FIRST MERCHANTS CORP
Form 424B3
October 19, 2015
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Registration No. 333-206591

FIRST MERCHANTS CORPORATION **AMERIANA BANCORP**

YOUR VOTE IS VERY IMPORTANT

PROSPECTUS OF FIRST MERCHANTS CORPORATION FOR UP TO

2,794,498 SHARES OF COMMON STOCK AND

PROXY STATEMENT OF AMERIANA BANCORP

The Board of Directors of First Merchants Corporation (First Merchants) and the Board of Directors of Ameriana Bancorp have approved an Agreement and Plan of Reorganization and Merger (the Merger Agreement), pursuant to which Ameriana Bancorp will merge with and into First Merchants (the Merger). This proposed strategic business combination will expand the second largest bank holding company headquartered in the State of Indiana. Following the Merger, the combined company will have one hundred twenty-two (122) banking offices in twenty-seven (27) Indiana counties, as well as two (2) counties in both Ohio and Illinois, and have assets of approximately $6.6 billion, $4.6 billion in loans, $5.2 billion in deposits, and total shareholders equity of $0.8 billion.

If the Merger Agreement is approved by a majority of the shareholders of Ameriana Bancorp and the Merger is subsequently completed, the shares of Ameriana Bancorp common stock owned by each Ameriana Bancorp shareholder will be converted into 0.9037 shares (the Exchange Ratio) of First Merchants common stock. The number of shares of First Merchants Common Stock issuable to each Ameriana Bancorp shareholder shall be rounded to the nearest thousandth of a share. The Exchange Ratio is subject to adjustments for stock splits, stock dividends, recapitalization, or similar transactions, or as otherwise described in the Merger Agreement. Immediately prior to the Merger, each outstanding stock option to purchase Ameriana Bancorp common stock will be converted into the right to receive cash in an amount equal to the average closing price of Ameriana Bancorp common stock for the ten (10) trading days preceding the fourth calendar day prior to the date of the Merger less the applicable exercise price.

We cannot complete the Merger unless a majority of the issued and outstanding shares of common stock of Ameriana Bancorp vote to approve the Merger Agreement. Ameriana Bancorp 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:

December 7, 2015, 1:00 p.m., local time

Ameriana Bank Greenfield Banking Center

1810 North State Street

Greenfield, Indiana 46140

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 Ameriana Bancorp and First Merchants. You can also get information about First Merchants and Ameriana Bancorp from publicly available documents that have been filed with the Securities and Exchange Commission. First Merchants common stock is listed on The NASDAQ Global Select Market under the symbol FRME. Ameriana Bancorp common stock is listed on The NASDAQ Capital Market under the symbol ASBI.

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

/s/ Michael C. Rechin	/s/ Jerome J. Gassen
President and Chief Executive Officer	President and Chief Executive Officer
FIRST MERCHANTS CORPORATION	AMERIANA BANCORP

For a discussion of certain risk factors which you should consider in evaluating the Merger, see Risk Factors beginning on page 27. 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 October 19, 2015, and first mailed to Ameriana Bancorp shareholders on or about October 19, 2015.

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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: David L. Ortega,

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 Ameriana Bancorp shareholders. Accordingly, if you would like to make such a request, please do so by November 27, 2015, 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 123.

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AMERIANA BANCORP

2118 Bundy Avenue

New Castle, Indiana 47362

NOTICE OF SPECIAL MEETING OF

SHAREHOLDERS TO BE HELD ON

December 7, 2015

To Our Shareholders:

We will hold a special meeting of the shareholders of Ameriana Bancorp on December 7, 2015, at 1:00 p.m. local time, at Ameriana Bank Greenfield Banking Center, 1810 North State Street, Greenfield, Indiana 46140.

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 June 26, 2015 (the Merger Agreement), between First Merchants Corporation (First Merchants) and Ameriana Bancorp, and to approve the transactions contemplated thereby (the Merger Proposal). Pursuant to the Merger Agreement, Ameriana Bancorp will merge with and into First Merchants (the Merger) and, immediately thereafter, Ameriana Bank will merge with and into First Merchants Bank, National Association (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 Ameriana Bancorp special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal (the Adjournment Proposal).

3. *Merger-Related Compensation Proposal.* To vote on a proposal, on an advisory (non-binding) basis, of compensation that may become payable to certain executive officers of Ameriana Bancorp in connection with the Merger (the Merger-Related Compensation Proposal).

4. *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. Ameriana Bancorp 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 27 of the accompanying proxy statement and prospectus for a discussion of certain risk factors relating to the Merger.**

The Board of Directors of Ameriana Bancorp has fixed the close of business on October 7, 2015, 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 Ameriana Bancorp common stock. Approval of the Adjournment Proposal and Merger-Related Compensation Proposal only requires the affirmative vote of at least a majority of the shares of Ameriana Bancorp common stock voting at the meeting, in person or by proxy, so long as a quorum is present.

The Ameriana Bancorp Board of Directors unanimously recommends that you vote FOR (1) approval of the Merger Proposal; (2) approval of the Adjournment Proposal; and (3) approval of the Merger-Related Compensation Proposal; and (4) approval of such other business which may properly come before the meeting.

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

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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

Michael E. Kent
Chairman

Jerome J. Gassen
President and Chief Executive Officer

October 19, 2015
New Castle, Indiana

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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 lin to, statements relating to the benefits of the proposed Merger between First Merchants and Ameriana Bancorp, 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 Ameriana Bancorp 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 Ameriana Bancorp s business; and other risks and factors identified in First Merchants filings with the SEC.

Neither First Merchants nor Ameriana Bancorp 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 Ameriana Bancorp s past results of operations do not necessarily indicate either of their anticipated future results, whether the Merger is effectuated or not.

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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 Ameriana Bancorp will merge with and into First Merchants. First Merchants would be the surviving entity in the Merger, and Ameriana Bancorp would no longer be a separate company.

You are also being asked to vote on three additional proposals; completion of the Merger is not conditioned upon approval of any of these additional proposals:

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

a proposal to approve, on an advisory (non-binding) basis, the compensation that certain executive officers of Ameriana Bancorp may receive that is based on or otherwise relates to the Merger (which we refer to as the Merger-Related Compensation 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. Ameriana Bancorp s Board is not aware of any such other matters.

Q: Why are First Merchants and Ameriana Bancorp proposing to merge?

A: We believe the Merger is in the best interests of both companies and our respective shareholders. Ameriana Bancorp 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 40.

Q: What will Ameriana Bancorp shareholders receive in the Merger?

A: If the Merger Agreement is approved by the shareholders of Ameriana Bancorp and the Merger is subsequently completed, the shares of Ameriana Bancorp common stock owned by each Ameriana Bancorp shareholder will be converted into 0.9037 shares (the Exchange Ratio) of First Merchants common stock (the Merger Consideration). The number of shares of First Merchants common stock issuable to each Ameriana Bancorp shareholder shall be rounded to the nearest thousandth of a share. The Exchange Ratio is subject to adjustments for stock splits, stock dividends, recapitalization, or similar transactions, or as otherwise described in the Merger Agreement. Immediately prior to the Merger, each outstanding in-the-money stock option to purchase Ameriana Bancorp common stock will be converted into the right to receive cash in an amount per share equal to the average closing price of Ameriana Bancorp common stock for the ten (10) trading days preceding the fourth calendar day prior to the date of the Merger less the applicable exercise price. Any out-of-the-money stock options granted by Ameriana Bancorp will be cancelled and no consideration will be provided.

Because the Exchange Ratio is fixed (except for customary anti-dilution adjustments), if you receive First Merchants common stock as consideration for all or a portion of your shares of Ameriana Bancorp common stock, the implied value of the stock consideration that you will receive will depend on the market price of

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First Merchants common stock when you receive your shares of First Merchants common stock. The value of the stock consideration per share of Ameriana Bancorp common stock, based upon First Merchants closing stock price on September 30, 2015, the most recent practicable trading day before this proxy statement and prospectus was finalized, was $23.70 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 Ameriana Bancorp shareholder or at any other time. At the time of completion of the Merger, the market price of the stock consideration could be greater or less than the value of the cash consideration due to fluctuations in the market price of First Merchants common stock.** 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 27.

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 Ameriana Bancorp shareholders at the special meeting. We currently expect to complete the Merger during the fourth quarter of 2015 or the first quarter of 2016.

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 70) who exchanges all of its shares of Ameriana Bancorp common stock solely 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. At the closing of the Merger, Ameriana Bancorp and First Merchants will each receive an opinion from their tax advisors confirming these tax consequences. See MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES beginning on page 70. **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 Ameriana Bancorp are not entitled to dissenters rights under Indiana Code Section 23-1-44, as amended, because the shares of Ameriana Bancorp common stock are traded on The NASDAQ Capital Market.

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

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Proposal; (2) approval of the adjournment of the meeting, if necessary, to solicit additional proxies if enough votes have not been cast to approve the Merger Proposal at the time of the meeting; (3) approval of the Merger-Related Compensation Proposal; and (4) approval of such other business as may properly come before the meeting including at an adjournment or postponement of the meeting.

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. The advisory vote on the Merger-Related Compensation Proposal regarding merger-related compensation payable to Ameriana Bancorp s named executive officers only requires that there be more votes in favor than against. As a result, abstentions and broker non-votes will have no effect on such 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 and will not be counted for purposes of the advisory vote on Merger-Related Compensation Proposal.

Q: How do I vote my shares of Ameriana Bancorp common stock held in the 401(k) Plan?

A: If you invest in Ameriana common stock through the 401(k) 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 401(k) Plan, a participant is entitled to direct the trustee how to vote the shares of Company common stock credited to his or her account under the 401(k) Plan. If the 401(k) Plan trustee does not receive timely voting instructions for the shares of Company common stock held in the 401(k) 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 401(k) Plan participants.

Q. Why am I being asked to cast an advisory (non-binding) vote to approve the compensation payable to certain Ameriana Bancorp officers in connection with the Merger?

A. The SEC, in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, has adopted rules that require Ameriana Bancorp to seek an advisory (non-binding) vote with respect to certain payments that are payable to Ameriana Bancorp s named executive officers in connection with the Merger.

Q. What will happen if Ameriana Bancorp s shareholders do not approve such compensation at the special meeting?

A. Ameriana Bancorp shareholder approval of the compensation payable to certain of Ameriana Bancorp s executive officers in connection with the Merger is not a condition to completion of the Merger. The vote with respect to such compensation is an advisory vote and will not be binding on Ameriana Bancorp (or First Merchants after the Merger) regardless of whether the Merger Agreement is approved. Accordingly, because the compensation to be paid to certain Ameriana Bancorp executive officers in connection with the Merger is contractual, such compensation will be payable if the Merger is completed regardless of the outcome of the advisory vote.

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.

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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 Ameriana Bancorp, 2118 Bundy Avenue, New Castle, Indiana 47362, Attention: Nicole M. Weaver, 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 Ameriana Bancorp entitled to vote as of October 7, 2015, the record date for the special meeting, will constitute a quorum for the special meeting. On August 7, 2015, there were 3,030,162 shares of Ameriana Bancorp 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, Ameriana Bancorp shareholders will receive written instructions from First Merchants for exchanging their stock certificates for shares of First Merchants common stock to be received by them in the Merger. Any shares of Ameriana Bancorp 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.

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

A: You may contact Laurel Hill Advisory Group, LLC, the Information Agent for the Merger at 2 Robbins Lane, Suite 201, Jericho, New York 11753 or by telephone at 888-742-1305. Banks and brokerage firms should also call Laurel Hill Advisory Group, LLC at 516-933-3100.

Ameriana Bancorp shareholders may also contact:

Ameriana Bancorp

2118 Bundy Avenue

New Castle, Indiana 47362

Attention: Nicole Weaver,

Corporate Secretary

Telephone (765) 529-2230

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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 123 *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.*

The Companies (page 72)

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 (1) full-service bank charter, First Merchants Bank which opened for business in Muncie, Indiana, in March 1893. First Merchants Bank also operates Lafayette Bank and Trust, Commerce National Bank and First Merchants Trust Company as divisions of First Merchants Bank. First Merchants Bank includes over one hundred (100) banking locations in twenty-six (26) Indiana counties and two (2) counties in both Ohio and Illinois. First Merchants Bank s business activities are currently limited to one (1) significant business segment, which is community banking.

As of June 30, 2015, First Merchants had consolidated assets of $6.1 billion, consolidated deposits of $4.8 billion and shareholders equity of $750 million. As of June 30, 2015, First Merchants and its subsidiaries had 1,464 full-time equivalent employees. See DESCRIPTION OF FIRST MERCHANTS on page 72.

Ameriana Bancorp

2118 Bundy Avenue

New Castle, Indiana 47362

(765) 529-2230

Ameriana Bancorp is a registered bank holding company under the Bank Holding Company Act of 1956, as amended, incorporated under Indiana law and headquartered in New Castle, Indiana. Ameriana Bancorp s wholly-owned bank subsidiary is Ameriana Bank, an Indiana state bank. Ameriana Insurance Agency, Inc. and Ameriana Financial Services, Inc. are wholly-owned subsidiaries of Ameriana Bank. Ameriana Bank has been operating in East Central Indiana since 1890. Ameriana Bank has thirteen (13) banking centers located in Hamilton, Hancock, Hendricks, Henry, Madison, and Shelby Counties in Indiana. Ameriana Bancorp and Ameriana Bank employed 143 full-time equivalent employees at June 30, 2015. Ameriana Bancorp holds all of the common securities of Ameriana Capital Trust I.

At June 30, 2015, on a consolidated basis, Ameriana Bancorp had assets of approximately $481 million, deposits of approximately $389 million, and shareholders equity of approximately $41 million.

The Merger (page 39)

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.*

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The Merger Agreement provides that, if all of the conditions are satisfied or waived, Ameriana Bancorp will be merged with and into First Merchants and, immediately thereafter, Ameriana Bancorp will cease to exist. Immediately following the Merger, Ameriana Bank will be merged with and into First Merchants Bank and Ameriana Bank will cease to exist. We expect to complete the Merger during the fourth quarter of 2015 or the first quarter of 2016.

Reasons for the Merger (pages 44)

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

Ameriana Bancorp. In considering the Merger with First Merchants, Ameriana Bancorp 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 Ameriana Bancorp s Board of Directors, favorable factors included First Merchants strong earnings and stock performance, its management, the compatibility of its markets to those of Ameriana Bancorp, 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 River Branch Capital LLC (River Branch), described below.

Opinion of River Branch Capital LLC (page 47)

Ameriana Bancorp s Board of Directors retained River Branch to render a fairness opinion in connection with the proposed Merger. At the meeting of Ameriana Bancorp s Board of Directors on June 26, 2015, River Branch delivered to Ameriana Bancorp s Board of Directors an oral opinion, which was confirmed by delivery of a written opinion, dated June 26, 2015, 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 Merger Consideration to be received in the Merger by the holders of Ameriana Bancorp common stock was fair, from a financial point of view, to such holders of Ameriana Bancorp common stock.

The full text of the written opinion of River Branch, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion of River Branch, is attached as Annex B to this proxy statement and prospectus and is incorporated herein by reference. Ameriana Bancorp shareholders are urged to read River Branch s written opinion carefully and in its entirety. River Branch s opinion is limited solely to the fairness, from a financial point of view, of the Merger Consideration to be received in the Merger by the holders of Ameriana Bancorp common stock and does not address Ameriana Bancorp 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 Ameriana Bancorp. River Branch s opinion does not constitute a recommendation to any shareholder of Ameriana Bancorp as to how such shareholder should vote or act with respect to any matter relating to the Merger or otherwise.

What Ameriana Bancorp Shareholders Will Receive (page 39)

If the Merger Agreement is approved and the Merger is subsequently completed, each outstanding share of Ameriana Bancorp common stock will be converted into the right to receive 0.9037 shares (the Exchange Ratio) of First Merchants common stock. The number of shares of First Merchants Common Stock issuable to each Ameriana

Bancorp shareholder shall be rounded to the nearest thousandth of a share. The Exchange Ratio is

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subject to adjustments for stock splits, stock dividends, recapitalization, or similar transactions, or as otherwise described in the Merger Agreement. Immediately prior to the Merger, each outstanding stock option to purchase Ameriana Bancorp common stock will be converted into the right to receive cash in an amount equal to the average closing price of Ameriana Bancorp common stock for the ten (10) trading days preceding the fourth calendar day prior to the date of the Merger less the applicable exercise price.

Because the Exchange Ratio is fixed (except for customary anti-dilution adjustments), if you receive First Merchants common stock as consideration for all or a portion of your shares of Ameriana Bancorp common stock, the implied value of the stock 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 value of the stock consideration per share of Ameriana Bancorp common stock, based upon First Merchants closing stock price on September 30, 2015, the most recent practicable trading day before this proxy statement and prospectus was finalized, was $23.70 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 Ameriana Bancorp shareholder or at any other time. At the time of completion of the Merger, the market price of the stock consideration could be greater or less than the value of the cash consideration due to fluctuations in the market price of First Merchants 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 Ameriana Bancorp common stock. The letter of transmittal will contain instructions for use in effecting the surrender of Ameriana Bancorp 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 40)

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 Ameriana Bancorp Special Shareholders Meeting (page 33)

The special meeting of Ameriana Bancorp shareholders will be held on December 7, 2015, at 1:00 p.m. local time, at Ameriana Bank Greenfield Banking Center, 1810 North State Street, Greenfield, Indiana 46140.

At the special meeting, Ameriana Bancorp 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, Ameriana Bancorp will merge with and into First Merchants and, immediately thereafter, Ameriana Bank will merge with and into First Merchants Bank.

2. *Adjournment Proposal.* To approve one (1) or more adjournments of the Ameriana Bancorp special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal.

3. *Merger-Related Compensation Proposal.* To vote on a proposal, on an advisory (non-binding) basis, of compensation that may become payable to certain executive officers of Ameriana Bancorp in connection with the Merger.

4. *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.

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Ameriana Bancorp Recommendation to Shareholders (page 47)

Ameriana Bancorp s Board of Directors unanimously approved and adopted the Merger Agreement and approved and authorized the proposed Merger. Ameriana Bancorp 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 Ameriana Bancorp and the Ameriana Bancorp shareholders. Ameriana Bancorp s Board of Directors unanimously recommends that Ameriana Bancorp shareholders vote **FOR** the: (1) approval of the Merger Proposal; (2) approval of the Adjournment Proposal; (3) approval of Merger-Related Compensation Proposal; and (4) approval of such other business which may properly come before the meeting. In reaching its determination, Ameriana Bancorp Board of Directors considered a number of factors, which are described in the section captioned The Merger Ameriana Bancorp s Reasons for the Merger beginning on page 45. Because of the wide variety of factors considered, Ameriana Bancorp 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.

Ameriana Bancorp Special Meeting Record Date; Vote Required (page 33)

Only Ameriana Bancorp shareholders of record as of the close of business on October 7, 2015, are entitled to notice of, and to vote at, the Ameriana Bancorp special meeting and any adjournments or postponements of the special meeting. As of the record date, there were 3,043,262 shares of Ameriana Bancorp common stock outstanding. Approval of the Merger Proposal requires the affirmative vote of holders of at least a majority of the outstanding shares of Ameriana Bancorp common stock entitled to vote. The approval of adjournment of the special meeting to allow extra time to solicit proxies, if necessary or appropriate, approval of the advisory vote on the Merger-related compensation payable to certain executive officers, and the approval of the transaction of any other business that may properly come before the special meeting each require more votes to be cast in favor of the proposal than are cast against it. You can vote your shares by attending the Ameriana Bancorp 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 69)

As of June 26, 2015, each member of the Board of Directors of Ameriana Bancorp and certain executive officers entered into a voting agreement with First Merchants to cause all Ameriana Bancorp 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 69. As of the record date, the members of Ameriana Bancorp s Board of Directors and their affiliates had power to vote, or caused to be voted, an aggregate of 167,621 shares of Ameriana Bancorp common stock outstanding, representing 5.5% of the outstanding shares on that date.

What We Need to Do to Complete the Merger (page 64)

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 Ameriana Bancorp common stock;

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

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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 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;

Ameriana Bancorp must have received an opinion of Kilpatrick Townsend & Stockton 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, and that no gain or loss will be recognized in the Merger by a U.S. Holder to the extent the U.S. Holder receives shares of First Merchants common stock as the sole consideration for the U.S. Holder s shares of Ameriana Bancorp common stock, except that gain or loss will be recognized with respect to any cash received;

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;

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.

Regulatory Approvals (page 59)

The Merger cannot be completed until First Merchants receives necessary regulatory approvals, which include the approval of the Board of Governors of the Federal Reserve System (the Federal Reserve Board) as to the Merger and the Office of the Comptroller of the Currency (the OCC) as to the Bank Merger. First Merchants has filed applications with the OCC and the Federal Reserve Board for approval of the Bank Merger and the Merger, respectively. First Merchants cannot be certain when such approvals will be obtained or if they will be obtained.

Conduct of Business Pending Merger (page 66)

Under the terms of the Merger Agreement, Ameriana Bancorp 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 Ameriana Bancorp will continue to pay quarterly dividends at no more than the current rate of $0.04 per share until the Merger closes. We will each cooperate to insure that Ameriana Bancorp shareholders will receive only one (1) quarterly dividend for the quarter in which the Merger closes, and not a separate dividend from both First Merchants and Ameriana Bancorp.

Agreements of First Merchants (pages 59 and 68)

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 59.

- Take action as may be necessary to allow Ameriana Bancorp and its subsidiaries employees, no later than the effective date of the Merger, to participate in benefit plans First Merchants maintains for its employees. See THE MERGER AGREEMENT Employee Benefit Plans on page 68.

- Provide, or allow for, director and officer liability insurance and indemnification. See THE MERGER AGREEMENT Indemnification and Insurance of Ameriana Bancorp Directors and Officers on page 68.

Dissenters Rights (page 58)

The shareholders of Ameriana Bancorp are not entitled to dissenters rights under Indiana Code Section 23-1-44, as amended, because the shares of Ameriana Bancorp common stock are traded on The NASDAQ Capital Market.

Management and Operations After the Merger (page 68)

Ameriana Bancorp s corporate existence will cease after the Merger. Accordingly, except as otherwise described herein, directors and officers of Ameriana Bancorp 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 61)

You should be aware that some of directors and executive officers of Ameriana Bancorp and Ameriana Bank may have interests in the Merger that are different from, or in addition to, their interests as shareholders. Both Ameriana Bancorp 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:

- Directors and officers of Ameriana Bancorp held stock options that entitled them to purchase, in the aggregate, up to 45,800 shares of Ameriana Bancorp s common stock as of October 7, 2015. Options for 13,000 of these shares would not be exercisable but for the Merger. Immediately prior to the Merger, each outstanding stock option to purchase Ameriana Bancorp common stock will be converted into the right to receive cash in an amount equal to the average closing price of Ameriana Bancorp common stock for the ten (10) trading days preceding the fourth calendar day prior to the date of the Merger less the applicable exercise price.

