated with ProBank Austin. ProBank Austin and IBS are jointly referred to as ProBank Austin throughout this proxy statement and prospectus. IALB selected ProBank Austin as its financial advisor on the basis of their experience and expertise in representing community banks in similar transactions and their familiarity with IALB. ProBank Austin is the result of the merger of Austin Associates, LLC with Professional Bank Services, Inc. effective January 12, 2017.

In its capacity as financial advisor, ProBank Austin provided a fairness opinion (the ProBank Austin Opinion) to the IALB Board of Directors in connection with the Merger. At the meeting of the IALB Board on February 15, 2017, ProBank Austin rendered its oral opinion to the IALB Board (which was subsequently confirmed in writing by delivery of ProBank Austin s written opinion dated February 17, 2017) that, based upon and subject to the various factors, assumptions and limitations set forth in such opinion, ProBank Austin representatives experience as investment bankers, ProBank Austin s work as described in such opinion and other factors ProBank Austin deemed relevant, as of such date, the Exchange Ratio set forth in the Merger Agreement was fair, from a financial point of view, to the holders of IALB common stock. The ProBank Austin written opinion, dated February 17, 2017, is sometimes referred to herein as the ProBank Austin Opinion.

The full text of the ProBank Austin Opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken in rendering its opinion, is attached as Annex C to this proxy statement and prospectus and is incorporated herein by reference. The summary of the ProBank Austin Opinion set forth herein is qualified in its entirety by reference to the full text of the opinion. IALB common shareholders should read the full text of the opinion carefully and in its entirety. The ProBank Austin Opinion is addressed to the IALB Board of Directors, is directed only to the fairness, from a financial point of view, of the Exchange Ratio to the holders of IALB common stock, and does not constitute a recommendation to any shareholder as to how such shareholder should vote or act on any matters relating to the Merger. The ProBank Austin Opinion was reviewed and approved by the fairness opinion committee of ProBank Austin. ProBank Austin provided its oral opinion to the IALB Board of Directors on February 15, 2017 in connection with and for the purposes of the IALB Board s evaluation of the Merger. The ProBank Austin Opinion addressed only the fairness, from a financial point of view, of the Exchange Ratio to the holders of IALB common stock. ProBank Austin expressed no view or opinion as to any of the legal, accounting and tax matters relating to the Merger and any other transactions contemplated by the Merger Agreement or any terms or other aspects of the Merger Agreement, the Merger or any such other transactions. ProBank Austin expressed no opinion as to the fairness of any consideration paid in connection with the Merger to the holders of any other class of securities, creditors or other constituencies of IALB or as to the underlying decision by IALB to engage in the Merger or enter into the Merger Agreement. ProBank Austin did not express any opinion as to the fairness of the amount or nature of the compensation to be received in the Merger by IALB officers, directors or employees, or class of such persons, relative to the compensation to be received in the Merger by the holders of IALB common stock.

The description of the opinion set forth below is qualified in its entirety by reference to the opinion. You should consider the following when reading the discussion of the ProBank Austin Opinion in this document:

The opinion letter details the procedures followed, assumptions made, matters considered, and qualifications and limitations of the review undertaken by ProBank Austin in connection with its opinion, and should be read in its entirety;

ProBank Austin expressed no opinion as to the price at which IALB's or First Merchants' common stock would actually be trading at any given time;

The ProBank Austin Opinion does not address the relative merits of the Merger and the other business strategies considered by the IALB Board of Directors, nor does it address the decision of the IALB Board of Directors to proceed with the Merger; and

The ProBank Austin Opinion does not constitute a recommendation to any IALB shareholder as to how he or she should vote at the special meeting.

Table of Contents

The preparation of a fairness opinion involves various determinations as to the most appropriate methods of financial analysis and the application of those methods to the particular circumstances. It is, therefore, not readily susceptible to partial analysis or summary description. In performing its analyses, ProBank Austin made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of IALB and First Merchants and may not be realized. Any estimates contained in ProBank Austin's analyses are not necessarily predictive of future results or values, and may be significantly more or less favorable than the estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the prices at which the companies or their securities may actually be sold. Unless specifically noted, none of the analyses performed by ProBank Austin was assigned a greater significance by ProBank Austin than any other. The relative importance or weight given to these analyses is not affected by the order of the analyses or the corresponding results. The summaries of financial analyses include information presented in tabular format. The tables should be read together with the text of those summaries.