Certain executive officers of Ameriana Bancorp and Ameriana Bank currently have salary retention agreements, change in control agreements or employment agreements that provide for the executive to receive, following both a change in control of Ameriana Bancorp and an actual or constructive termination of their employment, continuing payments following the transaction, subject to certain limitations. Under these agreements, three (3) of such executive officers would be entitled to receive an aggregate of approximately $1,625,125. See THE MERGER Merger-Related Compensation payable to Ameriana Bancorp s Named Executive Officers.

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 Ameriana Bancorp and Ameriana Bank, subject to certain conditions set forth in the Merger Agreement.

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Termination of the Merger (page 65)

Both First Merchants and Ameriana Bancorp can mutually agree to terminate the Merger Agreement before we complete the Merger. In addition, either Ameriana Bancorp or First Merchants acting alone can terminate the Merger Agreement under the circumstances described on page 65.

Ameriana Bancorp has agreed to pay First Merchants a termination fee of $1,500,000 if:

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

First Merchants terminates the Merger Agreement because Ameriana Bancorp s Board of Directors withdraws or modifies its recommendation to Ameriana Bancorp 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 Ameriana Bancorp 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 Ameriana Bancorp, or if Ameriana Bancorp, within sixty (60) days after giving such notice, does not terminate such discussions or negotiations.

Material U.S. Federal Income Tax Consequences (page 70)

It is a condition to the closing of the Merger that Kilpatrick Townsend & Stockton LLP and Bingham Greenebaum Doll LLP deliver opinions, effective as of the date of the Merger, to Ameriana Bancorp and First Merchants, respectively, 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. These opinions will not, however, bind the Internal Revenue Service (the IRS) which could take a different view.

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 Ameriana Bancorp shareholders, see MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES on page 70.

Accounting Treatment (page 60)

The Merger will be accounted for as an acquisition transaction for accounting and financial reporting purposes. As a result, Ameriana Bancorp s assets, including identified intangible assets, and liabilities will be recorded by First Merchants on its books at their fair values and added to those of First Merchants. Any excess payment by First Merchants over the fair value of the net assets and identifiable intangibles of Ameriana Bancorp will be recorded as goodwill on the financial statements of First Merchants. Conversely, any excess of the fair value of the net assets acquired over the payment made by First Merchants will be allocated as a reduction of all assets.

Comparative Rights of First Merchants and Ameriana Bancorp Shareholders (page 114)

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

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Authorized But Unissued Shares

First Merchants	***Ameriana Bancorp***
First Merchants Articles of Incorporation authorize the issuance of 50,000,000 shares of common stock, no par value, of which 37,824,649 shares were outstanding as of June 30, 2015. 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 as Fixed Rate Cumulative Perpetual Preferred Stock, Series A, $1,000 per share liquidation amount, no shares of which are currently 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 Articles of Incorporation of Ameriana Bancorp authorize the issuance of 15,000,000 shares of common stock, $1.00 par value. As of October 7, 2015, there were 3,043,262 shares of common stock outstanding. Ameriana Bancorp s Board of Directors may authorize the issuance of additional shares of common stock up to the amounts authorized in Ameriana Bancorp s Articles of Incorporation, without shareholder approval, subject only to the restrictions of the Indiana Business Corporation Law, the Articles of Incorporation, and the rules of a national securities exchange, if applicable. As of the date of this proxy statement and prospectus, Ameriana Bancorp had 5,000,000 shares of serial preferred stock, no par value, authorized, none of which is issued and outstanding.
As of September 20, 2015, First Merchants had 316,465 shares of its common stock reserved and remaining available for issuance under its 2009 Long-term Equity Incentive Plan and 76,486 shares of its common stock reserved and remaining available for issuance under its Dividend Reinvestment and Stock Purchase Plan. In addition, as of September 20, 2015, First Merchants had no options granted but unexercised under its 1994 Stock Option Plan, 320,062 options granted but unexercised under its 1999 Long-term Equity Incentive Plan, and 137,811 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.

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Restrictions on Transfer of Shares

First Merchants	***Ameriana Bancorp***
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 Ameriana Bancorp common stock are generally not restricted on sales of their shares. The shares are also registered under Section 12 of the Exchange Act and listed for exchange on The NASDAQ Capital Market. As a result, a public market exists for the shares of common stock.

Dividend Rights

First Merchants	***Ameriana Bancorp***
The holders of First Merchants common stock are entitled to dividends and other distributions when, as and if declared by its Boards of Directors.	The holders of Ameriana Bancorp 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 Ameriana Bancorp s stock.
Generally, First Merchants ***may not*** pay a dividend if, after giving effect to the dividend:	Generally, Ameriana Bancorp ***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	Ameriana Bancorp 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.	Ameriana Bancorp 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.
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.

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

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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 59)

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 fourth quarter of 2015 or the first quarter of 2016.

Comparative Market Price Information

Shares of First Merchants common stock are listed on The NASDAQ Global Select Market under the symbol FRME. Shares of Ameriana Bancorp common stock are listed on The NASDAQ Capital Market under the symbol ASBI. The following table presents quotation information for First Merchants common stock and for Ameriana Bancorp common stock on June 26, 2015, the business day before the Merger was publicly announced, and September 30, 2015, the last practicable trading day for which information was available prior to the date of this proxy statement and prospectus.

	First Merchants Common Stock			**Ameriana Bancorp Common Stock**		
	(Dollars Per Share)					
	High	Low	Close	High	Low	Close
June 26, 2015	$ 25.29	$ 24.90	$ 25.13	$ 15.68	$ 15.68	$ 15.68
September 30, 2015	$ 26.24	$ 25.81	$ 26.22	$ 23.10	$ 22.75	$ 23.00

The market value of the aggregate consideration that Ameriana Bancorp shareholders will receive in the Merger is approximately $68.8 million (or $22.71 per Ameriana Bancorp common share) based on 3,029,662 Ameriana Bancorp common shares outstanding and First Merchants closing stock price of $25.13 per share on June 26, 2015, the business day before the Merger was publicly announced.

The market value of the aggregate consideration that Ameriana Bancorp shareholders will receive in the Merger is approximately $72.1 million (or $23.70 per Ameriana Bancorp common share) based on 3,043,262 Ameriana Bancorp common shares outstanding and First Merchants closing stock price of $26.22 per share on September 30, 2015, 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 June 26, 2015, and September 30, 2015, is the equivalent pro forma price of Ameriana Bancorp 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 Ameriana Bancorp common stock in the Merger, which is the Exchange Ratio of 0.9037. The equivalent pro forma price of Ameriana Bancorp common stock shows the implied value to be received in the Merger by Ameriana Bancorp shareholders who receive First Merchants common stock in exchange for a share of Ameriana Bancorp common stock on these dates.

	First Merchants Common Stock	Ameriana Bancorp Common Stock	Ameriana Bancorp Equivalent Pro Forma
June 26, 2015	$ 25.13	$ 15.68	$ 22.71
September 30, 2015	$ 26.22	$ 23.00	$ 23.70

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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 Ameriana Bancorp shareholders will receive in the Merger may increase or decrease prior to and after the Merger.

Comparative Per Share Data

The following table shows historical information about our companies earnings per share, dividends per share and book value per share, and similar information reflecting the Merger, which we refer to as pro forma information. In presenting the comparative pro forma information, we have assumed that the two (2) companies had been combined throughout the periods shown in the table. The pro forma information reflects the acquisition method of accounting. The financial information presented under Pro Forma was compiled assuming 2,737,906 shares of First Merchants common shares are issued to Ameriana Bancorp shareholders which assumes 3,029,662 shares of Ameriana Bancorp common stock are outstanding at the time of closing (the number outstanding on June 26, 2015).

First Merchants and Ameriana Bancorp present this information to reflect the value of shares of First Merchants common stock that Ameriana Bancorp shareholders will receive in the Merger for each share of Ameriana Bancorp common stock exchanged.

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.

The information in the following table is based on historical financial information of Ameriana Bancorp and First Merchants. The information with respect to First Merchants and Ameriana Bancorp are included in their respective annual and quarterly reports previously filed with the SEC. Certain historical financial information of First Merchants has been incorporated into this document by reference. See WHERE YOU CAN FIND ADDITIONAL INFORMATION on page 123 for a description of documents that we incorporate by reference into this document and how to obtain copies of them. The historical financial information of Ameriana Bancorp is included in this document beginning on page F-1.

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FIRST MERCHANTS AND AMERIANA BANCORP

HISTORICAL AND PRO FORMA PER SHARE AND CAPITAL RATIO DATA

	First Merchants Historical	Ameriana Bancorp Historical	Pro forma (1)(2)
Net income per share			
Six months ended June 30, 2015 (unaudited)			
Basic	$ 0.90	$ 0.23	$ 0.87
Diluted	$ 0.90	$ 0.23	$ 0.86
Twelve months ended December 31, 2014			
Basic	$ 1.66	$ 0.79	$ 1.61
Diluted	$ 1.65	$ 0.79	$ 1.60
Cash dividends per share			
Six months ended June 30, 2015	$ 0.19	$ 0.08	$ 0.19
Twelve months ended December 31, 2014	$ 0.29	$ 0.08	$ 0.29
Book Value per share			
At June 30, 2015	$ 19.83	$ 13.68	$ 20.13
At December 31, 2014	$ 19.29	$ 13.59	$ 19.64
Tangible Capital Ratio			
At June 30, 2015	9.03%	8.41%	8.81%
At December 31, 2014	9.16%	8.45%	8.92%

(1) See Note (1) in Notes to Unaudited Pro Forma Summary of Selected Consolidated Financial Data on page 26.
(2) See Note (2) in Notes to Unaudited Pro Forma Summary of Selected Consolidated Financial Data on page 26.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth certain summary historical consolidated financial data for each of our companies. First Merchants and Ameriana Bancorp s balance sheet and income statement data as of and for the five (5) years in the period ended December 31, 2014 are taken from each of First Merchants and Ameriana Bancorp s respective audited consolidated financial statements. First Merchants and Ameriana Bancorp s balance sheet data and income statement data as of and for the six (6) months ended June 30, 2015 and 2014 are taken from our respective unaudited consolidated financial statements. Results for the six (6) months ended June 30, 2015 do not necessarily indicate results expected or anticipated for the entire year.

The following tables also set forth certain summary unaudited pro forma consolidated financial information for First Merchants and Ameriana Bancorp reflecting the Merger. The income statement information presented gives effect to the Merger as if it occurred on the first day of each period presented. The balance sheet information presented gives effect to the Merger as if it occurred on June 30, 2015. The financial information was compiled assuming 2,737,906 shares of First Merchants common shares are issued to Ameriana Bancorp shareholders which assumes 3,029,662 shares of Ameriana Bancorp common stock are outstanding upon closing of the Merger (the number outstanding on June 26, 2015).

The pro forma information reflects the acquisition method of accounting, with Ameriana Bancorp s assets and liabilities recorded at their estimated fair values as of June 30, 2015. The actual fair value adjustments to the assets and the liabilities of Ameriana Bancorp 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 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 and Ameriana Bancorp s consolidated financial statements and related notes either incorporated into this document by reference or included herewith. See WHERE YOU CAN FIND ADDITIONAL INFORMATION on page 123 for a description of documents that we incorporate by reference into this document and how to obtain copies of such documents.

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UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED BALANCE SHEET

AS OF JUNE 30, 3015

(Dollars In Thousands)

	First Merchants	Ameriana	Pro forma Adjustments		Pro forma Combined
Assets					
Cash and due from banks	$ 105,928	$ 21,487	$		$ 127,415
Interest-bearing deposits					
Fed funds sold					
Cash and cash equivalents	105,928	21,487			127,415
Interest-bearing time deposits	26,669	3,916	(668)	(11)	29,917
Investment securities					
Available for sale	575,415	47,820			623,235
Held to maturity	637,101	17,141			654,242
Total investment securities	1,212,516	64,961			1,277,477
Loans held for sale	8,295	339			8,634
Loans	4,238,205	331,326	(11,254)	(3)	4,558,277
Allowance for loan losses	(62,550)	(3,904)	3,904	(7)	(62,550)
Net loans	4,183,950	327,761	(7,350)		4,504,361
Premises and equipment	84,841	15,896	(2,250)	(6)	98,487
Federal Reserve and FHLB stock	34,630	2,693			37,323
Interest receivable	19,880				19,880
Core deposit and other intangible	14,820	540	3,200	(4)	18,020
			(540)	(9)	
Goodwill	205,376	656	36,441	(5)	241,817
			(656)	(9)	
Cash surrender value of life insurance	170,813	27,824			198,637
Other real estate owned	19,242	6,682	(1,000)	(6)	24,924
Deferred tax asset	39,622		1,869	(8)	41,491
Other assets	22,021	8,283			30,304
Total Assets	**$ 6,140,308**	**$ 480,699**	**$ 29,046**		**$ 6,650,053**
Liabilities					
Deposits					
Noninterest-bearing	$ 1,122,688	$ 67,711	$		$ 1,190,399
Interest-bearing	3,666,889	321,692			3,988,581
Total deposits	4,789,577	389,403			5,178,980
Borrowings	552,557	42,810	(2,600)	(3)	592,767

Interest payable	3,211				3,211
Other liabilities	45,008	7,047	4,282	(1)	58,540
			2,203	(2)	
Total Liabilities	**5,390,353**	**439,260**	**3,885**		**5,833,498**
Stockholder Equity					
Cumulative Preferred Stock	125				125
Common stock	4,728	3,254	342	(11)	5,070
			(3,254)	(10)	
Additional paid in capital	432,294	1,816	68,461	(11)	500,755
			(1,816)	(10)	
Retained earnings	319,298	39,233	(34,951)	(10)	317,095
			(4,282)	(1)	
			(2,203)	(2)	
Treasury stock		(2,998)	2,998	(10)	
Accumulated comprehensive income	(6,490)	134	(134)	(10)	(6,490)
Total Stockholders Equity	**749,955**	**41,439**	**25,161**		**816,555**
Total Liabilities and Stockholders Equity	**$ 6,140,308**	**$ 480,699**	**$ 29,046**		**$ 6,650,053**

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UNAUDITED PROFORMA COMBINED CONSOLIDATED CONDENSED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2015

(Dollars and Share Amounts In Thousands)

	First Merchants	Ameriana	Proforma Adjustments		Proforma Combined
Interest Income					
Loans receivable	$ 89,855	$ 7,651	$ 651	(12)	$ 98,157
Investment securities	17,214	664			17,878
Other	1,077	132			1,209
Total Interest Income	**108,146**	**8,447**	**651**		**117,244**
Interest Expense					
Deposits	7,202	741			7,943
Fed funds purchased	42				42
Securities sold under repurchase agreements	168				168
Borrowings	4,727	536	65	(12)	5,328
Total Interest Expense	**12,139**	**1,277**	**65**		**13,481**
Net Interest Income	**96,007**	**7,170**	**586**		**103,763**
Provision for loan losses	417	105			522
Net Interest Income after Provision for Loan Losses	**95,590**	**7,065**	**586**		**103,241**
Other Income					
Service charges on deposit accounts	7,638	1,331			8,969
Fiduciary activities	4,816				4,816
Other customer fees	8,269				8,269
Commission income	4,143	932			5,075
Earnings on cash surrender value of life insurance	1,387	359			1,746
Net gains and fees on sales of loans	3,270	180			3,450
Net realized gains/(losses) on sales of available for sale securities	932				932
Gain on sale of insurance subsidiary	8,265				8,265
Other income	2,145	270			2,415
Total Other Income	**40,865**	**3,072**			**43,937**
Other Expenses					
Salaries and benefits	50,975	4,826			55,801
Net occupancy	7,293	793	(56)	(14)	8,030
Equipment expenses	5,406	428			5,834

Marketing	1,731	205			1,936
Outside data processing fees	3,485	581			4,066
Printing and office supplies	667	155			822
Core deposit amortization	1,450		291	(13)	1,741
FDIC Expense	1,758	185			1,943
Other real estate and foreclosure expenses	2,601	245			2,846
Professional and other outside services	4,625	847			5,472
Other expense	7,634	908			8,542
Total Other Expenses	**87,625**	**9,173**	**235**		**97,033**
Income before Income Tax	**48,830**	**964**	**351**		**50,145**
Income tax expense	14,690	274	123	(15)	15,087
Net Income Available to Common Stockholders	**$ 34,140**	**$ 690**	**$ 228**		**$ 35,058**
Per Share Data					
Basic earnings per common share	$ 0.90	$ 0.23			$ 0.87
Diluted earnings per common share	$ 0.90	$ 0.23			$ 0.86
Average common shares-basic	37,752	3,024	2,738		40,490
Average common shares-diluted	38,022	3,039	2,738		40,760

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UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2014

(Dollars and Share Amounts In Thousands)

	First Merchants	Ameriana	Pro forma Adjustments		Pro forma Combined
Interest Income					
Loans receivable	$ 172,366	$ 16,628	$ 1,301	(12)	$ 190,295
Investment securities	34,265	1,202			35,467
Other	2,248	316			2,564
Total Interest Income	**208,879**	**18,146**	**1,301**		**228,326**
Interest Expense					
Deposits	11,678	1,646			13,324
Fed funds purchased	177				177
Securities sold under repurchase agreements	529				529
Borrowings	9,458	1,351	130	(12)	10,939
Total Interest Expense	**21,842**	**2,997**	**130**		**24,969**
Net Interest Income	**187,037**	**15,149**	**1,171**		**203,357**
Provision for loan losses	2,560	322			2,882
Net Interest Income after Provision for Loan Losses	**184,477**	**14,827**	**1,171**		**200,475**
Other Income					
Service charges on deposit accounts	15,747	2,679			18,426
Fiduciary activities	8,966				8,966
Other customer fees	15,699				15,699
Commission income	7,411	1,583			8,994
Earnings on cash surrender value of life insurance	3,659	716			4,375
Net gains and fees on sales of loans	4,899	170			5,069
Net realized gains/(losses) on sales of available for sale securities	3,581				3,581
Other income	5,705	469			6,174
Total Other Income	**65,667**	**5,617**			**71,284**
Other Expenses					
Salaries and benefits	96,499	9,342			105,841
Net occupancy	13,831	1,469	(113)	(14)	15,187
Equipment expenses	9,337	778			10,115

Marketing	3,464	529			3,993
Outside data processing fees	7,315	1,007			8,322
Printing and office supplies	1,565	284			1,849
Core deposit amortization	2,445		582	(13)	3,027
FDIC expense	3,738	381			4,119
Other real estate and foreclosure expenses	8,043	277			8,320
Professional and other outside services	8,116	723			8,839
Other expense	14,239	2,421			16,660
Total Other Expenses	**168,592**	**17,211**	**469**		**186,272**
Income before Income Tax	**81,552**	**3,233**	**702**		**85,487**
Income tax expense	21,390	867	246	(15)	22,503
Net Income Available to Common Stockholders	**$ 60,162**	**$ 2,366**	**$ 456**		**$ 62,984**
Per Share Data					
Basic earnings per common share	$ 1.66	$ 0.79			$ 1.61
Diluted earnings per common share	$ 1.65	$ 0.79			$ 1.60
Average common shares-basic	36,266	2,997	2,738		39,004
Average common shares-diluted	36,555	3,003	2,738		39,293

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED BALANCE SHEET

AND STATEMENT OF INCOME

(Dollars in Thousands, Except Per Share Amounts)

Note 1 Basis of Presentation

First Merchants has agreed to acquire Ameriana Bancorp for a fixed exchange ratio of 0.9037 per share of First Merchants common stock for each Ameriana Bancorp share of common stock. The acquisition will be accounted for under the acquisition method of accounting and, accordingly, the assets and liabilities of Ameriana have been marked to estimated fair value upon conditions as of June 30, 2015 and as if the transaction had been effective on January 1, 2014 for statement of income data. Since these are pro forma statements, we cannot assure that the amounts reflected in these financial statements would have been representative of the actual amounts earned had the companies been combined at that time.

Note 2 Pro forma Adjustments Footnotes

(1) To record an accrual by Ameriana Bancorp for estimated transaction costs of $4,282,000 (net of tax) which includes $2,061,000 (net of tax) in change of control and employment agreement payouts, $1,300,000 (net of tax) related to eliminating the Ameriana Bancorp pension plan and $921,000 (net of tax) in professional fees related to the acquisition.

(2) To record an accrual by First Merchants for estimated transaction costs of $2,203,000 (net of tax) which includes $423,000 (net of tax) in professional fees related to the acquisition, $444,000 (net of tax) in contract termination costs, $215,000 (net of tax) in estimated data integration expenses, and $1,121,000 (net of tax) in severance and retention expenses.

(3) To adjust interest-earning assets and interest-bearing liabilities of Ameriana Bancorp to approximate fair value. Adjustment to loans of $11,254,000 and borrowings of $2,600,000.

(4) To record core deposit intangible of $3,200,000.

(5) To record goodwill generated from the acquisition.

Purchase Price:		
Ameriana Bancorp shares outstanding		3,029,662
Conversion ratio		0.9037
First Merchants stock issued		2,737,906
First Merchants stock price at 6/26/2015	$	25.13

Purchase Price	$	68,803,578
Outstanding employee stock options		62,622
Average Ameriana Bancorp stock price less exercise price	$	10.66
Cash paid for employee stock options	$	667,551
Total Purchase Price	$	69,471,129

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		(Dollars in thousands)
Total Purchase Price	$	69,471
Allocated to:		
Historical book value of Ameriana Bancorp s assets and liabilities		41,439
Ameriana Bancorp s estimated transaction costs, net of tax		(4,282)
Adjusted book value of Ameriana Bancorp	$	37,157
Adjustments to record assets and liabilities at fair value:		
Loans, fair value mark	$	(4,096)
Loans, interest rate mark		(7,158)
Eliminate Ameriana Bancorp s allowance for losses		3,904
Premises and equipment		(2,250)
Core deposits intangible		3,200
Other real estate owned		(1,000)
Eliminate Ameriana Bancorp s goodwill		(656)
Eliminate Ameriana Bancorp s intangibles		(540)
Deferred taxes		1,869
Borrowings		2,600
Total allocation	$	(4,127)
Goodwill	$	36,441

Proforma adjustments related to the proforma condensed income statement have been computed assuming the transaction was consummated at the beginning of the fiscal year presented and gives effect to events that are (i) directly attributable to the transaction, (ii) expected to have a continuing impact on First Merchants, and (iii) factually supportable. Proforma adjustments related to the proforma balance sheet are computed assuming the transaction was consummated at June 30, 2015.

(6) To record fair value adjustment to premises and equipment of $2,250,000 and other real estate owned of $1,000,000.

(7) To eliminate Ameriana Bancorp s allowance for loan loss of $3,904,000.

(8) To record deferred taxes on the purchase accounting adjustments using an estimated tax rate of 35%.

(9) To eliminate Ameriana Bancorp s goodwill of $656,000 and intangibles of $540,000.

(10) To eliminate Ameriana Bancorp s equity accounts of $41,439,000.

(11) To record issuance of 2,737,906 shares of First Merchants stock and cash of $667,551.

		(Dollars in thousands)
Common Stock (2,737,906 shares at stated value of $0.125 per share)	$	342
Additional Paid in Capital (2,737,906 shares at $25.005 per share)		68,461
Total stock issued (2,737,906 shares at $25.13 per share)	$	68,803

Cash paid for outstanding stock options is calculated as the First Merchants stock price on June 26, 2015 ($25.13) multiplied by the conversion rate defined in the Merger Agreement (0.9037), minus the average exercise price of the outstanding options ($12.05), multiplied by the number of outstanding stock options (62,622) on June 26, 2015.

(12) To record the accretion effect of purchase accounting adjustments on loans (interest rate mark only) and purchase accounting amortization on borrowings in a manner that approximates the level yield method.

(13) To record amortization of core deposit premium utilizing an accelerated method over 10 years.

(14) To record annual amortization of purchase accounting adjustments related to premises and equipment over the estimated life of related assets.

(15) To record tax effect of purchase accounting adjustments at an effective rate of 35%.

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FIRST MERCHANTS

FIVE YEAR SUMMARY OF SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

(Dollars in Thousands, Except Per Share Amounts)

	For the Six Months Ended June 30		For the Years Ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
	(unaudited)						
Summary of Operations							
Interest Income	$ 108,146	$ 102,536	$ 208,879	$ 170,834	$ 175,949	$ 181,245	$ 199,578
Interest Expense	12,139	10,525	21,842	16,569	23,613	37,890	56,009
Net Interest Income	96,007	92,011	187,037	154,265	152,336	143,355	143,569
Provision for loan losses	417		2,560	6,648	18,534	22,630	46,483
Net interest income after provision	95,590	92,011	184,477	147,617	133,802	120,725	97,086
Noninterest Income	40,865	31,613	65,667	54,809	64,302	49,120	48,544
Noninterest Expense	87,625	84,339	168,592	143,219	137,115	135,938	142,311
Net income before income tax	48,830	39,285	81,552	59,207	60,989	33,907	3,319
Income tax expense (benefit)	14,690	10,505	21,390	14,677	15,867	8,655	(3,590)
Net Income	34,140	28,780	60,162	44,530	45,122	25,252	6,909
Preferred stock dividends and discount accretion				(2,380)	(4,539)	(3,981)	(5,239)
Loss on extinguishment of trust preferred securities						(10,857)	

Loss on CPP unamortized discount						(1,401)	(1,301)
Gain on exchange of preferred stock for trust preferred debt							11,353
Net Income Available to Common Shareholders	$ 34,140	$ 28,780	$ 60,162	$ 42,150	$ 40,583	$ 9,013	$ 11,722
Per Share Data (1)							
Net income							
Basic	$ 0.90	$ 0.80	$ 1.66	$ 1.42	$ 1.42	$ 0.34	$ 0.48
Diluted	$ 0.90	$ 0.79	$ 1.65	$ 1.41	$ 1.41	$ 0.34	$ 0.48
Cash Dividends (2)	$ 0.19	$ 0.13	$ 0.29	$ 0.18	$ 0.10	$ 0.04	$ 0.04
Balance End of Period							
Total assets	$ 6,140,308	$ 5,615,120	5,824,127	$ 5,437,262	$ 4,304,821	$ 4,173,076	$ 4,170,848
Total loans	4,246,500	3,730,103	3,932,100	3,637,740	2,924,509	2,731,279	2,857,152
Total deposits	4,789,577	4,329,610	4,640,694	4,231,468	3,346,383	3,134,655	3,268,880
Fed funds purchased	40,748	100,000	15,381	125,645	18,862		
Securities sold under repurchase agreements	137,240	133,137	124,539	148,672	141,828	156,305	109,871
Federal Home Loan Bank advances	247,687	220,765	145,264	122,140	94,238	138,095	82,684
Total subordinated debentures, revolving credit lines, term loans and other	126,882	126,874	126,810	126,807	112,161	194,974	226,440
Stockholders equity	749,955	670,596	726,827	634,923	552,236	514,467	454,408
Selected Ratios							
Return on average assets	1.15%	1.05%	1.08%	0.95%	0.96%	0.22%	0.27%
Return on average equity	9.22%	8.80%	8.91%	7.80%	7.58%	1.88%	2.49%

(1) Restated for all stock dividends and splits
(2) Dividends per share are for First Merchants only, not restated for pooling transactions

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AMERIANA BANCORP

FIVE YEAR SUMMARY OF SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

(Dollars in Thousands, Except Per Share Amounts)

	For the Six Months Ended June 30 2015 (unaudited)	For the Six Months Ended June 30 2014 (unaudited)	For the Years Ended December 31, 2014	2013	2012	2011	2010
Summary of Operations							
Interest Income	$ 8,447	$ 8,859	$ 18,146	$ 16,980	$ 18,032	$ 18,794	$ 19,985
Interest Expense	1,277	1,513	2,997	3,003	3,845	4,870	6,574
Net Interest Income	7,170	7,346	15,149	13,977	14,187	13,924	13,411
Provision for loan losses	105	300	322	755	1,145	1,385	1,933
Net interest income after provision	7,065	7,046	14,827	13,222	13,042	12,539	11,478
Noninterest Income	3,072	2,747	5,617	5,801	5,181	5,628	5,650
Noninterest Expense	9,173	7,954	17,211	16,095	15,827	17,004	16,817
Net income before income tax	964	1,839	3,233	2,928	2,396	1,163	311
Income tax expense (benefit)	274	507	867	741	556	21	(242)
Net Income	$ 690	$ 1,332	$ 2,366	$ 2,187	$ 1,840	$ 1,142	$ 553
Per Share Data (1)							
Net income							
Basic	$ 0.23	$ 0.45	$ 0.79	$ 0.73	$ 0.62	$ 0.38	$ 0.19
Diluted	$ 0.23	$ 0.45	$ 0.79	$ 0.73	$ 0.62	$ 0.38	$ 0.19
Cash Dividends (2)	$ 0.08	$ 0.04	$ 0.08	$ 0.04	$ 0.04	$ 0.04	$ 0.04
Balance End of Period							
Total assets	$ 480,699	$ 474,440	$ 472,818	$ 458,604	$ 445,763	$ 429,791	$ 429,657
Total loans	331,665	316,919	320,348	316,028	318,241	316,893	317,018
Total deposits	389,403	377,235	378,947	362,701	356,703	337,250	337,978
Fed funds purchased							
	7,500	7,500	7,500	7,500	7,500	7,500	7,500

Securities sold under repurchase agreements							
Federal Home Loan Bank advances	25,000	33,000	28,000	33,000	28,000	32,000	34,000
Total subordinated debentures, revolving credit lines and term loans	10,310	10,310	10,310	10,310	10,310	10,310	10,310
Stockholders equity	$ 41,439	$ 39,576	$ 41,052	$ 37,713	$ 36,546	$ 34,505	$ 33,251
Selected Ratios							
Return on average assets	0.29%	0.56%	0.50%	0.49%	0.41%	0.26%	0.13%
Return on average equity	3.35%	6.73%	6.04%	5.91%	5.18%	3.38%	1.66%

(1) Restated for all stock dividends and splits

(2) Dividends per share are for Ameriana Bancorp only, not restated for pooling transactions

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FIRST MERCHANTS

UNAUDITED PRO FORMA SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

(Dollars in Thousands, Except Per Share Amounts)

	For the Six Months Ended June 30, 2015 (unaudited)	For the Year Ended December 31, 2014
Summary of Operations		
Interest income	$ 117,244	$ 228,326
Interest expense	13,481	24,969
Net interest income	103,763	203,357
Provision for loan losses	522	2,882
Net interest income after provision	103,241	200,475
Noninterest income	43,937	71,284
Noninterest expense	97,033	186,272
Net income before income tax	50,145	85,487
Income tax expense	15,087	22,503
Net Income Available to Common Shareholders	**$ 35,058**	**$ 62,984**
Per Share Data (1)		
Net income		
Basic	$ 0.87	$ 1.61
Diluted	$ 0.86	$ 1.60
Cash Dividends	$ 0.19	$ 0.29
Tangible Capital Ratio	8.81%	8.92%
Balance End of Period		
Total assets	$ 6,650,053	
Earning assets	5,911,628	
Investment securities	1,277,477	
Loans, net	4,566,911	
Total deposits	5,178,980	
Borrowings	592,767	
Shareholders equity	816,555	
Allowance for loan losses	62,500	

(1) See Note 1 in Notes to Unaudited Pro Forma Summary of Selected Consolidated Financial Data on page 26.

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NOTES TO UNAUDITED PRO FORMA SUMMARY OF SELECTED

CONSOLIDATED FINANCIAL DATA

(Dollars in Thousands, Except Per Share Amounts)

(1) This table assumes the issuance of 2,737,906 shares of First Merchants common stock, which represents an assumed 3,029,662 shares of Ameriana Bancorp common stock outstanding (the number outstanding on June 26, 2015) multiplied by the conversion ratio of 0.9037.

(2)

To record goodwill generated from the acquisition.		
Purchase Price:		
Ameriana Bancorp shares outstanding		3,029,662
Conversion ratio		0.9037
First Merchants stock issued		2,737,906
First Merchants stock price at 6/26/2015	$	25.13
Purchase Price	$	68,803,578
Outstanding employee stock options		62,622
Average Ameriana Bancorp stock price less exercise price	$	10.66
Cash paid for employee stock options	$	667,551
Total Purchase Price	$	69,471,129

	(Dollars in thousands)	
Total Purchase Price	$	69,471
Allocated to:		
Historical book value of Ameriana Bancorp s assets and liabilities		41,439
Ameriana Bancorp s estimated transaction costs, net of tax		(4,282)
Adjusted book value of Ameriana Bancorp	$	37,157
Adjustments to record assets and liabilities at fair value:		
Loans, fair value mark	$	(4,096)
Loans, interest rate mark		(7,158)
Eliminate Ameriana Bancorp s allowance for loan losses		3,904
Premises and equipment		(2,250)
Core deposits intangible		3,200
Other real estate owned		(1,000)

Eliminate Ameriana Bancorp s goodwill		(656)
Eliminate Ameriana Bancorp s intangibles		(540)
Deferred taxes		1,869
Borrowings		2,600
Total allocation	$	(4,127)
Goodwill	$	36,441

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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 123.

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 Ameriana Bancorp will depend on a number of factors, including, but not limited to, the merged company s ability to:

- integrate Ameriana Bancorp s operations with the operations of First Merchants;
- maintain existing relationships with First Merchants depositors and Ameriana Bancorp s depositors to minimize withdrawals of deposits subsequent to the acquisition;
- maintain and enhance existing relationships with borrowers of First Merchants and Ameriana Bancorp;
- 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 Ameriana Bancorp, and in nearby communities.

First Merchants failure to successfully integrate Ameriana Bancorp into its business may adversely affect its financial condition and results of operations.

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

If the Merger is completed, Ameriana Bancorp shareholders will receive a number of shares of First Merchants common stock based on a fixed Exchange Ratio of 0.9037 shares of First Merchants common stock for each share of Ameriana Bancorp 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 River Branch is dated June 26, 2015. Changes in the operations and prospects of First Merchants and Ameriana Bancorp, general market and economic conditions and other factors which are both within and outside of the control of First Merchants and Ameriana Bancorp, 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.

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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.

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 June 30, 2015, approximately 65% 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 Ameriana Bancorp 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 Ameriana Bancorp 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 Ameriana Bancorp 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 June 30, 2015, First Merchants had $38.6 million and Ameriana Bancorp had $4.5 million in non-performing loans. As of December 31, 2014, First Merchants had $50.8 million and Ameriana Bancorp had $4.4 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;

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- money supply;
- international disorders;
- instability in domestic and foreign financial markets; and
- other factors beyond the merged company s control.

Each of First Merchants and Ameriana Bancorp 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 Ameriana Bancorp and First Merchants may decline; and
- collateral for loans made by Ameriana Bancorp 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 119. 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 Ameriana Bancorp 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. Ameriana Bancorp expects to incur approximately $1,650,000 in Merger-related expenses and First Merchants expects to incur approximately $650,000 in Merger-related expenses, which include legal, accounting and financial advisory expenses and which excludes any termination fees, if applicable. These expenses could have a material adverse impact on the financial condition of First Merchants and Ameriana Bancorp 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 Ameriana Bancorp.

The Merger Agreement with First Merchants is subject to a number of conditions which must be fulfilled in order to close. Those conditions include: Ameriana Bancorp 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.

In addition, certain circumstances exist where Ameriana Bancorp may choose to terminate the Merger Agreement, including the acceptance of a superior acquisition proposal. See THE MERGER Exchange of Ameriana Bancorp Common Stock for a more complete discussion of the consideration to be paid in the Merger and THE MERGER AGREEEMENT 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 Ameriana Bancorp, including:

- Ameriana Bancorp 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

- Ameriana Bancorp 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 Ameriana Bancorp due to its acceptance of a superior acquisition proposal or by First Merchants due to the failure of Ameriana Bancorp 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 Ameriana Bancorp has agreed pay to First Merchants a $1,500,000 termination fee. The payment of the termination fee could have a material adverse effect on Ameriana Bancorp s financial condition, and there can be no assurance that Ameriana Bancorp 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 Ameriana Bancorp.

Until the completion of the Merger, with some exceptions, Ameriana Bancorp 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, Ameriana Bancorp has agreed to pay a termination fee of $1,500,000 to First Merchants if the Ameriana Bancorp Board of Directors does not recommend approval of the Merger Agreement to the Ameriana Bancorp shareholders by reason of a superior acquisition proposal. These provisions could discourage other companies from trying to acquire Ameriana Bancorp even though such other companies might be willing to offer greater value to Ameriana Bancorp 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 Ameriana Bancorp 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 Ameriana Bancorp or First Merchants currently.

Upon completion of the Merger, holders of Ameriana Bancorp common stock will become holders of First Merchants common stock. First Merchants business differs in important respects from that of Ameriana Bancorp, 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 Ameriana Bancorp. 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, 2014, 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 123.

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

Ameriana Bancorp s shareholders currently have the right to vote in the election of the Ameriana Bancorp Board of Directors and on other matters affecting Ameriana Bancorp. When the Merger occurs, each Ameriana Bancorp 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 Ameriana Bancorp. Because of this, Ameriana Bancorp s shareholders will have less influence over the management and policies of First Merchants than they now have over the management and policies of Ameriana Bancorp.

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 Reserve Board and the OCC. 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 Ameriana Bancorp s directors and executive officers have interests in the Merger that may differ from the interests of Ameriana Bancorp s shareholders.

Ameriana Bancorp shareholders should be aware that some of Ameriana Bancorp s executive officers and directors have interests in the Merger and have arrangements that are different from, or in addition to, those of Ameriana Bancorp shareholders generally. Ameriana Bancorp 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 Ameriana Bancorp shareholders vote in favor of approving the Merger Agreement.

For a more complete description of these interests, see THE MERGER Interests of Certain Persons in the Merger on page 60.

Ameriana Bancorp 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 Ameriana Bancorp or First Merchants. These uncertainties may impair Ameriana Bancorp 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 Ameriana Bancorp or First Merchants to seek to change existing business relationships with Ameriana Bancorp or First Merchants. Retention of certain employees by Ameriana Bancorp or First Merchants may be challenging while the Merger is pending, as certain employees may experience uncertainty about their future roles with Ameriana Bancorp 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 Ameriana Bancorp or First Merchants, Ameriana Bancorp s and/or First Merchants business could be harmed. In addition, subject to certain exceptions, each of Ameriana Bancorp 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 66 for a description of the restrictive covenants applicable to Ameriana Bancorp and First Merchants while the Merger is pending.

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

Upon completion of the Merger, Ameriana Bancorp 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 Ameriana Bancorp common stock may be different from the rights associated with First Merchants common stock. Please see COMPARISON OF COMMON STOCK beginning on page 114 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 Ameriana Bancorp common stock.

Ameriana Bancorp 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 and Ameriana Bancorp will, as a condition to closing, each obtain an opinion from their respective legal counsel that the Merger will constitute a reorganization for federal tax purposes. These opinions do not bind the IRS or prevent the IRS from adopting a contrary position. If the Merger fails to qualify as a reorganization, you generally would recognize gain or loss on each share of Ameriana Bancorp common stock 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. Furthermore, if the Merger fails to qualify as a reorganization, there may be additional tax consequences Ameriana Bancorp and its shareholders associated with the deemed sale by Ameriana Bancorp of its assets to First Merchants, which could result in corporate level gains and associated taxes.

Pending litigation against First Merchants and Ameriana Bancorp could result in an injunction preventing the completion of the merger or a judgment resulting in the payment of damages.

In connection with the Merger, an Ameriana Bancorp shareholder has filed a putative shareholder class action lawsuit against Ameriana Bancorp, the members of the Ameriana Bancorp board of directors and First Merchants. Among other remedies, the plaintiff seeks to enjoin the merger. The outcome of any such litigation is uncertain. If the case is not resolved, the lawsuit could prevent or delay completion of the Merger and result in substantial costs to Ameriana Bancorp and First Merchants, including any costs associated with the indemnification of directors and officers. Additional lawsuits may be filed against Ameriana Bancorp, First Merchants and/or the directors and officers of either company in connection with the Merger. The defense or settlement of any lawsuit or claim that remains unresolved at the time the Merger is completed may adversely affect Ameriana Bancorp s and First Merchants business, financial condition, results of operations and cash flows. See THE MERGER Litigation Relating to the Merger.

THE AMERIANA BANCORP SPECIAL MEETING

Special Meeting of Shareholders of

Ameriana Bancorp

General Information

We are furnishing this document to the shareholders of Ameriana Bancorp in connection with the solicitation by the Board of Directors of Ameriana Bancorp of proxies for use at the Ameriana Bancorp special meeting of shareholders to be held on December 7, 2015, at 1:00 p.m., local time, at Ameriana Bank Greenfield Banking Center, 1810 North State Street, Greenfield, Indiana 46140. This document is first being mailed to Ameriana Bancorp shareholders on October 19, 2015, and includes the notice of Ameriana Bancorp 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 Ameriana Bancorp will merge with and into First Merchants and, immediately thereafter, Ameriana Bank will merge with and into First Merchants Bank.

2. *Adjournment Proposal.* To approve one (1) or more adjournments of the Ameriana Bancorp special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal.

3. *Merger-Related Compensation Proposal.* To vote on a proposal, on an advisory (non-binding) basis, of compensation that may become payable to certain executive officers of Ameriana Bancorp in connection with the Merger (the Merger-Related Compensation Proposal).

4. *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, Ameriana Bancorp 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 63.

Vote Required

Approval of the Merger Proposal requires the affirmative vote of at least a majority of the outstanding shares of Ameriana Bancorp common stock. Approval of the Adjournment Proposal only requires the affirmative vote of at least a majority of the shares of Ameriana Bancorp common stock voting at the meeting, in person or by proxy, so long as a quorum is present. Ameriana Bancorp has fixed October 7, 2015, as the record date for determining those

Ameriana Bancorp shareholders entitled to notice of, and to vote at, the special meeting. Accordingly, if you were an Ameriana Bancorp shareholder of record at the close of business on October 7, 2015, you will be entitled to notice of and to vote at the special meeting. Each share of Ameriana Bancorp 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 October 7, 2015, there were 3,043,262 shares of Ameriana Bancorp common stock outstanding held by approximately 921 shareholders of record.

Voting Agreement

As of the record date, Ameriana Bancorp s Board of Directors and certain executive officers had voting power with respect to an aggregate of 167,621 shares of Ameriana Bancorp common stock outstanding, representing 5.5% of the outstanding shares on that date. Such executive officers and each member of the Board of Directors of Ameriana Bancorp entered into a voting agreement with First Merchants to cause all shares of Ameriana Bancorp 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 69.

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Proxies

If you are an Ameriana Bancorp shareholder, you should have received a proxy card for use at the Ameriana Bancorp special meeting with this proxy statement and prospectus. The accompanying proxy card is for your use in voting at the special 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 Ameriana Bancorp 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, **FOR** approval of the proposal to adjourn the special meeting to allow extra time to solicit proxies, if necessary or appropriate, **FOR** approval of the Merger-Related Compensation Proposal, and **FOR** such other business which may properly be presented at the special meeting or any adjournment or postponement of the special meeting.

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 Ameriana Bancorp at or prior to the special meeting a written notice of revocation addressed to Ameriana Bancorp, 2118 Bundy Avenue, New Castle, Indiana 47362, Attention: Nicole Weaver, Corporate Secretary; or

- delivering to Ameriana Bancorp 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 Ameriana Bancorp common stock, abstentions will have the same effect as voting AGAINST approval of the Merger Proposal. Accordingly, your Board of Directors urges all Ameriana Bancorp 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 or the Merger-Related Compensation Proposal since they only require a majority of the shares of Ameriana Bancorp common stock voting at the meeting. You should not send stock certificates with your proxy card.

Solicitation of Proxies

Ameriana Bancorp will bear the entire cost of soliciting proxies from and mailing proxies to its shareholders in connection with the Ameriana Bancorp 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 Ameriana Bancorp, 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 Ameriana Bancorp Board of Directors

Ameriana Bancorp s Board of Directors has unanimously approved the Merger Agreement. Ameriana Bancorp s Board of Directors believes that the Merger is fair to and in the best interests of Ameriana Bancorp and its shareholders. The Board unanimously recommends that the Ameriana Bancorp shareholders vote **FOR** approval of the Merger Proposal, **FOR** approval of the proposal to adjourn the special meeting to allow extra time to solicit proxies, if necessary or appropriate, **FOR** approval of the Merger-Related Compensation Proposal, and **FOR** such other business which may properly be presented at the special meeting or any adjournment or postponement of the special meeting. See THE MERGER Ameriana Bancorp s Reasons for the Merger on page 45.

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Other Matters

The special meeting of Ameriana Bancorp shareholders has been called for the purposes set forth in the Notice to Ameriana Bancorp 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 Ameriana Bancorp 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.