With respect to the internal projections and estimates for IALB and First Merchants, and the expected transaction costs, purchase accounting adjustments and cost savings, IALB's and First Merchants' management and advisors confirmed to us that they reflected the best currently available estimates and judgments of management of the future financial performance of IALB and First Merchants, respectively, and ProBank Austin assumed that such performance would be achieved. ProBank Austin expresses no opinion as to such financial projections and estimates or the assumptions on which they are based. ProBank Austin also assumed that there has been no material change in IALB's or First Merchants' assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to us. ProBank Austin assumed in all respects material to our analysis that IALB and First Merchants will remain as going concerns for all periods relevant to the analyses, that all of the representations and warranties contained in the Agreement are true and correct, that each party to the Agreement will perform all of the covenants required to be performed by such party under the Agreement, and that the closing conditions in the Agreement are not waived. Finally, ProBank Austin has relied upon the advice IALB has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the Merger and the other transactions contemplated by the Merger Agreement.

ProBank Austin has relied, without independent verification, upon the accuracy and completeness of the information it reviewed for the purpose of rendering its opinion. ProBank Austin did not undertake any independent evaluation or appraisal of the assets and liabilities of IALB or First Merchants, nor was it furnished with any appraisals. ProBank Austin has not reviewed any individual credit files of IALB or First Merchants, and has assumed that IALB's and First Merchants' allowances are, in the aggregate, adequate to cover inherent credit losses. The ProBank Austin Opinion is based on economic, market and other conditions existing on the date of its opinion. No limitations were imposed by IALB Board of Directors or its management upon ProBank Austin with respect to the investigations made or the procedures followed by ProBank Austin in rendering its opinion.

In rendering its opinion, ProBank Austin made the following assumptions:

all material governmental, regulatory and other consents and approvals necessary for the consummation of the Merger would be obtained without any adverse effect on IALB, First Merchants or on the anticipated benefits of the Merger;

IALB and First Merchants have provided all of the information that might be material to ProBank Austin in its review; and

the financial projections it reviewed were reasonably prepared on a basis reflecting the best currently available estimates and judgment of the management of IALB and First Merchants as to the future operating and financial performance of IALB and First Merchants, respectively.

In connection with its opinion, ProBank Austin reviewed:

- (i) the Merger Agreement dated as of February 17, 2017;

Table of Contents

- (ii) certain publicly available financial statements and other historical financial information of IALB and First Merchants that we deemed relevant;
- (iii) certain non-public internal financial and operating data of IALB and First Merchants that were prepared and provided to us by the respective management of IALB and First Merchants;
- (iv) internal financial projections for IALB for the year ending December 31, 2017 prepared by and reviewed with management of IALB;
- (v) internal financial projections for First Merchants for the year ending December 31, 2017 prepared by and reviewed with management of First Merchants;
- (vi) the pro forma financial impact of the Merger on First Merchants, based on assumptions relating to transaction expenses, purchase accounting adjustments and cost savings as discussed with representatives of First Merchants;
- (vii) the pro forma financial impact to First Merchants relating to its announced acquisition of The Arlington Bank, an Ohio savings bank (Arlington Bank), on January 25, 2017, as discussed with representatives of First Merchants;
- (viii) publicly reported historical stock price and trading activity for IALB s and First Merchants common stock, including an analysis of certain financial and stock information of certain other publicly traded companies deemed comparable to IALB and First Merchants;
- (ix) the financial terms of certain recent business combinations in the commercial banking industry, to the extent publicly available, deemed comparable to the Merger;
- (x) the current market environment generally and the banking environment in particular; and,
- (xi) such other information, financial studies, analyses and investigations and financial, economic and market criteria as we considered relevant.

ProBank Austin also discussed with certain members of senior management of IALB the business, financial condition, results of operations and prospects of IALB, including certain operating, regulatory and other financial matters. We held similar discussions with certain members of senior management of First Merchants regarding the business, financial condition, results of operations and prospects of First Merchants.

The following is a summary of the material factors considered and analyses performed by ProBank Austin in connection with its opinion dated February 17, 2017. The summary does not purport to be a complete description of the analyses performed by ProBank Austin.