Beneficial Ownership of Ameriana Bancorp Common Stock by Certain Shareholders

The following table shows, as of August 7, 2015, the beneficial ownership of Ameriana Bancorp common stock of each person who beneficially owns more than five percent (5%) of Ameriana Bancorp s outstanding common stock, each Ameriana Bancorp director, each of the executive officers of Ameriana Bancorp and/or Ameriana 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.

Beneficial Owner	Number of Shares Owned (excluding options)	Number of Shares That May be Acquired Within 60 Days by Exercising Options	Percent of Common Stock (1)
Directors			
Michael E. Bosway	4,281		*
Jennifer P. Bott	200	100	*
Jerome J. Gassen	39,979	6,500	1.3%
R. Scott Hayes	30,632	1,800	1.0%
Charles R. Haywood		300	*
Richard E. Hennessey	14,732	5,300	*
Michael E. Kent	34,532		1.1%
William F. McConnell, Jr.	1,000	300	*
Ronald R. Pritzke	28,854	5,300	*
Michael W. Wells		300	*
Named Executive Officers Who Are Not Also Directors			
John J. Letter	10,655	3,100	*
Deborah C. Robinson	2,756	4,100	*
All Directors and Executive Officers as a Group (14 persons)	170,907	29,200	5.6%

Financial Edge Fund, L.P. Financial Edge-Strategic Fund, L.P. PL Capital/Focused Fund, L.P. PL Capital, LLC PL Capital Advisors, LLC Goodbody/PL Capital, L.P. Goodbody/PL Capital, LLC John W. Palmer Richard J. Lashley 20 East Jefferson Avenue, Suite 22 Naperville, Illinois 60540	287,762 (2)	9.5%
Jeffrey L. Gendell Tontine Financial Partners, L.P. Tontine Management, L.L.C. 55 Railroad Avenue, 3rd Floor Greenwich, Connecticut 06830	227,824 (3)	7.5%

(footnotes appear on following page)

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* Less than 1% of shares outstanding.

(1) Based upon 3,043,262 shares of Company common stock outstanding, plus, for each individual or group, the number of shares of Company common stock that each individual or group may acquire through the exercise of options within 60 days of October 1, 2015.

(2) Based on information contained in a Schedule 13D/A filed with the SEC on March 27, 2013, which indicates beneficial ownership of: 151,610,29,438 and 33,261 shares by Financial Edge Fund, L.P., PL Capital/Focused Fund, L.P. and Financial Edge-Strategic Fund, L.P., respectively, whose general partner is PL Capital, LLC of which Messrs. Palmer and Lashley are the managing members and share voting and dispositive power with Financial Edge Fund and Financial Edge-Strategic Fund over such shares; and 53,453 shares held by Goodbody/PL Capital, L.P. whose general partner is Goodbody/PL Capital, LLC of which Messrs. Palmer and Lashley are the managing members and share voting and dispositive power with Goodbody/PL Capital, LLC over such shares. Mr. Palmer and Mr. Lashley are also the managing members of PL Capital Advisors, LLC, which holds shared voting and dispositive power over 287,762 shares, the investment advisor to Financial Edge Fund, L.P., PL Capital/Focused Fund, L.P., Financial Edge-Strategic Fund, L.P. and Goodbody/PL Capital, L.P.

(3) Based on information contained in a Schedule 13G/A filed with the SEC on February 13, 2015.

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MERGER PROPOSAL

Ameriana Bancorp is asking its shareholders to approve the Merger Proposal. Holders of Ameriana Bancorp 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 Ameriana Bancorp unanimously approved and adopted the Merger Agreement and determined it to be advisable and in the best interest of Ameriana Bancorp and its shareholders. See THE MERGER Ameriana Bancorp s Reasons for the Merger; Recommendation of Ameriana Bancorp s Board of Directors included elsewhere in this proxy statement and prospectus for a more detailed discussion of the Ameriana Bancorp Board of Directors recommendation.

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

ADJOURNMENT PROPOSAL

The Ameriana Bancorp 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 Ameriana Bancorp special meeting to approve the Merger Proposal.

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

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

The Board of Directors of Ameriana Bancorp unanimously recommends a vote FOR the Adjournment Proposal.

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MERGER-RELATED COMPENSATION PROPOSAL

In accordance with Section 14A of the Exchange Act, Ameriana Bancorp is providing its shareholders with the opportunity to cast an advisory (non-binding) vote on certain compensation that may become payable to its named executive officers that is based on or otherwise relates to the Merger, the value of which is set forth in the table included in the section of this proxy statement and prospectus entitled THE MERGER Merger-Related Compensation for Ameriana Bancorp s Named Executive Officers. As required by Section 14A of the Exchange Act, and the applicable SEC rules issued thereunder, Ameriana Bancorp is asking its shareholders to vote on the approval of the following resolution:

RESOLVED, that the compensation that may be paid or become payable to Ameriana Bancorp s named executive officers that is based on or otherwise relates to the Merger, as disclosed in the table and associated narrative discussion in the section of the proxy statement and prospectus entitled THE MERGER Merger-Related Compensation for Ameriana Bancorp s Named Executive Officers, is hereby APPROVED.

The affirmative vote of the holders of a majority of the votes cast on the Ameriana Bancorp compensation proposal is required to approve the Ameriana Bancorp compensation proposal. The vote on named executive officer Merger-related compensation is a vote separate and apart from the vote on the Merger Proposal. Accordingly, an Ameriana Bancorp shareholder may vote to approve the Merger Proposal and vote not to approve the Merger-Related Compensation Proposal and vice versa.

Because the vote on named executive officer Merger-related compensation is advisory in nature only, it will not be binding on either Ameriana Bancorp or First Merchants. Accordingly, because Ameriana Bancorp is contractually obligated to pay the compensation described in the section of this proxy statement and prospectus entitled THE MERGER Merger-Related Compensation for Ameriana Bancorp s Named Executive Officers , such compensation will be payable, subject only to the conditions applicable thereto, if the Merger is approved and the Merger is completed, regardless of the outcome of the advisory vote.

The Board of Directors of Ameriana Bancorp unanimously recommends a vote FOR the Merger-Related Compensation Proposal.

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THE MERGER

At the special meeting, the shareholders of Ameriana Bancorp 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 unanimously approved by each of Ameriana Bancorp s and First Merchants Boards of Directors, Ameriana Bancorp will merge with and into First Merchants and the separate corporate existence of Ameriana Bancorp will cease. Immediately following the Merger, Ameriana Bank will merge with and into First Merchants Bank and Ameriana 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 Ameriana Bancorp Common Stock

The Merger Agreement provides that Ameriana Bancorp shareholders will have the right, with respect to each of their shares of Ameriana Bancorp common stock, to receive, without interest, 0.9037 shares (the Exchange Ratio) of First Merchants common stock. The number of shares of First Merchants Common Stock issuable to each Ameriana Bancorp shareholder shall be rounded to the nearest thousandth of a share.

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 Ameriana Bancorp 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.

Immediately prior to the Merger, each outstanding stock option to purchase Ameriana Bancorp common stock will be converted into the right to receive cash in an amount equal to the average closing price of Ameriana Bancorp common stock for the ten (10) trading days preceding the fourth calendar day prior to the date of the Merger less the applicable exercise price.

If you are an Ameriana Bancorp shareholder and you receive First Merchants common stock as Merger Consideration for your shares of Ameriana Bancorp common stock, the implied 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 per share value of the stock consideration, based upon First Merchants closing stock price on September 30, 2015, the most recent practicable trading day before this proxy statement and prospectus was finalized, was $23.70 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 Ameriana Bancorp 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 Ameriana Bancorp common stock in exchange for old certificates (or shares in book entry form) representing shares of Ameriana Bancorp 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 Ameriana Bancorp common stock. The letter of transmittal will contain instructions for use in effecting the surrender of Ameriana Bancorp 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 Ameriana Bancorp 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 the old certificate will be canceled.

Until you surrender your Ameriana Bancorp 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 Ameriana Bancorp 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 Ameriana Bancorp of any shares of Ameriana Bancorp common stock.

If a certificate for Ameriana Bancorp 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 Ameriana Bancorp s shareholder with all procedures historically required by Ameriana Bancorp 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

The management and Board of Directors of Ameriana Bancorp have regularly reviewed Ameriana Bancorp s strategic and financial prospects, and have, from time to time, considered various opportunities for increasing the long-term value for its shareholders. In connection with such consideration, in November 2013, the management and the Board of Directors of Ameriana Bancorp requested that River Branch Capital LLC (River Branch) make a presentation covering various topics, including the market for bank stocks, the operating environment and the market for mergers and acquisitions, in each case with a specific focus on the Indiana marketplace.

River Branch made an additional presentation to Ameriana Bancorp s Board of Directors in June 2014. River Branch updated Ameriana Bancorp s Board of Directors on recent stock market and bank performance, with a focus on peer banks in Indiana. River Branch updated Ameriana Bancorp s Board of Directors on the merger market, including a discussion of a recently announced bank transaction in Indiana. The presentation outlined potential targets for Ameriana Bancorp to consider acquiring and likely acquirers for Ameriana Bancorp.

On August 8, 2014, Jerome J. Gassen, President and Chief Executive Officer of Ameriana Bancorp, met with the chief executive officer of Company A, a larger bank holding company headquartered outside of Indianapolis. The purpose of this meeting was to discuss each company s operations, strategy and the merger and acquisition environment.

During August 2014, the management and the Board of Directors of Ameriana Bancorp received a written presentation from one (1) of its larger institutional shareholders that summarized the state of the banking industry, Ameriana Bancorp s operating results and stock price performance, the merger and acquisition landscape for banks and potential strategic alternatives for Ameriana Bancorp to consider.

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On August 24, 2014, Ameriana Bancorp entered into a written engagement letter with River Branch to act as its financial adviser to explore the potential sale of the company.

On August 25, 2014, Ameriana Bancorp s Board of Directors met to discuss the information that had been presented by River Branch and the written materials submitted by its shareholder. Ameriana Bancorp s Board of Directors considered: (1) the advantages and disadvantages of continuing to implement its current business strategy and remaining independent; (2) the opportunities for Ameriana Bancorp to expand its operations through acquisitions (noting two (2) recent merger announcements for smaller Indiana institutions, acknowledging the growing scarcity of attractive acquisition candidates); and (3) seeking indications of interest from potential acquirers. Ameriana Bancorp s Board of Directors determined to engage River Branch to assist in the process for identifying potential acquirers and obtaining non-binding indications of interest.

On September 8, 2014, Ameriana Bancorp entered into a confidentiality agreement with Company A and on September 16, 2014, Company A was provided access to a virtual data room and Company A began to conduct its due diligence.

On October 20, 2014, Company A verbally indicated a willingness to acquire Ameriana Bancorp in exchange for a mixed consideration of cash and stock with a range of value of $20.00 $21.00 per share.

On October 27, 2014, Ameriana Bancorp s Board of Directors met with River Branch to receive an update on the bank stock market and the merger and acquisition market. The presentation included an in depth analysis of the two (2) recent merger announcements for smaller Indiana institutions. River Branch provided a list of thirteen (13) potential acquisition partners for Ameriana Bancorp, but noted that four (4) of them (including Company A and First Merchants) were most likely to complete a transaction with Ameriana Bancorp. Each of the four (4) institutions was discussed in detail, including an overview of their business, branch franchise, loan composition, management, financial and stock performance and shareholder base. River Branch estimated, based on publicly available information, how much it believed each party could pay to acquire Ameriana Bancorp and how such prices compared to the pricing metrics against the two (2) recently announced Indiana transactions. River Branch explained the estimated timing for a transaction. The Board instructed Mr. Gassen to continue discussions with the management of Company A.

On November 20, 2014, Company A sent a written indication of interest, indicating a willingness to acquire Ameriana Bancorp in exchange for a mixed consideration of eighty percent (80%) stock and twenty percent (20%) cash at a value of $22.00 per share. The indication of interest also included that one (1) representative from Ameriana would serve on Company A s holding company and bank boards of directors. On November 25, 2014, Ameriana Bancorp s Board of Directors met to discuss the terms of the indication of interest, including Company A s request for an exclusive period of negotiations. As part of the Ameriana Bancorp s Board of Directors consideration, River Branch presented the Ameriana Bancorp s Board of Directors with a list of nine (9) other potential acquisition partners noting their capacity to pay based on similar estimates as used by Company A and their potential interest in Ameriana Bancorp and likely willingness to enter into a transaction. Legal counsel discussed with Ameriana Bancorp s Board of Directors its fiduciary duties under Indiana law in the context of a change in control. Ameriana Bancorp s Board of Directors authorized management to negotiate a 30-day exclusivity agreement with Company A, which was executed by the parties on November 28, 2014. During this time, Company A continued to conduct its due diligence.

On December 3, 2014, a draft of the merger agreement was provided by Company A. On December 10, 2014, Company A lowered its offer to $21.14 per share.

On December 15, 2014, Ameriana Bancorp s Board of Directors met to discuss the revised offer. River Branch discussed four (4) other parties that were potential suitors, two (2) of which (including First Merchants) were the most likely to be interested in pursuing a transaction and had the capacity to pay a competitive price. River Branch provided an analysis of the price that it estimated, based on publicly available information, each of

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the four (4) potential bidders could offer for Ameriana Bancorp. Ameriana Bancorp s Board of Directors decided that, based on the revised offer, it did not want to proceed exclusively with Company A and advised River Branch that, following the expiration of the exclusivity agreement on December 27, 2014, to contact the two (2) additional parties identified at the meeting that were most likely to have an interest.

In early January 2015, River Branch contacted Company B, a larger regional bank holding company, and First Merchants about their interest in pursuing a transaction with Ameriana Bancorp. Both parties were interested and executed confidentiality agreements in January 2015.

On February 13, 2015, Company B verbally indicated a willingness to acquire Ameriana Bancorp with a range of value of $19.00 $20.00 per share.

On February 27, 2015, First Merchants verbally indicated a willingness to acquire Ameriana Bancorp with a range of value of $21.50 $23.00 per share.

During this time period, the management of Company A and Ameriana Bancorp had continued discussions and on March 17, 2015, Company A submitted a revised indication of interest increasing the exchange ratio in the transaction such that the value of its offer increased to $21.41 per share.

On March 25, 2015, First Merchants narrowed its range to $21.00 $22.00 per share. Following conversations between the parties financial advisors, on March 29, 2015, First Merchants revised its proposal to $21.50 $22.50 per share.

Ameriana Bancorp s Board of Directors met on March 30, 2015 to discuss the revised offer it had received from Company A and the offers from First Merchants and Company B. Following the meeting, at which the offers and the companies and their currencies were discussed in detail with River Branch, Ameriana Bancorp s Board of Directors instructed River Branch to contact Company A and First Merchants to clarify certain aspects of their offers. Based on those conversations, First Merchants offered to pay Ameriana Bancorp shareholders a price of $22.25 per share, seventy percent (70%) of which would consist of stock and thirty percent (30%) of which would be paid in cash. Company A proposed a mechanism under which Ameriana Bancorp shareholders would receive no less than $21.50 per share at the time of the signing of the merger agreement either by increasing the cash or stock consideration if necessary.

Ameriana Bancorp s Board of Directors met on April 2, 2015 to discuss the two (2) proposals. At the time of the meeting, the implied value of the proposal by Company A was $21.88 per share, based upon Company A s stock price. While noting the nominal difference between the two (2) proposals, Ameriana Bancorp s Board of Directors evaluated, among other things, the greater dividend accretion from Company A, the advantages of partnering with an out of market acquirer who was committed to utilizing Ameriana Bancorp s franchise as a building block to increase its investment in Indianapolis, the ability of Company A, which had already completed its diligence, to move quicker towards announcement and the inclusion of Board representation with Company A. Ameriana Bancorp s Board of Directors decided to proceed with Company A towards negotiation of a definitive merger agreement.

A revised merger agreement was provided by Company A on April 9, 2015. The parties negotiated the agreement and each of the parties completed their diligence during April 2015, with the intention of signing and announcing the execution of the merger agreement on May 4, 2015. However, on May 1, 2015, Company A notified Ameriana Bancorp that it could no longer provide a value to Ameriana Bancorp shareholders of $21.50 per share. Company A provided a revised exchange ratio, which resulted in an implied value of $20.52 per share.

On May 4, 2015, at the special meeting of Ameriana Bancorp s Board of Directors, Ameriana Bancorp s Board of Directors voted not to proceed with Company A.

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On May 7, 2015, Michael C. Rechin, the President and Chief Executive Officer of First Merchants, met with one (1) of the directors of Ameriana Bancorp with whom he had a previous relationship to gauge Ameriana Bancorp s Board of Directors receptivity to engaging in strategic discussions with First Merchants.

On May 11, 2015, Company A sent a letter to Ameriana Bancorp formally terminating negotiations.

On that same date, First Merchants delivered a written indication of interest, indicating a willingness to acquire Ameriana Bancorp in exchange for 0.6624 shares of First Merchants common stock and $6.68 for each share of Ameriana Bancorp common stock, equating to a mixed consideration of seventy percent (70%) stock and thirty percent (30%) cash. The implied value of the offer at the time of the indication of interest was $22.25 per share.

On May 12, 2015, access to Ameriana Bancorp s virtual data room was provided to First Merchants.

On May 15, 2015, the parties entered into an agreement to engage in exclusive negotiations for thirty (30) days (which would automatically be extended to forty-five (45) days if a merger agreement draft was provided within the initial 30-day period).

An initial draft of the Merger Agreement was provided on June 4, 2015. Ameriana Bancorp and its advisors reviewed and negotiated the terms of the Merger Agreement and related documents with First Merchants and its advisors over the next few weeks.

On June 17, 2015, First Merchants delivered a revised written indication of interest, indicating a willingness to acquire Ameriana Bancorp in an all-stock transaction at an exchange ratio of 0.9037 shares of First Merchants common stock for each share of Ameriana Bancorp common stock. The implied value of the offer at the time of the indication of interest was $22.06 per share.

On June 22, 2015, Mr. Gassen and representatives of Ameriana Bancorp s financial advisor conducted an interview with Michael C. Rechin, the President and Chief Executive Officer of First Merchants, and Mark K. Hardwick, the Executive Vice President and Chief Financial Officer of First Merchants, regarding First Merchant s historical and expected financial results.

On June 24, 2015, Ameriana Bancorp s Board of Directors met via telephone to review presentations by its legal counsel and River Branch, which included, among other matters, financial and corporate information on First Merchants and Ameriana Bancorp, each entity s historical stock price and performance, and valuation methodologies and analyses of the consideration offered by First Merchants. Also, Ameriana Bancorp s legal counsel presented the Merger Agreement and ancillary documents in detail. Following the presentations, Ameriana Bancorp s Board of Directors engaged in discussions about the proposed transaction, the proposed Merger Agreement and other transaction documents and the effect of the transaction on the shareholders, customers and employees of Ameriana Bancorp. Also at this meeting, River Branch reviewed with Ameriana Bancorp s Board of Directors its financial analysis of the Merger Consideration and indicated to Ameriana Bancorp s Board of Directors to the effect that, subject to various assumptions and limitations to be described in its opinion, the Merger Consideration provided for in the Merger was fair, from a financial point of view, to the shareholders of Ameriana Bancorp. Members of the Ameriana Bancorp s Board of Directors asked questions of Ameriana Bancorp s outside legal and financial advisors about the proposed transaction and their fiduciary duties to shareholders. No action was taken at this meeting. Rather, Ameriana Bancorp s Board of Directors agreed to meet at the end of the week to further discuss the transaction and, if appropriate, to vote on the Merger Agreement.

On June 25, 2015, Ameriana Bancorp and its legal and financial advisors finalized its reverse due diligence on First Merchants.

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On June 26, 2015, the Ameriana Bancorp s Board of Directors met. Ameriana Bancorp s Board of Directors engaged in discussions about the proposed transaction, the proposed Merger Agreement and other transaction documents and the effect of the transaction on the shareholders, customers and employees of Ameriana Bancorp. Also at this meeting, River Branch reviewed with Ameriana Bancorp s Board of Directors its financial analysis of the Merger Consideration and delivered to Ameriana Bancorp s Board of Directors both an oral and a written opinion dated June 26, 2015, to the effect that, as of that date and based on and subject to various assumptions and limitations described in its opinion, the Merger Consideration provided for in the Merger was fair, from a financial point of view, to the shareholders of Ameriana Bancorp. Members of the Ameriana Bancorp s Board of Directors asked questions of Ameriana Bancorp s outside legal and financial advisors about the proposed transaction and their fiduciary duties to shareholders. After further reviewing the consideration per share offered by First Merchants and after giving consideration to the other factors described under THE MERGER Ameriana Bancorp s Reasons for the Merger, the members of the Board of Directors of Ameriana Bancorp unanimously voted to approve the Merger Agreement. At the close of business on June 26, 2015, the value of the transaction to Ameriana Bancorp shareholders was $22.71 per share.

The transaction was announced before the open of the stock markets on June 29, 2015.

See THE MERGER Information about River Branch Capital LLC for a description of the fees River Branch will receive for its services to Ameriana Bancorp in connection with the Merger.

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 Ameriana Bancorp 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 Central 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 Central Indiana; and (4) will provide First Merchants with the opportunity to sell First Merchants broad array of products to Ameriana Bancorp s client base;

- its understanding of the current and prospective environment in which First Merchants and Ameriana Bancorp 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 Ameriana Bancorp;

- 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.

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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.

Ameriana Bancorp s Reasons for the Merger

In reaching the conclusion that the Merger Agreement is in the best interests of and advisable for Ameriana Bancorp and its shareholders, and in approving the Merger Agreement, Ameriana Bancorp s Board of Directors consulted with senior management, its legal counsel and its financial advisor and considered a number of factors, including, among others, the following, which are not presented in order of priority:

- the business strategy and strategic plan of Ameriana Bancorp, its prospects for the future and projected financial results;

- the consideration offered by First Merchants, which represents: 168.8% of Ameriana Bancorp s tangible book value; 31.3x of Ameriana Bancorp s trailing twelve (12) month earnings; and a 42.6% premium over the market value of Ameriana Bancorp s common stock as of the day prior to the date of the Merger Agreement;

- the understanding of Ameriana Bancorp s Board of Directors of the strategic options available to Ameriana Bancorp and the Board of Directors assessment of those options with respect to the prospects and estimated results of the execution by Ameriana Bancorp of its business plan as an independent entity under various scenarios and the determination that none of those options or the execution of the business plan were more likely to create greater present value for Ameriana Bancorp s shareholders than the value to be paid by First Merchants;

- the challenges facing Ameriana Bancorp s management to grow Ameriana Bancorp s franchise and enhance shareholder value given current market conditions, increased operating costs resulting from regulatory initiatives and compliance mandates, interest rate pressure and competition;

- the Merger Consideration offered by First Merchants equaled or exceed the consideration that could reasonably be expected from other potential acquirers with apparent ability to consummate the acquisition of Ameriana Bancorp;

the ability of First Merchants to pay the Merger Consideration and the strength and recent performance of the First Merchants currency;

the ability of First Merchants to execute a merger transaction from a financial and regulatory perspective and its recent history of being able to successfully integrate merged institutions into its existing franchise;

the geographic fit and increased customer convenience of the expanded branch network of First Merchants;

First Merchants business, operations, financial condition, asset quality, earnings and prospects, taking into account the results of Ameriana Bancorp s due diligence review of First Merchants, and information provided by Ameriana Bancorp s financial advisor;

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- the historical stock market performance for Ameriana Bancorp and First Merchants common stock;

- the greater market capitalization, increased dividend rate and significantly increased trading liquidity of the common stock of First Merchants;

- the terms of the Merger Agreement, including the representations and warranties of the parties, the covenants, the consideration, the benefits to Ameriana Bancorp s employees and the absence of burdensome contingencies in the Merger Agreement;

- the financial analysis presented by River Branch to the Ameriana Bancorp s Board of Directors, and the opinion delivered to the Ameriana Bancorp s Board of Directors by River Branch to the effect that, as of the date of the opinion, and subject to and based on the qualifications and assumptions set forth in the opinion, the Merger Consideration to be received by the holders of common stock of Ameriana Bancorp in the Merger is fair, from a financial point of view, to such shareholders;

- the likelihood of expeditiously obtaining the necessary regulatory approval without unusual or burdensome conditions; and

- the long-term and short-term interests of Ameriana Bancorp and its shareholders, the interests of the employees, customers, creditors and suppliers of Ameriana Bancorp, and community and societal considerations, including those of the communities in which Ameriana Bancorp maintains offices;

- the wider array of financial products and services that would be available to customers of Ameriana Bancorp and the communities served by Ameriana Bancorp; and

- the Merger will generally allow shareholders to defer recognition of taxable gain, to the extent they receive First Merchants common stock.

The Ameriana Bancorp Board of Directors also considered a number of potential risks and uncertainties associated with the Merger in connection with its deliberation of the proposed transaction, including, without limitation, the following:

- the potential risk of diverting management attention and resources from the operation of Ameriana Bancorp s business and towards the completion of the Merger;

- the restrictions on the conduct of Ameriana Bancorp s business prior to the completion of the merger, which are customary for public company merger agreements involving financial institutions, but which, subject to specific exceptions, could delay or prevent Ameriana Bancorp from undertaking business opportunities that may arise or any other action it would otherwise take with respect to the operations of Ameriana Bancorp absent the pending Merger;

the potential risks associated with achieving anticipated cost synergies and savings and successfully integrating Ameriana Bancorp s business, operations and workforce with those of First Merchants;

the Merger-related costs;

the larger number of potentially terminated employees due to entering into a transaction with an in-market financial institution with significant branch overlap;

the fact that the interests of certain of Ameriana Bancorp s directors and executive officers may be different from, or in addition to, the interests of Ameriana Bancorp s other shareholders as described under the heading THE MERGER Interests of Ameriana Bancorp s Directors and Executive Officers in the Merger ;

that, while Ameriana Bancorp expects that the Merger will be consummated, there can be no assurance that all conditions to the parties obligations to complete the Merger Agreement will be satisfied, including the risk that necessary regulatory approvals or the Ameriana Bancorp shareholder approval might not be obtained and, as a result, the Merger may not be consummated;

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the risk of potential employee attrition and/or adverse effects on business and customer relationships as a result of the pending Merger;

the fact that: (1) Ameriana Bancorp would be prohibited from affirmatively soliciting acquisition proposals after execution of the Merger Agreement; and (2) Ameriana Bancorp would be obligated to pay to First Merchants a termination fee if the Merger Agreement is terminated under certain circumstances, which may discourage other parties potentially interested in a strategic transaction with Ameriana Bancorp from pursuing such a transaction; and

the other risks described under the heading RISK FACTORS.

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

The Board of Directors of Ameriana Bancorp unanimously approved the Merger Agreement and recommends that Ameriana Bancorp s shareholders vote **FOR** the approval of the Merger Proposal, **FOR** the Adjournment Proposal and **FOR** the Merger-Related Compensation Proposal. Ameriana Bancorp shareholders should be aware that Ameriana Bancorp s directors and executive officers have interests in the Merger that are different from, or in addition to, those of other Ameriana Bancorp shareholders. The Board of Directors of Ameriana Bancorp 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 Ameriana Bancorp. See Interests of Ameriana Bancorp s Directors and Executive Officers in the Merger.

This summary of the reasoning of the Board of Directors of Ameriana Bancorp 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 River Branch Capital LLC

Opinion of Ameriana Bancorp s Financial Advisor

By letter dated August 24, 2014, Ameriana Bancorp retained River Branch to render financial advisory and investment banking services in connection with general financial strategy and planning and to act as the exclusive financial advisor to Ameriana Bancorp in connection with a potential strategic combination. In its capacity as financial advisor, River Branch provided a fairness opinion (the River Branch Opinion) to the Board of Directors of Ameriana Bancorp (the Ameriana Board) in connection with the Merger. At the meeting of the Ameriana Board on June 26, 2015, River Branch rendered its oral opinion to the Ameriana Board (which was subsequently confirmed in writing by delivery of River Branch s written opinion dated the same date) that, based upon and subject to the various factors, assumptions and limitations set forth in such opinion, River Branch representatives experience as investment bankers, River Branch s work as described in such opinion and other factors River Branch deemed relevant, as of such date, the Merger Consideration set forth in the Merger Agreement was fair, from a financial point of view, to the holders of

Ameriana Bancorp common stock. The River Branch written opinion, dated June 26, 2015, is sometimes referred to herein as the River Branch Opinion.

The full text of the River Branch 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

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attached as Annex B to this proxy statement/prospectus and is incorporated herein by reference. The summary of the River Branch Opinion set forth herein is qualified in its entirety by reference to the full text of the opinion. Ameriana Bancorp common shareholders should read the full text of the opinion carefully and in its entirety. The River Branch Opinion is addressed to the Ameriana Board, is directed only to the fairness, from a financial point of view, of the Merger Consideration to the holders of Ameriana Bancorp 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 River Branch Opinion was reviewed and approved by the fairness opinion committee of River Branch. River Branch provided its opinion to the Ameriana Board on June 26, 2015 in connection with and for the purposes of the Ameriana Board s evaluation of the Merger. The River Branch Opinion addressed only the fairness, from a financial point of view, as of June 26, 2015, of the Merger Consideration to the holders of Ameriana Bancorp common stock. River Branch 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. River Branch 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 Ameriana Bancorp or as to the underlying decision by Ameriana Bancorp to engage in the Merger or enter into the Merger Agreement. River Branch did not express any opinion as to the fairness of the amount or nature of the compensation to be received in the Merger by Ameriana Bancorp officers, directors or employees, or class of such persons, relative to the compensation to be received in the Merger by the holders of Ameriana Bancorp common stock.

In arriving at River Branch s opinion, River Branch has, among other things:

(i) reviewed a draft dated June 23, 2015 of the Merger Agreement;

(ii) held discussions with certain senior officers, directors and other representatives and advisors of Ameriana Bancorp and certain senior officers and other representatives and advisors of First Merchants regarding certain aspects of the Merger and the past and current businesses, operations, regulatory relations, financial condition and future prospects of Ameriana Bancorp and First Merchants and the effects of the Merger thereon, and such other matters as River Branch believed necessary or appropriate to River Branch s inquiry;

(iii) reviewed certain publicly available business and financial information relating to Ameriana Bancorp and First Merchants as well as certain financial forecasts and other information and data relating to Ameriana Bancorp and First Merchants, which were provided to and/or discussed with River Branch by management of Ameriana Bancorp and First Merchants, respectively, including information relating to the potential strategic implications and operational benefits (including the amount, timing and achievability thereof) anticipated by management of Ameriana Bancorp and First Merchants to result from the Merger;

(iv) reviewed the financial terms of the Merger as set forth in the Merger Agreement in relation to, among other things: current and historical market prices and trading volumes of Ameriana Bancorp common stock and First Merchants common stock, the historical and projected earnings and other operating data of Ameriana Bancorp and First Merchants, and the capitalization and financial condition of Ameriana Bancorp and First

Merchants;

(v) compared the financial and operating performance of Ameriana Bancorp and First Merchants with publicly available information concerning certain other companies River Branch deemed relevant and reviewed the current and historical market prices of Ameriana Bancorp common stock and First Merchants common stock and certain publicly traded securities of such other companies;

(vi) considered, to the extent publicly available, the financial terms of certain other transactions that River Branch considered relevant in evaluating the Merger and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations River Branch considered relevant in evaluating those of Ameriana Bancorp and First Merchants;

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(vii) reviewed certain estimated potential pro forma financial effects of the Merger on First Merchants, including the estimated amount and timing of the cost savings and related expenses and synergies expected to result from the Merger (the Synergies) as prepared by management of First Merchants;

(viii) considered the current market environment generally and the commercial banking environment in particular; and

(ix) conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as River Branch deemed appropriate for purposes of its opinion.

In rendering its opinion, River Branch assumed and relied upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with River Branch. River Branch was not asked to and did not undertake an independent verification of any such information and River Branch did not assume any responsibility or liability for the accuracy or completeness thereof. In relying on financial analyses and forecasts provided to River Branch or derived there from, including the Synergies, River Branch assumed that such forecasts were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of Ameriana Bancorp and First Merchants to which such analyses or forecasts relate. River Branch did not express a view as to such analyses or forecasts (including the Synergies) or the assumptions on which they were based. River Branch assumed, with the Ameriana Board s consent, that the financial results (including the potential strategic implications, Synergies and operational benefits anticipated to result from the Merger) reflected in such forecasts and other information and data will be realized in the amounts and at the times projected.

River Branch did not make any independent evaluation or appraisal of the specific assets, the collateral securing assets, or the liabilities (contingent or otherwise) of Ameriana Bancorp or First Merchants or any of their subsidiaries, or the collectability of any such assets, nor was River Branch furnished with such evaluations or appraisals. River Branch representatives are not experts in the independent verification of loan and lease losses and did not make an independent evaluation of the adequacy of allowances for loan and lease losses of Ameriana Bancorp or First Merchants, nor did River Branch review any individual credit files relating to Ameriana Bancorp or First Merchants or evaluate the solvency, financial capability or fair value of Ameriana Bancorp or First Merchants under any state or federal laws relating to bankruptcy, insolvency or similar matters. River Branch assumed, with the Ameriana Board s consent and without independent verification, that the respective allowances for loan and lease losses for both Ameriana Bancorp and First Merchants are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity. River Branch representatives are not accountants and as such relied upon the reports of the independent registered public accounting firms for each of Ameriana Bancorp and First Merchants for the accuracy and completeness of the audited financial statements made available to River Branch. River Branch representatives are not legal, regulatory or tax experts and as such relied on the assessments made by advisors to Ameriana Bancorp with respect to such issues, and River Branch assumed that Ameriana Bancorp relied upon the advice of its legal counsel and other advisors as to all legal, regulatory and tax matters with respect to Ameriana Bancorp, First Merchants, the Merger and the other transactions contemplated by the Merger Agreement. River Branch assumed, with the Ameriana Board s consent, that the Merger and all related transactions will be consummated in accordance with the terms set forth in the Merger Agreement, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the Merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Ameriana Bancorp, First Merchants or on the future results of operations or financial condition of the combined entity or the contemplated benefits of the Merger, including without limitation the cost savings, revenue enhancements and related expenses expected to result from the Merger.

Representatives of Ameriana Bancorp advised River Branch, and River Branch further assumed, that the final terms of the Merger Agreement would not vary materially from those set forth in the draft reviewed by River Branch. Other than the sale of First Merchants Insurance Group effective June 12, 2015, the effects of

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which were conveyed to River Branch by First Merchants management, River Branch also assumed that there were no material changes in Ameriana Bancorp 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 River Branch. River Branch assumed in all respects material to River Branch s analysis that Ameriana Bancorp and First Merchants will remain as going concerns for all periods relevant to River Branch s analyses, that all of the representations and warranties contained in the Merger Agreement and all related agreements are and will be true and correct, and that each party to such agreements will perform all of the covenants and agreements required to be performed by such party under such agreements. River Branch also assumed, with the Ameriana Board s consent, that the Merger will qualify as a tax-free reorganization for federal income tax purposes.

The River Branch Opinion relates only to the fairness, from a financial point of view, as of the date of such opinion, to holders of Ameriana Bancorp common stock of the Merger Consideration to be received by the holders of Ameriana Bancorp common stock. River Branch did not express any opinion as to what the value of First Merchants common stock actually will be when issued pursuant to the Merger or the price or volume at which First Merchants common stock or Ameriana Bancorp will trade at any time. The River Branch Opinion did not address the relative merits of the Merger as compared to any alternative business strategies that might exist or may have been available to or considered by Ameriana Bancorp or the effect of any other transaction in which Ameriana Bancorp might engage.

The River Branch opinion was necessarily based upon information available to River Branch, and financial, economic, regulatory, market and other conditions and circumstances existing, as of the date of the opinion. Events occurring after the date hereof could materially affect the opinion. River Branch has not undertaken to and has no obligation to update, revise, reaffirm, or withdraw its opinion or otherwise comment upon events occurring after the date of the opinion.

In accordance with customary investment banking practice, River Branch employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses undertaken by River Branch in connection with rendering the River Branch Opinion. The following summary, however, does not purport to be a complete description of the financial analysis performed by River Branch. Some of the summaries of the financial analyses include information presented in tabular format. The tables are not intended to stand alone, and in order to more fully understand the financial analyses used by River Branch, the tables must be read together with the full text of each summary. Considering the data set forth herein without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of River Branch s financial analyses.

Summary of Proposal

River Branch reviewed the financial terms of the Merger. Using an exchange ratio of 0.9037 shares of First Merchants common stock for every one share of Ameriana Bancorp common stock and based on a First Merchants closing stock price on June 25, 2015 of $24.94, River Branch calculated an approximate aggregate transaction value of $68.9 million, or $22.54 per share (the Per Share Consideration). Based on Ameriana Bancorp s most recent publicly filed financial statements as of March 31, 2015, River Branch calculated the following Per Share Consideration multiples:

Price / LTM EPS	31.3x
Price / 2015 EPS(1)	28.6x
Price / 2016 EPS(2)	22.0x
Price / Book	163.9%

Price / TBV	168.8%
One Day Premium(3)	42.6%

(1) Based on Ameriana Bancorp management projections.

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(2) Based on Ameriana Bancorp management projections.
(3) Based on Ameriana Bancorp s stock price of $15.81 per share, on June 25, 2015.

First Merchants Trading Range

River Branch reviewed certain historical stock price information for First Merchants and calculated the implied transaction value per share of Ameriana Bancorp common stock, based on the volume weighted average stock price of First Merchants calculated over different periods of time, ranging from five days preceding the date of the announcement of the Merger to 180 days preceding the date of the announcement of the Merger, as shown in the following table:

Time Period	First Merchants Stock Price	Implied Transaction Value
5 Days	$ 24.61 (1)	$ 22.24
10 Days	$ 24.44 (1)	$ 22.09
20 Days	$ 24.16 (1)	$ 21.83
30 Days	$ 23.92 (1)	$ 21.61
60 Days	$ 23.55 (1)	$ 21.28
90 Days	$ 23.43 (1)	$ 21.18
180 Days	$ 22.67 (1)	$ 20.49

Source: SNL Financial.

(1) Based on volume-weighted average prices.

Ameriana Bancorp Comparable Public Company Analysis

Using publicly available information, River Branch compared selected financial and market data of Ameriana Bancorp with similar data for companies River Branch deemed comparable to Ameriana Bancorp. The comparable group consisted of Midwest exchange traded banks with assets, as of the most recently reported period, less than $1.5 billion and for which 2015 estimated earnings were available. The group was comprised of the following companies and is referred to herein as the Ameriana Comparable Group:

BankFinancial Corporation	Farmers National Banc Corp.	HopFed Bancorp, Inc.
Pulaski Financial Corp.	LCNB Corp.	Guaranty Federal Bancshares, Inc.
MutualFirst Financial, Inc.	Baylake Corp.	
Civista Bancshares, Inc. (formerly First Citizens Banc Corp.)	First Internet Bancorp	

In all instances, multiples were based on closing stock prices on June 25, 2015. For each of the following analyses performed by River Branch, financial and market data and earnings per share estimates for the selected companies were based on the selected companies filings with the SEC and information River Branch obtained from SNL Financial and S&P CapitalIQ. The multiples and ratios for each of the selected companies were based on the most recent publicly available information. Throughout River Branch s analysis the high and the low bounds of the ranges presented represented the 80th and 20th percentile values, respectively.

With respect to the Ameriana Comparable Group table below, the information River Branch presented included the following:

- net income divided by average assets, or ROAA;
- net income divided by average equity, or ROAE;
- non-interest income divided by operating revenue, or Efficiency Ratio;
- non-performing assets divided by total assets, or NPAs / Assets;

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multiple of price to book value, or Price / Book;

multiple of price to tangible book value, or Price / TBV;

multiple of price to last twelve months earnings per share, or Price / LTM EPS;

multiple of price to estimated 2015 earnings per share, or Price / 2015E EPS; and

multiple of price to estimated 2016 earnings per share, or Price / 2016E EPS.

Results of River Branch s analysis were presented for the Ameriana Comparable Group, as shown in the following table:

Ameriana Comparable Group

	Ameriana 6/25/15	Per Share Consideration	High	Median	Low
ROAA	0.45%	n/a	0.96%	0.86%	0.76%
ROAE	5.3%	n/a	9.8%	9.0%	7.1%
Efficiency Ratio	84%	n/a	65%	71%	73%
NPAs / Assets	3.6%	n/a	1.0%	1.4%	1.7%
TCE / TA	8.4%	n/a	10.3%	9.3%	8.7%
Price / Book Value	n/a	1.64x	1.21x	1.16x	1.01x
Price / TBV	n/a	1.69x	1.34x	1.17x	1.15x
Price / LTM EPS	n/a	31.3x	17.4x	13.2x	11.7x
Price / 2015 EPS	n/a	28.6x	17.9x	12.8x	11.9x
Price / 2016 EPS	n/a	22.0x	18.4x	11.5x	10.6x

Based on the analysis above, River Branch then applied the range of multiples to the applicable metrics of Ameriana Bancorp. The analysis indicated the following equity values per share of Ameriana Bancorp common stock, as compared to the Per Share Consideration:

Ameriana Comparable Group Indicated Value Range

	Low High
Price / Book	$ 13.82 - $16.59
Price / TBV	$ 15.35 - $17.87
Price / LTM EPS	$ 8.42 - $12.50
Price / 2015 EPS	$ 9.40 - $14.14
Price / 2016 EPS	$ 10.85 - $18.84

Ameriana Bancorp Precedent Transaction Analysis

Using publicly available information, River Branch compared the proposed financial terms of the Merger to publicly available financial terms of a group of transactions selected by River Branch involving companies in the depository industry.

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The transactions group included 39 nationwide transactions announced since January 1, 2014 with announced target total assets between $300 million and $600 million and with target non-performing assets-to-total assets less than 5.0%. The group was comprised of the following transactions and is referred to herein as the Ameriana Precedent Group:

Buyer / Seller
Bear State Financial / Metropolitan National Bank
Home Bancorp / Louisiana Bancorp
Home BancShares / Florida Business BancGroup
Liberty Bank / Naugatuck Valley Financial
Southwest Bancorp / First Commercial Bancshares
Bank of the Ozarks / Bank of the Carolinas
Pinnacle Financial Partners, Inc./ Magna Bank
Heritage Commerce Corp/ Focus Business Bank
First Financial Bankshares / FBC Bancshares
WSFS Financial / Alliance Bancorp, Inc. of Pennsylvania
Wintrust Financial / Community Financial Shares
Ameris Bancorp / Merchants & Southern Banks of Florida
Farmers National Banc / National Bancshares
United Community Banks / MoneyTree
Cathay General Bancorp / Asia Bancshares
Stupp Bros., Inc / Southern Bancshares
ESB Bancorp MHC/ Citizens National Bancorp
Heartland Financial USA / Community Banc-Corp. of Sheboygan
Pacific Premier Bancorp / Independence Bank
First Horizon National / TrustAtlantic Financial
IBERIABANK / Florida Bank Group
Cape Bancorp / Colonial Financial Services
Old National Bancorp/ Founders Financial
Business First Bancshares / American Gateway Financial
Magnolia Banking / First National Bancshares of Hempstead County
First Midwest Bancorp / Great Lakes Financial Resources
State Bank Financial / Georgia-Carolina Bancshares
Univest Corporation of Pennsylvania / Valley Green Bank
BNC Bancorp / Harbor Bank Group
Independent Bank Group / Houston City Bancshares
Glacier Bancorp / FNBR Holding
Green Bancorp / SP Bancorp
Home BancShares / Florida Traditions Bank
CB Financial Services / FedFirst Financial
F.N.B. Corporation / OBA Financial Services
Simmons First National / Delta Trust & Banking
CVB Financial / American Security Bank
IBERIABANK Corporation/ First Private Holdings
HomeTrust Bancshares / Jefferson Bancshares

With respect to the Ameriana Precedent Group, the information River Branch presented included the following:

ROAA;

ROAE;

Efficiency Ratio;

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NPAs / Assets;

Price / Book;

Price / TBV;

Price / LTM EPS;

deal value premium over tangible common equity as a % of core deposits, or Core Deposit Premium; and

Per Share Consideration as a premium to target s stock price one day prior to announcement, or One Day Premium.