Summary of Financial Terms of Agreement. The financial terms of the Merger Agreement provide that IALB shareholders shall be entitled to receive, in exchange for each share IALB common stock, the Exchange Ratio (1.6530 shares of First Merchants common stock). Based on 4,105,627 fully-diluted common shares of IALB outstanding and First Merchants 10-day Volume Weighted Average Price (VWAP) of \$39.75 ending February 14, 2017, the implied deal value per share equaled \$65.71 and the aggregate transaction value approximated \$269.8 million (calculated by multiplying the per share deal value of \$65.71 by the total number of IALB common shares of 4,105,627). ProBank Austin calculated that the value of \$65.71 per share represented:

252 percent of IALB's December 31, 2016 tangible book value per share; and

26.5 times IALB's 2016 earnings per share.

IALB Financial Performance and Peer Analysis. ProBank Austin compared selected results of IALB's operating performance to that of 18 selected publicly traded banks in Indiana, Ohio, and Michigan with total assets between \$750 million and \$2.0 billion. ProBank Austin considered this group of financial institutions comparable to IALB on the basis of asset size and geographic location.

Table of Contents

This peer group consisted of the following banks:

Bank Name	City/State	Bank Name	City/State
Farmers Natl Banc Corp.	Canfield, OH	LCNB Corp.	Lebanon, OH
STAR Finl Group Inc.	Fort Wayne, IN	Farmers & Merch. Bncp	Archbold, OH
First Internet Bancorp	Fishers, IN	Mackinac Finl Corp	Manistique, MI
Macatawa Bank Corp.	Holland, MI	Ohio Valley Banc Corp.	Gallipolis, OH
Isabella Bank Corp.	Mt Pleasant, MI	First Savings Finl Group	Clarksville, IN
MutualFirst Final Inc.	Muncie, IN	Croghan Bncshs Inc.	Fremont, OH
First Farmers Finl Corp	Converse, IN	SB Financial Group Inc.	Defiance, OH
Civista Bancshares Inc.	Sandusky, OH	Middlefield Banc Corp.	Middlefield, OH
MBT Financial Corp.	Monroe, MI	Heartland BancCorp	Gahanna, OH

ProBank Austin noted the following selected financial measures for the peer group as compared to IALB:

	Peer Financial Performance (1)			
	25th Pct.	Median	75th Pct.	IALB (1)
Total Assets (\$bils)	\$ 0.86	\$ 1.33	\$ 1.69	\$ 1.09
Tangible Equity/Assets Ratio	8.54%	9.09%	9.68%	9.99%
LTM PTPP/Average Assets	1.26%	1.43%	1.58%	1.23%
LTM Return on Average Assets (ROAA)	0.85%	0.97%	1.12%	0.94%
LTM Return on Average Equity (ROAE)	8.92%	9.24%	10.25%	8.35%
LTM Efficiency Ratio	70.0%	65.8%	61.3%	68.2%
NPAs/Total Assets (2)	0.79%	0.58%	0.41%	0.38%
LTM Core EPS Growth	1.8%	9.1%	19.7%	6.9%
5-Year C.A.G.R. Core EPS Growth (3)	5.8%	10.3%	20.6%	5.9%

PTPP = Pre-Tax Pre-Provision = Net Interest Income + Noninterest Income - Noninterest Expense

- (1) Peer financial performance as of the most recent last twelve months (LTM) period available. IALB financial performance as of December 31, 2016.
- (2) Nonperforming Assets (NPAs) include loans 90+ days past due, nonaccrual loans, and other real estate owned. Restructured loans are not included.
- (3) C.A.G.R = Compound Annual Growth Rate; EPS = Earnings per Share.

This comparison indicated that IALB was between the 25th percentile and the median of the peer group in terms of ROAA, but below the 25th percentile in terms of ROAE and PTPP earnings to average assets. IALB's nonperforming asset levels were more favorable than the 75th percentile of the peer group. IALB's tangible equity to assets ratio was higher than the 75th percentile of the peer group. LTM Core EPS growth for IALB was between the 25th percentile and the median of the peer, while the 5-year C.A.G.R. in Core EPS for IALB approximated the 25th percentile. The following presents a summary of the market trading data of IALB compared to this same peer group as of February 14, 2017:

As of 02/14/2017	Peer Market Trading Data			
	25th Pct.	Median	75th Pct.	IALB

Edgar Filing: FIRST MERCHANTS CORP - Form S-4

Price/Tangible Book Value per Share	137%	158%	180%	150%
Price/LTM Core EPS	13.3	14.6	17.3	16.0
Dividend Yield	1.16%	2.09%	2.86%	2.20%
Average Monthly Volume (000)	23	139	376	18
Average Monthly Volume to Shares	0.9%	2.9%	4.0%	0.4%

IALB traded between the 25th percentile and the median of the peer group as measured by price to tangible book price and between the median and 75th percentile as measured by price to LTM Core EPS. IALB's dividend

Table of Contents

yield is slightly higher than the median of the peer. IALB's trading volume is less than the 25th percentile of the peer based on average monthly trading volume to shares.

Comparable Transaction Analysis. ProBank Austin compared the financial performance of certain selling institutions and the prices paid in selected transactions to IALB's financial performance and the transaction multiples being paid by First Merchants for IALB. Specifically, ProBank Austin reviewed certain information relating to select bank and thrift transactions in the nation between November 8, 2016 and February 14, 2017 (with seller's assets between \$1 billion and \$10 billion, an aggregate deal value greater than \$100 million and a deal value greater than 150% of seller's tangible book equity). ProBank Austin also included First Merchants' announced transaction of Arlington Bank in January 2017. Eleven transactions were included in this group based on the selected criterion. The following lists the transactions reviewed by ProBank Austin:

Guideline M&A Transactions

Buyer Name	State	Seller Name	State	Announced Date
Heartland Financial USA Inc.	IA	Citywide Banks of CO	CO	02/13/17
First Busey Corp.	IL	First Cmnty Finl Partners	IL	02/06/17
First Merchants Corp.	IN	Arlington Bank	OH	01/25/17
Simmons First National Corp.	AR	First Texas BHC Inc.	TX	01/23/17
Pinnacle Financial Partners	TN	BNC Bancorp	NC	01/22/17
Renasant Corp.	MS	Metropolitan BancGroup Inc.	MS	01/17/17
Columbia Banking System Inc.	WA	Pacific Continental Corp.	OR	01/09/17
Simmons First National Corp.	AR	Southwest Bancorp Inc.	OK	12/14/16
Pacific Premier Bancorp	CA	Heritage Oaks Bancorp	CA	12/13/16
Independent Bk Group Inc.	TX	Carlile Bancshares Inc.	TX	11/21/16
First Interstate BancSystem	MT	Cascade Bancorp	OR	11/17/16

The following table highlights the median results of the guideline M&A transactions:

Seller's Financial Performance	M&A Guideline	
	Median	IALB (1)
Total Assets (\$bils)	\$ 2.02	\$ 1.09
Tangible Equity/Tangible Assets	9.19%	9.99%
Return on Average Assets	0.92%	0.94%
Return on Average Equity	8.08%	8.35%
Efficiency Ratio	65.8%	68.2%
Nonperforming Assets (2)/Assets	0.80%	0.57%
Deal Transaction Multiples		
Price/Tangible Book Value Ratio	216%	252%
Price/LTM Earnings	23.8	26.5

(1) IALB's financial performance and deal transaction multiples based on LTM December 31, 2016 data.

(2)

Nonperforming assets include nonaccrual loans and leases, restructured loans and leases, and other real estate owned.

The median last twelve month (LTM) ROAA of the guideline transactions was 0.92 percent compared to 0.94 percent for IALB. IALB's LTM ROAE of 8.35 percent was higher than the peer median of 8.08 percent. The median nonperforming assets (NPA) to assets ratio measured 0.80 percent for the guideline transaction group which was higher than 0.57 percent for IALB. The indicated price to tangible book ratio being paid by First Merchants for IALB of 252 percent was higher than the median price to tangible book ratio of 216 percent for the guideline transaction group. The price-to-earnings multiple for IALB of 26.5 was higher than the median multiple of 23.8.

Table of Contents

First Merchants Financial Performance and Market Trading Data versus Peer. ProBank Austin compared selected results of First Merchants' operating performance to that of nine Indiana, Ohio, and Michigan publicly traded banks. ProBank Austin considered this group of financial institutions comparable to First Merchants on the basis of asset size and geographic location.

This peer group consisted of the following companies:

Company Name	City/State	Symbol
First Financial Bancorp.	Cincinnati, OH	FFBC
Park National Corp.	Newark, OH	PRK