Results of River Branch s analysis were presented for the Ameriana Precedent Group, as shown in the following table:

Ameriana Precedent Group

	Ameriana 6/25/15	Per Share Consideration	High	Median	Low
ROAA	0.45%	n/a	1.10%	0.73%	0.41%
ROAE	5.3%	n/a	11.0%	6.4%	3.8%
Efficiency Ratio	84%	n/a	66%	75%	83%
NPAs / Assets	3.6%	n/a	0.6%	1.3%	2.4%
TCE / TA	8.4%	n/a	12.2%	10.7%	9.0%
Price / Book Value	n/a	1.64x	1.70x	1.40x	1.20x
Price / TBV	n/a	1.69x	1.70x	1.42x	1.30x
Price / LTM EPS	n/a	31.3x	28.6x	20.2x	15.3x
Core Deposit Premium	n/a	8.0%	11.4%	7.0%	4.7%
One Day Premium	n/a	42.6%	51.7%	25.1%	10.4%

Based on the analysis above, River Branch then applied the range of multiples to the applicable metrics of Ameriana Bancorp. The analysis indicated the following equity values per share of Ameriana Bancorp common stock, as compared to the Per Share Consideration:

Ameriana Precedent Group Indicated Value Range

	Low - High
Price / Book Value	$ 16.50 - $23.32
Price / TBV	$ 17.40 - $22.64
Price / LTM EPS	$ 11.00 - $20.60

Core Deposit Premium	$ 18.68 - $26.38
One Day Premium	$ 17.45 - $23.98

Ameriana Discounted Cash Flow Analysis

River Branch calculated a range of implied values for Ameriana Bancorp common stock by estimating the present value of cash flows Ameriana Bancorp could provide to equity holders through 2019 and a terminal value utilizing the following assumptions, among others:

financial projections from 2015 2019 provided by Ameriana Bancorp management;

maintenance of an 8.00% tangible common equity-to-tangible asset ratio;

discount rates from 14.5% to 16.5%;

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annual budget variance of (10%) to 10%; and

perpetual cash flow growth of 4.0% beginning in 2020 to calculate terminal value using the Gordon Growth Model.

The calculations resulted in a range of implied values of $7.85 to $14.91 per share of Ameriana Bancorp common stock as compared to the Per Share Consideration, as indicated in the following table:

Discount Rate	Percentage of Management Forecasted Net Income Achieved				
	90%	95%	100%	105%	110%
14.5%	$9.82	$11.01	$12.26	$13.56	$14.91
15.5%	$8.74	$9.81	$10.93	$12.09	$13.30
16.5%	$7.85	$8.82	$9.82	$10.87	$11.95

The discounted cash flow analysis is a widely used valuation methodology that relies on numerous assumptions, including asset growth rates, perpetual growth rates and discount rates, and the results of such methodology are highly dependent on these assumptions. The analysis does not purport to be indicative of the actual values or expected values of Ameriana Bancorp. In addition, the analysis relates only to the potential value achieved by Ameriana Bancorp as a stand-alone entity based on assumptions described herein. In addition, the analysis is not intended to, and does not purport to, reflect values achieved on a post-Merger basis with First Merchants.

Contribution Analysis

River Branch analyzed the relative contribution of certain balance sheet and income statement items of Ameriana Bancorp and First Merchants and compared those relative contributions to the pro forma ownership of Ameriana Bancorp and First Merchants common shareholders based on the Exchange Ratio. This analysis excluded any acquisition related accounting adjustments or cost synergies projected to be achieved through the Merger and was based on Ameriana Bancorp s and First Merchants common stock prices as of June 25, 2015. The income statement items were based on historical financial information for the twelve month period ended March 31, 2015. The results of River Branch s analysis are set forth in the following table:

	First Merchants as % of Total	Ameriana as % of Total
Total Assets	92.4%	7.6%
Gross Loans	92.4%	7.6%
Total Deposits	92.2%	7.8%
Tangible Common Equity	92.8%	7.2%
Reported Net Income (LTM)	96.7%	3.3%
2015 Estimated Net Income (1)	96.6%	3.4%
Pro Forma Ownership at Proposed Exchange Ratio	93.3%	6.7%

(1) Based on Ameriana Bancorp management projections.

Pro Forma Financial Impact Analysis

River Branch performed pro forma merger analyses combining projected income statement and balance sheet information for Ameriana Bancorp and First Merchants. Assumptions regarding the accounting treatment, acquisition related adjustments, and cost synergies were used to evaluate the pro forma financial impact the Merger would have on both Ameriana Bancorp and First Merchants. In the course of this analysis, River Branch used financial projections provided by Ameriana Bancorp management and consensus EPS estimates sourced from available research analyst reports. The analysis indicated the Merger is expected to be accretive to Ameriana Bancorp and First Merchants estimated earnings per share in 2016, along with 149% dividend accretion to Ameriana Bancorp shareholders.

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First Merchants Comparable Public Company Analysis

Using publicly available information, River Branch compared financial and market data of First Merchants with similar data for a group of peer banks which First Merchants identified in its most recent proxy statement for its annual meeting of shareholders, filed March 4, 2015, consisting of Midwest financial institutions of relatively similar size to First Merchants. The group was comprised of the following companies and is referred to herein as the First Merchants Comparable Group:

1st Source Corporation	First Commonwealth Financial	MainSource Financial Group, Inc.
Chemical Financial Corporation	First Financial Corporation	MB Financial Inc.
Community Trust Bancorp, Inc	First Midwest Bancorp, Inc.	National Penn Bancshares, Inc
F. N. B. Corporation	Heartland Financial USA, Inc	Old National Bancorp
First Busey Corporation	Independent Bank Corporation	Park National Corporation
Pinnacle Financial Partners, Inc	Republic Bancorp, Inc.	S & T Bancorp, Inc.
Stock Yards Bancorp, Inc.		

In all instances, multiples were based on closing stock prices on June 25, 2015. For each of the following analyses performed by River Branch, financial and market data and earnings per share estimates for the selected companies were based on the selected companies filings with the SEC and information River Branch obtained from SNL Financial and S&P CapitalIQ. The multiples and ratios for each of the selected companies were based on the most recent publicly available information.

With respect to the First Merchants Comparable Group, the information River Branch presented included the following:

- ROAA;
- ROAE;
- Efficiency Ratio;
- NPAs / Assets;
- Price / Book;
- Price / TBV;
- Price / LTM EPS;

Price / 2015E EPS; and

Price / 2016E EPS.

Results of River Branch s analysis were presented for the First Merchants Comparable Group, as shown in the following table:

First Merchants Comparable Group

	First Merchants	High	Median	Low
ROAA	1.10%	1.19%	0.98%	0.83%
ROAE	9.0%	9.8%	8.5%	6.9%
Efficiency Ratio	59%	57%	63%	67%
NPAs / Assets	1.1%	0.7%	0.8%	1.8%
TCE / TA	9.2%	10.7%	8.8%	8.3%
Price / Book	1.27x	1.59x	1.34x	1.23x
Price / TBV	1.81x	2.18x	1.84x	1.55x
Price / LTM EPS	14.7x	19.0x	16.5x	14.5x
Price / 2015 EPS	13.9x	16.6x	15.2x	14.5x
Price / 2016 EPS	13.3x	14.9x	14.0x	13.1x

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Based on the analysis above, River Branch then applied the range of multiples to the applicable metrics of First Merchants. The analysis indicated the following equity values per share of First Merchants common stock, as compared to the closing stock price of First Merchants on June 25, 2015 of $24.94:

First Merchants Comparable Group Indicated Value Range

	Low - High
Price / Book	$ 24.09 - $31.06
Price / TBV	$ 21.43 - $30.15
Price / LTM EPS	$ 24.61 - $32.26
Price / 2015 EPS	$ 25.91 - $29.69
Price / 2016 EPS	$ 24.58 - $28.10

First Merchants Discounted Cash Flow Analysis

River Branch calculated a range of implied values for First Merchants common stock by estimating the present value of cash flows First Merchants could provide to equity holders through 2017 and a terminal value utilizing the following assumptions, among others:

- financial projections from 2015 2017 based on consensus research analyst estimates;
- maintenance of an 8.00% tangible common equity-to-tangible asset ratio;
- discount rates from 10.5% to 12.5%;
- annual budget variance of (10%) to 10%; and
- perpetual cash flow growth of 4.0% beginning in 2018 to calculate terminal value using the Gordon Growth Model.

The calculations resulted in a range of implied values of $15.20 to $38.75 per share of First Merchants common stock as compared to the closing stock price of First Merchants on June 25, 2015 of $24.94.

Discount Rate	Percentage of Analyst Forecasted EPS Achieved Each Year				
	90%	95%	100%	105%	110%
10.5%	$19.49	$23.35	$27.81	$32.92	$38.75
11.5%	$17.06	$20.34	$24.12	$28.44	$33.38
12.5%	$15.20	$18.04	$21.30	$25.04	$29.28

The discounted cash flow analysis is a widely used valuation methodology that relies on numerous assumptions, including asset growth rates, perpetual growth rates and discount rates, and the results of such methodology are highly dependent on these assumptions. The analysis does not purport to be indicative of the actual values or expected values of First Merchants. In addition, the analysis relates only to the potential value achieved by First Merchants as a stand-alone entity based on assumptions described herein. In addition, the analysis is not intended to, and does not purport to, reflect values achieved on a post-Merger basis.

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by River Branch. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. River Branch believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions of the foregoing summary and these analyses, without considering all of its analyses as a whole, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the processes underlying the analyses and its opinion. In arriving at its opinion, River Branch did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, River Branch considered the totality of the factors and analyses performed in determining its opinion. In performing its analyses, River Branch made numerous assumptions with respect to industry performance, general business, economic, monetary, regulatory, market and other conditions and other matters, many of which are beyond Ameriana Bancorp s, First Merchants or River Branch s control. In addition, analyses based upon forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors. Accordingly, forecasts and the analyses used or performed by River Branch are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. Moreover, River Branch s analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold, and the range of valuations resulting from any particular analysis described above should not be taken to be River Branch s view of Ameriana Bancorp s or First Merchants actual value. None of the selected companies reviewed is identical to Ameriana Bancorp or First Merchants. However, the companies selected were chosen because they are publicly traded companies with operations and businesses that, for purposes of River Branch s analysis, may be considered similar to those of Ameriana Bancorp or First Merchants, as applicable. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies compared to Ameriana Bancorp or First Merchants, as applicable. The analyses of River Branch and its opinion were among a number of factors taken into consideration by the Ameriana Board in making its determination to approve the Merger Agreement, and the analyses described above should not be viewed as determinative of the decision of the Ameriana Board to approve the Merger Agreement.

As a part of its investment banking business, River Branch and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, private placements and valuations for corporate and other purposes. River Branch was selected to advise Ameriana Bancorp with respect to the Merger on the basis of such experience and its familiarity with Ameriana Bancorp.

For financial advisory services rendered in connection with the Merger, River Branch received a non-refundable cash retainer of $100,000 due at signing of the engagement letter, and a fairness opinion fee of $200,000 due upon delivery of such opinion. In addition, contingent upon the completion of the Merger, Ameriana Bancorp has agreed to pay River Branch a fee of 1.25% of the total consideration to be received by holders of Ameriana Bancorp common stock at the consummation of the Merger. In addition, Ameriana Bancorp has agreed to reimburse River Branch for certain expenses incurred in connection with its service and will indemnify River Branch for certain liabilities, including liabilities arising under the federal securities laws.

During the two years preceding the date of its opinion letter, River Branch has performed financial and strategic advisory services for Ameriana Bancorp for which it did not receive any compensation from Ameriana Bancorp, beyond the non-refundable cash retainer referenced in the previous paragraph. There are no material relationships that existed during the two years prior to the date of River Branch s opinion or that are mutually understood to be contemplated in which any compensation was received or is intended to be received as a result of a relationship between River Branch and First Merchants.

Dissenting Shareholders

The shareholders of Ameriana Bancorp are not entitled to dissenters rights under Indiana Code Section 23-1-44, as amended, because the shares of Ameriana Bancorp common stock are traded on The NASDAQ Capital Market.

Registration of First Merchants Common Stock

Shares of First Merchants common stock to be issued to Ameriana Bancorp shareholders in the Merger will be registered under the Securities Act. These shares may be traded freely without restriction by those Ameriana

Bancorp shareholders not considered to be affiliates of First Merchants under the Securities Act after the Merger is complete. At the present time, there are no persons involved in the management of Ameriana Bancorp who are anticipated to be an affiliate of First Merchants after the Merger.

Regulatory Approvals

The Merger cannot be completed until First Merchants receives necessary regulatory approvals, which include the approval of the Federal Reserve Board as to the Merger and the OCC as to the Bank Merger. First Merchants has filed an application with the OCC for approval of the Bank Merger and with the Federal Reserve Board for approval of the Merger. First Merchants cannot be certain when such approvals will be obtained or if they will be obtained.

In reviewing the applications, the federal banking regulators consider various factors including:

1. the financial and managerial resources and future prospects of First Merchants and its subsidiaries;

2. the competitive effects of the Merger and Bank Merger; and

3. the convenience and needs of the community served by Ameriana Bank.

The federal banking regulators may not approve the Merger if they find that the effect of the Merger substantially lessens competition, tends to create a monopoly or results in a restraint of trade, unless the regulators find that the anti-competitive effects of the proposed Merger are outweighed by the public interest and the probable effect of the Merger in meeting the convenience and needs of the communities to be served.

After the regulators approval is received, the Bank Merger cannot be completed for thirty (30) days. During this 30-day waiting period, the United States Department of Justice has the authority to challenge the Merger on antitrust grounds. With the approval of the regulators and the Department of Justice, the waiting period can be reduced to fifteen (15) days.

The approval of the federal banking regulators is not the opinion of the regulatory authorities that the Merger or the Bank Merger is favorable to the Ameriana Bancorp and First Merchants shareholders from a financial point of view or that the regulators have considered the adequacy of the terms of the Merger or the Bank Merger. The approvals in no way constitute an endorsement or a recommendation of the Merger or the Bank Merger by the federal banking regulators.

Effective Date of the Merger

The Merger will be consummated if the Merger Proposal is approved by the Ameriana Bancorp shareholders, all required consents and approvals are obtained and all other conditions to the Merger are either satisfied or waived. The Merger will become effective when Articles of Merger are filed with the Secretary of State of Indiana or at such later date and time as may be specified in the Articles of Merger. The closing of the Merger will likely occur in the month in which any applicable waiting period following the last approval of the Merger expires or on such other date as agreed to by the parties. We currently anticipate that the Merger will be completed during the fourth quarter of 2015 or first quarter of 2016. However, completion of the Merger could be delayed if there is a delay in obtaining the required shareholder or regulatory approvals or in satisfying the other conditions to completion of the Merger.

Ameriana Bancorp and First Merchants have the right, subject to certain conditions, to terminate the Merger Agreement if the Merger is not completed by January 31, 2016 (or March 31, 2016 if the sole impediment to closing is the lack of a necessary regulatory approval).

The NASDAQ Global Select Market Listing

First Merchants will file a notification with The NASDAQ Global Select Market regarding the issuance of First Merchants common stock in the Merger. Following the Merger, the First Merchants shares issued to Ameriana Bancorp shareholders will be listed on The NASDAQ Global Select Market.

Accounting Treatment

The Merger will be accounted for as an acquisition transaction for accounting and financial reporting purposes. As a result, Ameriana Bancorp s assets, including identified intangible assets, and liabilities will be recorded by First Merchants on its books at their fair values and added to those of First Merchants. Any excess payment by First Merchants over the fair value of the net assets and identifiable intangibles of Ameriana Bancorp will be recorded as goodwill on the financial statements of First Merchants. Conversely, any excess of the fair value of the net assets acquired over the payment made by First Merchants will be allocated as a reduction of all assets.

Registration Statement

First Merchants has filed a Registration Statement on Form S-4 with the SEC in order to register the shares of First Merchants common stock to be issued pursuant to the Merger under the Securities Act. Because First Merchants common stock is listed on The NASDAQ Global Select Market, it is exempt from the statutory registration requirements of each state in the United States. Therefore, First Merchants has not taken any steps to register its stock under state laws.

Interests of Certain Persons in the Merger

When considering the recommendation of the Board of Directors of Ameriana Bancorp, you should be aware that certain of the directors and officers of Ameriana Bancorp have interests in the Merger other than their interests as Ameriana Bancorp shareholders, pursuant to certain agreements and understandings that are set forth in the Merger Agreement. These interests are different from, or in conflict with, your interests as Ameriana Bancorp shareholders. The members of Ameriana Bancorp s Board of Directors and the First Merchants Board of Directors were aware of these additional interests, and considered them, when they approved the Merger Agreement. Except as follows, to the knowledge of Ameriana Bancorp, the officers and directors of Ameriana Bancorp do not have any material interest in the Merger apart from their interests as shareholders.

Cash Payment for Outstanding Options. Under the terms of the Merger Agreement, all Ameriana Bancorp stock options that are outstanding and unexercised at the time of the Merger, whether or not vested, will be converted into the right to receive cash in an amount equal to the average closing price of Ameriana Bancorp common stock for the ten (10) trading days preceding the fourth calendar day prior to the date of the Merger less applicable exercise price. As of October 7, 2015, the executive officers and directors of Ameriana Bancorp as a group held options to purchase an aggregate of 45,800 shares of Ameriana Bancorp common stock, including options to purchase 13,000 shares which have not yet vested. If none of such options are exercised prior to completion of the Merger, the executive officers and directors of Ameriana Bancorp, as a group will receive an aggregate of approximately $537,873.43 upon conversion of their stock options. See THE MERGER Merger- Related Compensation Payable to Ameriana Bancorp s Named Executive Officers beginning on page 61 for the amounts payable to the named executive officers.

Employment Agreements with Ameriana Bank. Ameriana Bank maintains an employment agreement with each of Jerome J. Gassen, President and Chief Executive Officer, John L. Letter, Executive Vice President and Chief Financial Officer and Deborah C. Robinson, Executive Vice President and Chief Banking Officer (each referred to as the executive), respectively. Each agreement has a thirty-six (36) month term and may be renewed by the Board of Directors of Ameriana Bank for an additional year on an annual basis. The employment agreements are terminable with or without cause by Ameriana Bank.

If the executive involuntarily separates from service or separates from service for good reason (as described in the agreements), in either case during the then current term of the employment agreement following a change in control, Ameriana Bank or the Bank will pay the executive a lump sum amount equal to 2.99 times his or her average annual compensation for the most recent five taxable years ending before the year in which the change in control occurs. Section 280G of the Internal Revenue Code provides that payments related to a change in control that equal or exceed three times an individual s base amount (defined as average annual taxable

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compensation over the five preceding calendar years) constitute excess parachute payments. If the change in control payments exceed three times the individual s base amount, the Internal Revenue Code imposes a 20% excise tax on the amount that exceeds the individual s base amount and Section 280G of the Internal Revenue Code limits the employer s deduction to the base amount. The employment agreements limit the payments made under the agreements to the executives in connection with a change in control so that the payments will not constitute excess parachute payments.

Indemnification and Continued Director and Officer Liability Coverage. From and after the effective time of the Merger, First Merchants has agreed to indemnify and hold harmless each person who is now, or who has been at any time before the effective time of the Merger, an officer or director of Ameriana Bancorp and its subsidiaries against all losses, costs, damages or expenses incurred in connection with any claim, action, suit, proceeding or investigation that is a result of matters that existed or occurred at or before the effective time of the Merger to the same extent as Ameriana Bancorp currently provides for indemnification of its officers and directors. In addition, First Merchants has agreed to provide directors and officers liability insurance coverage for a period of six (6) years following the effective time of the Merger to the officers and directors of Ameriana Bank and Ameriana Bancorp immediately before the effective time of the Merger under the directors and officers liability insurance policy currently maintained by Ameriana Bancorp or under a policy with comparable or better coverage.

Merger-Related Compensation Payable to Ameriana Bancorp s Named Executive Officers

This section sets forth the information required by Item 402(t) of Regulation S-K regarding the compensation payable to each named executive officer of Ameriana Bancorp that is based on or otherwise relates to the Merger. This compensation is referred to as golden parachute compensation by the applicable SEC disclosure rules, and in this section we use such term to describe the merger-related compensation payable to Ameriana Bancorp s named executive officers. The three (3) named executive officers of Ameriana Bancorp are Jerome J. Gassen, President and Chief Executive Officer of Ameriana Bancorp, John J. Letter, Executive Vice President, Treasurer and Chief Financial Officer of Ameriana Bancorp, and Deborah C. Robinson, Executive Vice President and Chief Banking Officer of Ameriana Bancorp. Ameriana Bancorp shareholders are being asked to approve, on a non-binding, advisory basis, such compensation for these executive officers (see Merger-Related Compensation Proposal beginning on page 38). Because the vote to approve such compensation is advisory only, it will not be binding on either Ameriana Bancorp or First Merchants. Accordingly, if the Merger is completed, the compensation will be paid (or payable) regardless of the outcome of the vote to approve such compensation, subject only to the conditions applicable thereto, which are described below.

Except as noted in the footnotes to the table, the amounts indicated below are estimates of amounts that would be payable if the Merger were consummated on September 30, 2015. See the footnotes to the table for additional information.

Golden Parachute Compensation

Name And Principal Position	Cash ($) (1)	Equity ($) (2)	Perquisites/ Benefits ($) (3)	Total ($)
Jerome J. Gassen *President and Chief Executive Officer*	$ 905,415	$ 80,530		$ 985,945

John J. Letter *Executive Vice President, Treasurer and Chief Financial Officer*	$ 385,371	$ 42,480	$ 427,851
Deborah C. Robinson *Executive Vice President and Chief Banking Officer*	$ 334,339	$ 58,600	$ 392,939

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(1) The amounts in this column represent the cash severance payable to Messrs. Gassen and Letter and Ms. Robinson under their employment agreements upon qualifying terminations of employment.
(2) The amounts in this column represent the aggregate value of the cash payment in cancellation of the Ameriana stock options, based on a per share value of $21.61, less the applicable per share exercise price.

Litigation Relating to the Merger

On July 8, 2015, a purported shareholder of Ameriana Bancorp filed a putative class action lawsuit captioned Shiva Stein, individually and on behalf of others similarly situated vs. Ameriana Bancorp et al., Cause No. 49D10-1507-PL-022566 in the Marion County, Indiana Superior Court 10 against Ameriana Bancorp, its Board of Directors and First Merchants. Plaintiff amended the complaint on September 23, 2015. The amended complaint alleges direct and derivative claims for breach of fiduciary duties by the members of the Board of Directors regarding the proposed Merger and claims against First Merchants for allegedly aiding and abetting those alleged breaches. The plaintiff seeks (1) class certification, (2) to enjoin the Merger, (3) a declaration that the Merger Agreement is unlawful and unenforceable, (4) an order directing the members of Ameriana Bancorp s Board of Directors to commence a new sales process, (5) an order rescinding the Merger Agreement, and (6) compensatory damages, expert fees, attorneys fees, and costs in an unspecified amount. At this early stage of the litigation, it is not possible to assess the probability of a material adverse outcome or reasonably estimate any potential financial impact of the lawsuit on Ameriana Bancorp. Ameriana Bancorp, its Board of Directors and First Merchants believe the claims against them are without merit and intend to contest the matter vigorously.

On September 22, 2015, a purported shareholder of Ameriana Bancorp filed a putative class action lawsuit captioned Darrell F. Ewing v. Ameriana, et al., No. 1:15-CV-01491 in U.S. District Court in the Southern District of Indiana against Ameriana Bancorp, its Board of Directors and First Merchants. The complaint generally alleges various claims of federal securities law violations and that the Directors of Ameriana Bancorp breached their fiduciary duties by providing materially inadequate disclosures and material disclosure omissions with respect to the proposed Merger. The plaintiff seeks (1) class certification, (2) to enjoin the Merger or, in the event the Merger is completed before entry of an injunction, to rescind the Merger or be awarded an unspecified amount of rescissory damages, (3) compensatory damages in an unspecified amount, and (4) costs and expenses, including attorneys and expert fees. At this early stage of the litigation, it is not possible to assess the probability of a material adverse outcome or reasonably estimate any potential financial impact of the lawsuit on Ameriana Bancorp. Ameriana Bancorp, its Board of Directors and First Merchants believe the claims against them are without merit and intend to contest the matter vigorously.

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THE MERGER AGREEMENT

The following summary highlights certain material provisions of the Merger Agreement. Because this is a summary of the Merger Agreement, it does not contain a description of all of the terms of the Merger Agreement and is qualified in its entirety by reference to the Merger Agreement. You should read carefully the entire Merger Agreement, which is attached to this document as Annex A and is incorporated herein by reference.

Description of the Merger

Under the terms and subject to the conditions of the Merger Agreement unanimously approved by each of Ameriana Bancorp s and First Merchants Boards of Directors, Ameriana Bancorp will merge with and into First Merchants and the separate corporate existence of Ameriana Bancorp will cease. Immediately following the Merger, Ameriana Bank will merge with and into First Merchants Bank and Ameriana 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.

Representations and Warranties

The Merger Agreement contains some customary representations and warranties made both by Ameriana Bancorp and First Merchants, including representations and warranties relating to:

- due organization and existence;
- corporate power and authorization to enter into the transactions contemplated by the Merger Agreement;
- capitalization;
- governmental filings, notices, authorizations, consents and approvals required in connection with the transactions contemplated by the Merger Agreement;
- third-party filings, notices, authorizations, consents and approvals required in connection with the transactions contemplated by the Merger Agreement;
- corporate books and records;
- compliance with law;
- litigation and pending proceedings;

financial statements;

absence of certain material changes or events;

absence of undisclosed liabilities;

absence of default under material contracts and agreements;

loans and investments;

employee benefits plans and plan compliance;

taxes, returns and reports;

subsidiaries;

title to assets;

certain obligations to employees;

- properties owned and leased;
- shareholder rights plans;
- indemnification agreements;
- deposit insurance with the Federal Deposit Insurance Corporation;
- reports to regulatory agencies;
- environmental matters;
- compliance with the securities laws and filings with the Securities and Exchange Commission; and
- brokerage fees.

The representations and warranties in the Merger Agreement will not survive the effective date of the Merger or the termination of the Merger Agreement. After the effective date of the Merger or termination of the Merger Agreement, neither Ameriana Bancorp and the officers and directors of Ameriana Bancorp and its subsidiaries nor First Merchants and its officers and directors will have any liability for any of their representations and warranties made in the Merger Agreement unless the Merger Agreement is terminated as a result of a willful breach, in which case the non-breaching party may recover appropriate damages from the breaching party.

Conditions to Completion of the Merger

First Merchants and Ameriana Bancorp s obligations to complete the Merger are subject to the satisfaction of the following conditions, among other things, at or prior to the effective time of the Merger:

1. the approval of the Merger Agreement at the special meeting by a majority of the issued and outstanding shares of Ameriana Bancorp common stock;
2. the receipt of all regulatory approvals required for the Merger and the Bank Merger and the expiration of any regulatory waiting periods prior to consummation of the Merger;
3. 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) must be true 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. For the purpose of the Merger Agreement, a Material Adverse Effect means any effect that (i) is material and adverse to the financial position, results of operations or business of Ameriana Bancorp and Ameriana Bank, Ameriana Insurance Agency, Inc., and Ameriana Financial Services, Inc. (collectively, the Subsidiaries) taken as a whole, or First Merchants and First Merchants Bank taken as a whole, as applicable or (ii) would materially impair the ability of Ameriana Bancorp or First Merchants, as applicable, to perform its obligations under the Merger Agreement; provided, however, that a Material Adverse Effect shall not be deemed to include the impact of (a) changes in banking and similar laws of general applicability to banks or their holding companies or interpretations thereof by courts or governmental authorities, (b) changes in generally accepted accounting principles or regulatory accounting requirements applicable to banks or their holding companies generally, (c) any modifications or changes to valuation policies and practices in connection with the Merger or restructuring charges taken in connection with the Merger, in each case in accordance with generally accepted accounting principles, (d) effects of any action taken with the prior written consent of the other party hereto, (e) changes in the general level of interest rates (including the impact on the securities portfolios of Ameriana Bancorp and Ameriana Bank, or First Merchants and First Merchants Bank, as applicable) or conditions or circumstances relating to or that affect either the United States economy, financial or securities markets or the banking industry, generally, (f) changes resulting from expenses (such as legal, accounting and investment bankers fees) incurred in connection with the Merger Agreement or the transactions contemplated therein, including without limitation payment of any amounts due to, or the provision of any benefits to, any officers or employees under agreements, plans or other arrangements in existence of or contemplated by the Merger Agreement and disclosed to First Merchants, (g) the impact of the announcement of the Merger Agreement and the transactions contemplated thereby, and compliance with the Merger Agreement on the business, financial condition or results of operations of Ameriana Bancorp and the Subsidiaries, or First Merchants and First Merchants Bank, as applicable and (h) the occurrence of any military or terrorist attack within the United States or any of its possessions or offices; provided that in no event shall a change in the trading price of the First Merchants common stock, by itself, be considered to constitute a Material Adverse Effect on First Merchants (it being understood that the foregoing proviso shall not prevent or otherwise affect a determination that any effect underlying such decline has resulted in a Material Adverse Effect);

4. 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;

5. Ameriana Bancorp must have received an opinion of Kilpatrick Townsend & Stockton 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, and that no gain or loss will be recognized in the Merger by a U.S. Holder to the extent the U.S. Holder receives shares of First Merchants common stock as the sole consideration for the U.S. Holder s shares of Ameriana Bancorp common stock, except that gain or loss will be recognized with respect to any cash received.

6. 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;

7. 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, and no stop order suspending the effectiveness of the Registration Statement shall have been issued or threatened by the SEC;

8. 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);

9. 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

10. receipt by each party of an officer s certificate, certain legal opinions and various closing documents.

The conditions to completion of the Merger are subject to waiver by the party benefiting from such condition. The conditions may also be altered by the written agreement of both parties. If these and other conditions are not satisfied or waived, First Merchants and/or Ameriana Bancorp may terminate the Merger Agreement. See THE MERGER AGREEMENT Termination; Waiver; Amendment, THE MERGER Regulatory Approvals, THE MERGER Interests o Certain Persons in the Merger, MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES, and Annex A.

Termination; Waiver; Amendment

First Merchants and Ameriana Bancorp may terminate the Merger Agreement at any time before the Merger is completed, including after the Ameriana Bancorp shareholders have approved the Merger, if one of the events which gives the party the right to terminate occurs. The Merger Agreement may be terminated:

1. by mutual consent of First Merchants and Ameriana Bancorp in writing;

2. by either First Merchants or Ameriana Bancorp if there has been a material breach by the other of any of the covenants or any of the representations or warranties set forth in the Merger Agreement, which is not cured within thirty (30) days following written notice given by the non-breaching party to the party committing the breach;

3. by either First Merchants or Ameriana Bancorp if any event, fact or circumstance has occurred with respect to the other party that has had or could be reasonably expected to have a Material Adverse Effect on such party;

4. by either First Merchants or Ameriana Bancorp if any governmental or regulatory approval required to permit the consummation of the transactions contemplated in the Merger Agreement shall have been denied and such denial is final and non-appealable;

5. by either First Merchants or Ameriana Bancorp if any court or governmental or regulatory authority shall have issued a final non-appealable order enjoining or otherwise prohibiting consummation of the transactions contemplated in the Merger Agreement;

6. by either First Merchants or Ameriana Bancorp if the Merger has not been completed by January 31, 2016, provided the terminating party is not then in material breach of any representation warranty or covenant and, provided, further, that if the sole impediment to closing is the lack of any necessary regulatory approval, then such termination date shall be extended to March 31, 2016;

7. by Ameriana Bancorp if its Board of Directors determines in the exercise of its fiduciary duties that it must terminate the Merger Agreement after receipt of an unsolicited superior acquisition proposal from a third party;

8. by First Merchants if Ameriana Bancorp s Board of Directors withdraws or modifies its recommendation to Ameriana Bancorp shareholders to vote for the Merger following receipt of a proposal of an acquisition from a third party;

9. by First Merchants if Ameriana Bancorp fails to give First Merchants timely notice of any inquiry by a third party with respect to an acquisition of Ameriana Bancorp or Ameriana Bank; or

10. by First Merchants if Ameriana Bancorp gives First Merchants notice that it intends to furnish information to or enter into discussions or negotiations with a third party relating to a proposed acquisition of Ameriana Bancorp or Ameriana Bank and those negotiations are not terminated within sixty (60) days.

Upon termination for any of these reasons, the Merger Agreement will be void and of no further force or effect. However, if either First Merchants or Ameriana Bancorp willfully breaches any of the representations and warranties or agreements set forth in the Merger Agreement, then the other party will be entitled to recover appropriate damages for the breach. Notwithstanding the foregoing, if First Merchants terminates the Merger Agreement under items 8, 9 or 10 above or if Ameriana Bancorp terminates the Merger Agreement in accordance with item 7 above, Ameriana Bancorp must pay First Merchants $1,500,000 as a termination fee to reimburse First Merchants for the considerable time and expense invested by First Merchants in furtherance of the Merger.

First Merchants and Ameriana Bancorp can agree to amend the Merger Agreement and can waive their right to require the other party to adhere to the terms and conditions of the Merger Agreement, where the law allows. However, First

Merchants and Ameriana Bancorp cannot amend the Merger Agreement after the Ameriana Bancorp shareholders approve the Merger without their further approval if the amendment would decrease the Merger Consideration or materially adversely affect the rights of Ameriana Bancorp shareholders or the tax consequences of the Merger to the shareholders of Ameriana Bancorp.

Restrictions Affecting the Parties Prior to Completion of the Merger

The Merger Agreement contains a number of restrictions regarding the conduct of the business of First Merchants, Ameriana Bancorp and Ameriana Bank until the Merger is completed. Among other items and subject to certain limited exceptions, Ameriana Bancorp and Ameriana Bank may not take any of the following actions, without the prior written consent of First Merchants:

- make any change to their capital structure, including redemption of shares of common stock;

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authorize an additional class of stock or issue, or authorize the issuance of any capital stock or any options or other instruments convertible into shares of capital stock, except pursuant to the exercise of stock options outstanding as of the date of the Merger Agreement;

declare, distribute or pay any dividends, authorize a stock split or make any other distribution to their shareholders, except for (i) Ameriana Bancorp s quarterly cash dividend in an amount not to exceed $0.04 per share; provided, however, Ameriana Bancorp and First Merchants shall coordinate Ameriana Bancorp s dividend schedule for the quarter in which the Merger is completed so that Ameriana Bancorp shareholders do not receive dividends on both First Merchants and Ameriana Bancorp common stock during the same calendar quarter; (ii) and Ameriana Bancorp s expenses of operation and its business and payment of fees and expenses incurred in connection with the Merger;

except for the fiduciary obligations of Ameriana Bancorp to entertain a superior third-party acquisition proposal, merge, combine, consolidate or sell their assets or securities to any other person or entity or effect a share exchange or enter into any transaction not in the ordinary course of business;

incur any liability or obligation, make any commitment, payment or disbursement, enter into any contract or agreement, or acquire or dispose of any property, other than real estate owned, or asset having a fair market value in excess of $150,000 except for payments and disbursements made in the ordinary course of business consistent with past practice, property acquired or disposed of in connection with foreclosures of mortgages or enforcement of security interests, loans in the ordinary course of business and deposit liabilities and advances from the Federal Home Loan Bank in each case in the ordinary course of business;

subject any of their assets or properties to any mortgage, lien, or encumbrance, except in the ordinary course of business consistent with past practice;

promote or increase or decrease the rate of compensation or enter into any agreement to promote or increase or decrease the rate of compensation of any director, officer, or employee of Ameriana Bancorp or Ameriana Bank, except for promotions and non-material increases in the ordinary course of business and in accordance with their past practices;

subject to certain exceptions, execute, create, institute, modify or amend any employee benefit plan or agreement for current or former directors, officers or employees of Ameriana Bancorp or any Subsidiary, change the level of benefits or payments under any such employee benefit plan or agreement or increase or decrease any severance or termination pay benefits or any other fringe or employee benefits other than as required by law or regulatory authorities or as specifically provided in the Merger Agreement;

amend their Articles of Incorporation or Bylaws from those in effect on June 26, 2015;

subject to certain exceptions, modify, amend or institute new employment practices or enter into, renew or extend any employment or severance agreement with any present or former directors, officers or employees of Ameriana Bancorp or any Subsidiary;

give, dispose, sell, convey, assign, hypothecate, pledge, encumber or otherwise transfer or grant a security interest in any common stock of any Subsidiary;

fail to maintain Ameriana Bank s reserve for loan losses or any other reserve account in the ordinary course of business and in accordance with sound banking practices; or

other than in the ordinary course of business consistent with past practice, incur any indebtedness for borrowed money or assume, guarantee, endorse or otherwise as an accommodation become responsible or liable for the obligations of any other individual, corporation or entity.

In addition, until the Merger is consummated or the Merger Agreement is terminated, First Merchants and Ameriana Bancorp shall carry on their business diligently and in the ordinary course of business and use their best efforts to preserve their business organizations and existing business relationships intact.

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This discussion of the restrictions imposed by the Merger Agreement is not intended to be exhaustive, but includes material restrictions imposed on the parties. Please refer to the Merger Agreement, attached as Annex A, for a complete listing of the restrictions.

Fees and Expenses

First Merchants and Ameriana Bancorp will pay their own fees, costs, and expenses incurred in connection with the Merger, including the fees of any investment bankers engaged by such party.

Management After the Merger

First Merchants will be the surviving corporation in the Merger and Ameriana Bancorp s separate corporate existence will cease. Accordingly, the directors and officers of Ameriana Bancorp will no longer serve in such capacities after the completion of the Merger. Similarly, First Merchants Bank will be the surviving national banking association in the Merger with Ameriana Bank and Ameriana Bank s separate corporate existence will cease.

The directors of First Merchants and First Merchants Bank immediately prior to the Mergers will continue to be the directors of First Merchants and First Merchants Bank following the Merger until they resign or until their respective successors are duly elected and qualified.

The officers of First Merchants and First Merchants Bank immediately prior to the Merger will continue to be the officers of First Merchants and First Merchants Bank following the Mergers until they resign or until their successors are duly elected and qualified.

Indemnification and Insurance of Ameriana Bancorp Directors and Officers

First Merchants has agreed to indemnify and hold harmless each director and officer of Ameriana Bancorp and Ameriana Bank for six (6) years after the effective time of the Merger in connection with any losses arising out of the fact that any such person is or was a director or officer of Ameriana Bancorp or Ameriana Bank at or prior to the effective time of the Merger to the same extent as would have been available under the articles of incorporation, bylaws or other indemnification agreement of Ameriana Bancorp and Ameriana Bank.

In addition, First Merchants has agreed to use its reasonable best efforts to include Ameriana Bancorp s and Ameriana Bank s present and former directors and officers on its existing insurance, or to obtain directors and officers liability insurance tail policy coverage for Ameriana Bancorp s and Ameriana Bank s present and former directors and executive officers, for a period of six (6) years, which will provide the directors and officers with coverage containing terms no less advantageous than the coverage currently provided by Ameriana Bancorp to such directors and officers for claims based on activity prior to the effective time of the Merger. However, First Merchants has no obligation during the 6-year period to pay an aggregate amount in premiums which is more than two (2) times the current annual amount spent by Ameriana Bancorp to maintain its current directors and officers insurance coverage. If First Merchants is unable to obtain the coverage described above, First Merchants has agreed to use its reasonable best efforts to obtain as much comparable insurance as is available.

After the Merger, Ameriana Bancorp s and Ameriana Bank s officers and employees who become officers, directors or employees of First Merchants or its subsidiaries shall have the same directors and officers insurance coverage and indemnification protection that First Merchants provides to other officers, directors and employees of First Merchants or its subsidiaries.

Employee Benefit Plans

The Merger Agreement provides that the current employees of Ameriana Bancorp and the Subsidiaries who continue as employees of First Merchants or its subsidiaries following the Merger will be entitled to participate in the employee benefit plans of First Merchants. With respect to each employee benefit plan or benefit arrangement maintained by First Merchants in which employees of Ameriana Bancorp or the Subsidiaries subsequently participate, for purposes of determining eligibility, vesting, vacation and severance entitlement, First Merchants will ensure that service with Ameriana Bancorp or the Subsidiaries will be treated as service with First Merchants; provided, however, that service with Ameriana Bancorp or the Bank shall not be treated as service with First Merchants for purposes of benefit accrual, except with respect to severance benefits.

Voting Agreement

Each member of the Board of Directors and certain executive officers have entered into a voting agreement with First Merchants as of the date of the Merger Agreement whereby the parties have agreed, subject to their fiduciary duties to entertain a superior third-party acquisition proposal under the Merger Agreement, to vote, or cause to be voted, all of their shares of Ameriana Bancorp common stock and shares owned by certain affiliates over which they have voting control in favor of the Merger Proposal. The number of shares of common stock subject to such voting agreement is 156,028 shares of Ameriana Bancorp common stock, representing 5.1% of the outstanding shares.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a general discussion of the material federal income tax consequences of the Merger to U.S. Holders (as hereinafter defined) of Ameriana Bancorp common stock that exchange their shares of Ameriana Bancorp common stock for shares of First Merchants common stock. The following discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), the Treasury Regulations promulgated thereunder, published pronouncements of the Internal Revenue Service (the IRS) and case law, all as currently in effect and which are subject to differing interpretations and subject to change at any time by legislative, judicial or administrative action, possibly with retroactive effect. This discussion is limited to U.S. Holders, who hold their shares of Ameriana Bancorp common stock as capital assets for U.S. federal income tax purposes (generally, assets held for investment).

This discussion does not address the federal income tax consequences of shareholders who are not U.S. Holders, nor does it address all of the tax consequences relevant to certain U.S. Holders including, but not limited to, S corporations, partnerships or other pass-through entities (including investors in pass-through entities), financial institutions, insurance companies, tax-exempt organizations, trusts described in Sections 1361(c)(2)(A) and 1361(d)) of the Internal Revenue Code), dealers in securities or currencies, traders in securities that use a mark to market method of accounting, persons who hold Ameriana Bancorp common stock as part of a straddle, hedge, constructive sale conversion or other integrated transaction, persons who acquired their shares of Ameriana Bancorp common stock through the exercise of an employee stock option or otherwise as compensation or through a tax-qualified plan, regulated investment companies, real estate investment trusts and foreign persons or persons whose functional currency is not the U.S. dollar. This discussion also does not address the tax consequences of persons who are subject to alternative minimum tax, nor does it address the tax consequences of the Merger under state, local or foreign tax laws.

All U.S. Holders including, but not limited to, the U.S. Holders referenced immediately above, should consult their own tax advisors about the tax consequences of the Merger to them.

For purposes of this discussion, the term U.S. Holder means a beneficial owner of Ameriana Bancorp common stock that for U.S. federal income tax purposes is an individual who is a citizen or resident of the U.S., a corporation or entity taxed as a corporation that was organized under the laws of the U.S. or any state or the District of Columbia, an estate the income of which is subject to U.S. federal income tax regardless of its source, or a trust that (i) is subject to the supervision of a court within the U.S. and the control of one (1) or more U.S. Persons (as hereinafter defined) or (ii) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. Person. For purposes of this discussion, U.S. Person shall have the meaning ascribed to it by Section 7701(a)(30) of the Internal Revenue Code.

Tax Consequences of the Merger Generally

The parties intend for the Merger to qualify as a reorganization under Section 368(a) of the Internal Revenue Code for U.S. federal income tax purposes. It is a condition to the obligation of First Merchants to complete the Merger that First Merchants obtain an opinion from the law firm of Bingham Greenebaum Doll LLP that the Merger to be effected pursuant to the Merger Agreement constitutes a reorganization under Section 368(a) of the Internal Revenue Code. It is a condition to the obligation of Ameriana Bancorp to complete the Merger that Ameriana Bancorp receive an opinion from the law firm of Kilpatrick Townsend & Stockton LLP that the Merger constitutes a reorganization under Section 368(a) of the Internal Revenue Code, and that no gain or loss will be recognized in the Merger by a U.S. Holder to the extent the U.S. Holder receives shares of First Merchants common stock as the sole consideration for the U.S. Holder s shares of Ameriana Bancorp common stock, except that gain or loss will be recognized with respect to any cash received.

The obligation of each of Bingham Greenebaum Doll LLP and Kilpatrick Townsend & Stockton LLP to deliver such opinions is conditioned on the Merger satisfying the statutory and regulatory requirements of a reorganization. The determination by tax counsel as to whether the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code is based on the facts and law existing as of the effective date of the Merger.

These opinions will be subject to customary qualifications and assumptions, including that the Merger will be completed according to the terms of the Merger Agreement. In rendering the tax opinions, each counsel may require and rely on factual representations of First Merchants and Ameriana Bancorp. If any of such assumptions or representations is or becomes inaccurate, the U.S. federal income tax consequences of the Merger could be adversely affected. Neither of these opinions will be binding on the IRS. First Merchants and Ameriana Bancorp do not intend to request any ruling from the IRS as to the U.S. federal income tax consequences of the Merger. Consequently, no assurance can be given that the IRS will not assert, or that a court will not sustain, a position contrary to any of the tax consequences set forth below or any of the tax consequences described in the tax opinions.

Tax Consequences to First Merchants, First Merchants Shareholders and Ameriana Bancorp

No gain or loss will be recognized by First Merchants, First Merchants shareholders or Ameriana Bancorp with respect to the Merger.

Tax Consequences of the Merger to U.S. Holders of Ameriana Bancorp Common Stock

Exchange of Ameriana Bancorp Common Stock for First Merchants Common Stock

In general, a U.S. Holder who receives First Merchants common stock in exchange for Ameriana Bancorp common stock will not recognize any gain or loss on the exchange for federal income tax purposes. The basis of First Merchants common stock received by each of the U.S. Holders in exchange for their Ameriana Bancorp common stock will generally be equal to such U.S. Holder s tax basis in the Ameriana Bancorp common stock exchanged.

Reporting Requirements

U.S. Holders who are significant holders and receive First Merchants common stock in exchange for Ameriana Bancorp common stock are required to file a statement with their U.S. federal income tax return setting forth certain information, including, but not limited to, their tax basis (determined immediately before the Merger) in the Ameriana Bancorp common stock exchanged in the Merger and the fair market value (determined immediately before the Merger) of the Ameriana Bancorp common stock exchanged in the Merger.

A significant holder is a holder of Ameriana Bancorp common stock who immediately before the Merger either (i) owned at least five percent (5%) of the total outstanding stock of Ameriana Bancorp by vote or by value or (ii) owned Ameriana Bancorp common stock with a tax basis of at least $1 million.

All Ameriana Bancorp shareholders will be required to retain permanent tax records of the tax basis of Ameriana Bancorp common stock exchanged and the First Merchants common stock and cash, if any, received in the Merger.

This discussion is of a general nature only, is not exhaustive, and is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Because of the complexity of the tax law and because of the unique tax consequences to the shareholders following the Merger, each shareholder is strongly urged to consult such shareholder s own tax advisor as to the particular tax consequences to such shareholder of the Merger, including the applicability and effect of federal, state, local, foreign and other tax laws in such

shareholder s particular circumstances.

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DESCRIPTION OF FIRST MERCHANTS

The following information should be read with the financial statements incorporated by reference into this proxy statement and prospectus.

Business

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 (1) full-service bank charter, First Merchants Bank, National Association, which opened for business in Muncie, Indiana, in March 1893. First Merchants Bank also operates Lafayette Bank and Trust, Commerce National Bank and First Merchants Trust Company as divisions of First Merchants Bank. First Merchants Bank includes over one hundred (100) banking locations in twenty-six (26) Indiana and two (2) counties in each of Ohio and Illinois. First Merchants Bank s business activities are currently limited to one (1) significant business segment, which is community banking.

As of June 30, 2015, First Merchants had consolidated assets of $6.1 billion, consolidated deposits of $4.8 billion and shareholders equity of $750 million. As of June 30, 2015, First Merchants and its subsidiaries had 1,464 full-time equivalent employees.

First Merchants principal office is located at 200 East Jackson Street, Muncie, Indiana 47305. Its telephone number is (765) 747-1500.

Incorporation of Certain Information Regarding First Merchants by Reference

The foregoing information concerning First Merchants does not purport to be complete. Certain additional information relating to First Merchants business, management, executive officer and director compensation, voting securities and certain relationships is incorporated by reference in this document from other documents filed by First Merchants with the SEC and listed under WHERE YOU CAN FIND ADDITIONAL INFORMATION on page 123. If you desire copies of any of these documents, you may contact First Merchants at its address or telephone number indicated under WHERE YOU CAN FIND ADDITIONAL INFORMATION on page 123.

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DESCRIPTION OF AMERIANA BANCORP

The following information should be read with the financial statements included within this proxy statement and prospectus.

Business

Ameriana Bancorp is a registered bank holding company under the Bank Holding Company Act of 1956, as amended, incorporated in 1989 under Indiana law and headquartered in New Castle, Indiana. Ameriana Bancorp s wholly-owned bank subsidiary is Ameriana Bank, an Indiana state bank (the Bank).

At June 30, 2015, on a consolidated basis, Ameriana Bancorp had assets of approximately $481 million, deposits of approximately $389 million, and shareholders equity of approximately $41 million. Ameriana Bancorp s common stock is listed on The NASDAQ Capital Market under the symbol ASBI.

Regulation and Supervision of Ameriana Bancorp

Certain of the regulatory requirements that are or will be applicable to Ameriana Bancorp or the Bank are described below. The description of statutes and regulations is not intended to be a complete explanation of such statutes and regulations and their effects on Ameriana Bancorp and the Bank and is qualified in its entirety by reference to the actual statutes and regulations.

General. As a bank holding company, Ameriana Bancorp is subject to Federal Reserve Board regulations, examinations, supervision, reporting requirements and regulations concerning its activities. In addition, the Federal Reserve Board has enforcement authority over Ameriana Bancorp. As a public reporting company registered with the SEC, Ameriana Bancorp is required to file annual, quarterly and current reports with the SEC. Ameriana Bancorp is also subject to regular examination by the Federal Reserve Board.

The Gramm-Leach-Bliley Act of 1999 authorized a bank holding company that meets specified conditions, including its depository institution subsidiaries being well-capitalized and well managed, to opt to become a financial holding company, and thereby engage in a broader array of financial activities than previously permitted. Such activities can include insurance underwriting and investment banking. The Dodd-Frank Act added the requirements that the holding company itself be well-capitalized and well managed. Ameriana Bancorp has not opted to become a financial holding company. The Federal Reserve Board has the power to order a holding company or its subsidiaries to terminate any activity, or to terminate its ownership or control of any subsidiary, when it has reasonable cause to believe that the continuation of such activity or such ownership or control constitutes a serious risk to the financial safety, soundness or stability of any bank subsidiary of that holding company.

Dividends. The Federal Reserve Board has the power to prohibit dividends by bank holding companies if their actions constitute unsafe or unsound practices. The Federal Reserve Board has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the Federal Reserve Board s view that a bank holding company should pay cash dividends only to the extent that the company s net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with the company s capital needs, asset quality and overall financial condition. The Federal Reserve Board also indicated that it would be inappropriate for a bank holding company experiencing serious financial problems to borrow funds to pay dividends. Under the prompt corrective action regulations adopted by the Federal Reserve Board, the Federal Reserve Board may prohibit a bank holding company from paying any dividends if the holding company s bank subsidiary is classified as undercapitalized. See *Regulation and Supervision of the Bank Federal Banking Law-Prompt Corrective Regulatory*

Action. The Federal Reserve Board has long had a policy under which bank holding companies are required to serve as a source of strength for their depository subsidiaries by providing capital, liquidity and other resources in times of financial distress. The Dodd-Frank Act codified the source of strength doctrine and required the issuance of implementing regulations.

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Stock Repurchases. As a bank holding company, Ameriana Bancorp is required to give the Federal Reserve Board prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of Ameriana Bancorp s consolidated net worth. The Federal Reserve Board may disapprove such a purchase or redemption if it determines that the proposal would violate any law, regulation, Federal Reserve Board order, directive, or any condition imposed by, or written agreement with, the Federal Reserve Board. This requirement does not apply to bank holding companies that are well-capitalized, well-managed and are not the subject of any unresolved supervisory issues.

Acquisitions. Ameriana Bancorp is required to obtain the prior approval of the Federal Reserve Board to acquire all, or substantially all, of the assets of any bank or bank holding company or merge with another bank holding company. Prior Federal Reserve Board approval will also be required for Ameriana Bancorp to acquire direct or indirect ownership or control of any voting securities of any bank or bank holding company if, after giving effect to such acquisition, Ameriana Bancorp would, directly or indirectly, own or control more than 5% of any class of voting shares of such bank or bank holding company. In evaluating such transactions, the Federal Reserve Board considers the financial and managerial resources of and future prospects of the companies involved, competitive factors and the convenience and needs of the communities to be served. Bank holding companies may acquire additional banks in any state, subject to certain restrictions such as deposit concentration limits. With certain exceptions, the Bank Holding Company Act (the BHCA) prohibits a bank holding company from acquiring direct or indirect ownership or control of more than 5% of the voting shares of a company that is not a bank or a bank holding company, or from engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or providing services for its subsidiaries. The principal exceptions to these prohibitions involve certain non-bank activities, which, by statute or by Federal Reserve Board regulation or order, have been identified as activities closely related to the business of banking. The activities of Ameriana Bancorp are subject to these legal and regulatory limitations under the BHCA and the related Federal Reserve Board regulations.

Under the Change in Bank Control Act of 1978 (the CBCA), notice must be submitted to the Federal Reserve Board if any person (including a company), or any group acting in concert, seeks to acquire 10% of any class of Ameriana Bancorp s outstanding voting securities, unless the Federal Reserve Board determines that such acquisition will not result in a change of control of the bank. Under the CBCA, the Federal Reserve Board has 60 days within which to act on such notice taking into consideration certain factors, including the financial and managerial resources of the proposed acquirer, the convenience and needs of the community served by the bank and the antitrust effects of an acquisition.

Under the BHCA, any company would be required to obtain prior approval from the Federal Reserve Board before it may obtain control of Ameriana Bancorp within the meaning of the BHCA. Control for BHCA purposes generally is defined to mean the ownership or power to vote 25% or more of any class of Ameriana Bancorp s voting securities or the ability to control in any manner the election of a majority of Ameriana Bancorp s directors.

Under Indiana banking law, prior approval of the Indiana Department of Financial Institutions is also required before any person may acquire control of an Indiana bank or bank holding company. The Department will issue a notice approving the transaction if it determines that the persons proposing to acquire the Indiana bank or bank holding company are qualified in character, experience and financial responsibility, and the transaction does not jeopardize the interests of the public.

Capital Requirements. The Federal Reserve Board maintains guidelines regarding the capital adequacy of bank holding companies, which require bank holding companies to maintain on a consolidated basis, specified minimum ratios of capital to total assets and capital to risk-weighted assets. These requirements, which generally apply to bank holding companies with consolidated assets of $500 million or more, are substantially similar to,

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but somewhat more generous than, those applicable to the Bank. *See Regulation and Supervision of the Bank Federal Banking Law Capital Requirements.* The Dodd-Frank Act required the Federal Reserve Board to adopt consolidated capital requirements for holding companies that are equally as stringent as those applicable to the depository institution subsidiaries. That means that certain instruments that had previously been includable in Tier 1 capital for bank holding companies, such as trust preferred securities, will no longer be eligible for inclusion. The revised capital requirements are subject to certain grandfathering and transition rules.

Regulation and Supervision of the Bank

General. The Bank, as an Indiana chartered commercial bank, is subject to extensive regulation, examination and supervision by the Indiana Department of Financial Institutions and the Federal Deposit Insurance Corporation (the FDIC). The Bank must file reports with the Indiana Department of Financial Institutions and the FDIC describing its activities and financial condition. The Bank is also subject to certain reserve requirements promulgated by the Federal Reserve Board. This supervision and regulation is intended primarily for the protection of depositors.

The Dodd-Frank Act provides for the establishment of the Consumer Financial Protection Bureau as an independent bureau of the Federal Reserve Board. The Consumer Financial Protection Bureau will assume responsibility for implementing federal consumer financial protection and fair lending laws and regulations, a function currently handled by federal bank regulatory agencies. However, institutions of $10 billion or less in total assets will continue to be examined for compliance by, and subject to the enforcement authority of, the federal bank regulator.

Federal Banking Law

Capital Requirements. The Bank is required to maintain a 4% minimum leverage capital requirement consisting of a ratio of Tier 1 capital to total assets (3% for institutions receiving the highest rating on the CAMELS rating system). Tier 1 capital is the sum of common stockholders equity, noncumulative perpetual preferred stock (including any related surplus) and minority interests in consolidated subsidiaries, minus all intangible assets (other than certain mortgage and certain other servicing assets, purchased credit card relationships, credit-enhancing interest-only strips and certain deferred tax assets), identified losses, investments in certain financial subsidiaries and non-financial equity investments.

In addition to the leverage capital ratio, state chartered nonmember banks must maintain a minimum ratio of qualifying total capital to risk-weighted assets of at least 8%, of which at least half must be Tier 1 capital. Qualifying total capital consists of Tier 1 capital plus Tier 2 capital (also referred to as supplementary capital) items. Tier 2 capital items include allowances for loan losses in an amount of up to 1.25% of risk-weighted assets, cumulative preferred stock and preferred stock with a maturity of over 20 years, certain other capital instruments and up to 45% of pre-tax net unrealized holding gains on equity securities. The includable amount of Tier 2 capital cannot exceed the institution s Tier 1 capital. Qualifying total capital is further reduced by the amount of the bank s investments in banking and finance subsidiaries that are not consolidated for regulatory capital purposes, reciprocal cross-holdings of capital securities issued by other banks, most intangible assets and certain other deductions. Under the FDIC risk-weighted system, all of a bank s balance sheet assets and the credit equivalent amounts of certain off-balance sheet items are assigned to one of four broad risk-weight categories from 0% to 100%, based on the regulators perception of the risks inherent in the type of assets or item. The aggregate dollar amount of each category is multiplied by the risk weight assigned to that category. The sum of these weighted values equals the bank s risk-weighted assets.

At December 31, 2014, the Bank s ratio of Tier 1 capital to average total assets was 9.49%, its ratio of Tier 1 capital to risk-weighted assets was 14.38% and its ratio of total risk-based capital to risk-weighted assets was 15.64%.

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Basel III. On July 9, 2013, the federal bank regulatory agencies issued a final rule that revised their risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision (Basel III) and certain provisions of the Dodd-Frank Act. The final rule applies to all depository institutions, top-tier bank holding companies with total consolidated assets of $500 million or more and top-tier savings and loan holding companies.

The rule established a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increased the minimum Tier 1 capital to risk-based assets requirement (from 4.0% to 6.0% of risk-weighted assets) and assigned a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property.

The rule also includes changes in what constitutes regulatory capital, some of which are subject to a two-year transition period. These changes include the phasing-out of certain instruments as qualifying capital. In addition, Tier 2 capital is no longer limited to the amount of Tier 1 capital included in total capital. Mortgage servicing rights, certain deferred tax assets and investments in unconsolidated subsidiaries over designated percentages of common stock will be required to be deducted from capital, subject to a two-year transition period. Finally, Tier 1 capital will include accumulated other comprehensive income (which includes all unrealized gains and losses on available for sale debt and equity securities), subject to a two-year transition period.

The new capital requirements also include changes in the risk-weights of assets to better reflect credit risk and other risk exposures. These include a 150% risk weight (up from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and non-residential mortgage loans that are 90 days past due or otherwise on nonaccrual status; a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; a 250% risk weight (up from 100%) for mortgage servicing rights and deferred tax assets that are not deducted from capital; and increased risk-weights (from 0% to up to 600%) for equity exposures.

Finally, the rule limits capital distributions and certain discretionary bonus payments if the banking organization does not hold a capital conservation buffer consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements.

The final rule became effective on January 1, 2015. The capital conservation buffer requirement will be phased in beginning January 1, 2016, at 0.625% of risk-weighted assets, increasing each year until fully implemented at 2.5% on January 1, 2019. It is management s belief that, as of December 31, 2014, Ameriana Bancorp and the Bank have met all capital adequacy requirements under Basel III on a fully phased-in basis if such requirements were currently effective.

Investment Activities. State-chartered FDIC-insured banks are generally limited in their activities as principal and their equity investments to the type and amount authorized for national banks, notwithstanding state law. Federal law and regulations permit exceptions to these limitations. The FDIC is authorized to permit institutions to engage in state authorized activities or investments not permissible for national banks (other than non-subsidiary equity investments) if they meet all applicable capital requirements and it is determined that such activities or investments do not pose a significant risk to the Deposit Insurance Fund. The FDIC has adopted regulations governing the procedures for institutions seeking approval to engage in such activities or investments. The Gramm-Leach-Bliley Act of 1999 specifies that a non-member bank may control a subsidiary that engages in activities as principal that would only be permitted for a national bank to conduct in a financial subsidiary if a bank meets specified conditions and deducts its investment in the subsidiary for regulatory capital purposes.

Interstate Banking and Branching. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 permitted bank holding companies to acquire banks in any state subject to specified concentration limits and other conditions. The Interstate Banking Act also authorizes the interstate merger of banks. In addition, among other things, the Interstate Banking Act, as amended by the Dodd-Frank Act, permits banks to establish de novo branches on an interstate basis provided that state banks chartered by the target state are permitted to establish de novo branches in the state.

Dividend Limitations. The Bank may not pay dividends on its capital stock if its regulatory capital would be reduced below the amount then required for the liquidation account established for the benefit of certain depositors of the Bank at the time of its conversion to stock form. In addition, the Bank may not pay dividends that exceed retained net income for the applicable calendar year to date, plus retained net income for the preceding two years without prior approval from the Indiana Department of Financial Institutions.

Earnings of the Bank appropriated to bad debt reserves and deducted for federal income tax purposes are not available for payment of cash dividends or other distributions to stockholders without payment of taxes at the then current tax rate by the Bank on the amount of earnings removed from the reserves for such distributions.

Under FDIC regulations, the Bank is prohibited from making any capital distributions if, after making the distribution, the Bank would fail to meet any applicable capital requirements. For additional information about dividend limitations see Note 12 in the Consolidated Financial Statements.

Insurance of Deposit Accounts. Under the FDIC s risk-based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other factors, with less risky institutions paying lower assessments. An institution s assessment rate depends upon the category to which it is assigned. The assessment rate ranges from 2.5 to 45 basis points based on domestic deposits to one based on average consolidated total assets minus average tangible equity. No institution may pay a dividend if in default of the federal deposit insurance assessment. The rate schedules will automatically adjust in the future when the Deposit Insurance Fund reaches certain milestones. No institution may pay a dividend if in default of the federal deposit insurance assessment.

The Dodd-Frank Act increased the minimum target Deposit Insurance Fund ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The FDIC must seek to achieve the 1.35% ratio by September 30, 2020. Insured institutions with assets of $10 billion or more are supposed to fund the increase. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, instead leaving it to the discretion of the FDIC.

The FDIC has the authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank.

Prompt Corrective Regulatory Action. Federal law requires, among other things, that federal bank regulatory authorities take prompt corrective action with respect to institutions that do not meet minimum capital requirements. For such purposes, the law establishes five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

The Federal Reserve Board has adopted regulations to implement prompt corrective action. Among other things, the regulations define the relevant capital measures for the five capital categories. For the period ended December 31, 2014, an institution is deemed to be well capitalized if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater, and a leverage capital ratio of 5% or greater, and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure. An institution is deemed to be adequately capitalized if it has a total risk-based capital ratio of 8% or greater, a Tier 1 risk-based capital ratio of 4% or greater, and generally a leverage capital ratio of 4% or greater. An institution is deemed to be "undercapitalized" if it has a total risk-based capital ratio of less than 8%, a Tier 1 risk-based capital ratio of less than 4%, or generally a leverage capital ratio of less than 4%. An institution is deemed to be "significantly undercapitalized" if it has a total risk-based capital ratio of less than 6%, a Tier 1 risk-based capital ratio of less than 3%, or a leverage capital ratio of less than 3%. An institution is deemed to be "critically undercapitalized" if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2%.

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As a result of Basel III (discussed further above), effective January 1, 2015, an institution is deemed to be well capitalized if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 8% or greater, a common equity Tier 1 risk-based capital ratio of 6.5% or greater, and a leverage capital ratio of 5% or greater, and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure. An institution is deemed to be adequately capitalized if it has a total risk-based capital ratio of 8% or greater, a Tier 1 risk-based capital ratio of 6% or greater, a common equity Tier 1 risk-based capital ratio of 4.5% or greater and generally a leverage capital ratio of 4% or greater. An institution is deemed to be undercapitalized if it has a total risk-based capital ratio of less than 8%, a Tier 1 risk-based capital ratio of less than 6%, a common equity Tier 1 risk-based capital ratio of less than 4.5% or generally a leverage capital ratio of less than 4%. An institution is deemed to be significantly undercapitalized if it has a total risk-based capital ratio of less than 6%, a Tier 1 risk-based capital ratio of less than 4%, a common equity Tier 1 risk-based capital ratio of less than 3% or a leverage capital ratio of less than 3%. An institution is deemed to be critically undercapitalized if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2%.

Undercapitalized institutions are subject to growth, capital distribution (including dividend), and other limitations, and are required to submit a capital restoration plan. An institution s compliance with such a plan is required to be guaranteed by any company that controls the undercapitalized institution in an amount equal to the lesser of 5% of the bank s total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. If an undercapitalized institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. Significantly undercapitalized institutions are subject to one or more additional restrictions including, but not limited to, a regulatory order requiring them to sell sufficient voting stock to become adequately capitalized; requirements to reduce total assets, cease receipt of deposits from correspondent banks, or dismiss directors or officers; and restrictions on interest rates paid on deposits, compensation of executive officers, and capital distributions by the parent holding company.

Beginning 60 days after becoming critically undercapitalized, critically undercapitalized institutions also may not make any payment of principal or interest on certain subordinated debt, extend credit for a highly leveraged transaction, or enter into any material transaction outside the ordinary course of business. In addition, subject to a narrow exception, the appointment of a receiver is required for a critically undercapitalized institution within 270 days after it obtains such status.

Enforcement. The FDIC has extensive enforcement authority over nonmember insured state banks, including the Bank. This enforcement authority includes, among other things, the ability to assess civil money penalties, issue cease and desist orders and remove directors and officers. In general, these enforcement actions may be initiated in response to violations of laws and regulations and unsafe or unsound practices. The FDIC has authority under federal law to appoint a conservator or receiver for an insured bank under certain circumstances, including on the basis of the institution s financial condition or upon the occurrence of other events, including (1) insolvency; (2) substantial dissipation of assets or earnings through violations of law or unsafe or unsound practices; (3) existence of an unsafe or unsound condition to transact business; and (4) insufficient capital, or the incurring of losses that will deplete substantially all of the institution s capital with no reasonable prospect of replenishment without federal assistance.

Reserve Requirements. Under Federal Reserve Board regulations, the Bank is required to maintain non-interest earning reserves against their transaction accounts (primarily Negotiable Order of Withdrawal (NOW) and regular checking accounts). The regulations generally provide that reserves be maintained against aggregate transaction accounts as follows for 2014: a 3% reserve ratio was assessed on net transaction accounts up to and including $89.0 million; a 10% reserve ratio is applied above $89.0 million. The first $13.3 million of otherwise reservable balances (subject to adjustments by the Federal Reserve Board) are exempted from the reserve requirements. The amounts are adjusted annually and, for 2015, will require a 3% ratio for up to $103.6 million and an exemption of $14.5 million.

At December 31, 2014, the Bank met applicable Federal Reserve Board reserve requirements.

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Federal Home Loan Bank System. The Bank is a member of the Federal Home Loan Bank System, which consists of 12 regional Federal Home Loan Banks governed and regulated by the Federal Housing Finance Board (FHFB). As a member, the Bank is required to purchase and hold stock in the FHLB of Indianapolis. As of December 31, 2014, the Bank held stock in the FHLB of Indianapolis in the amount of $3.8 million and was in compliance with the above requirement.

Loans to Executive Officers, Directors and Principal Stockholders. Loans to directors, executive officers and principal stockholders of a state nonmember bank must be made on substantially the same terms as those prevailing for comparable transactions with persons who are not executive officers, directors, principal stockholders or employees of the Bank unless the loan is made pursuant to a compensation or benefit plan that is widely available to employees and does not favor insiders. Loans to any executive officer, director and principal stockholder together with all other outstanding loans to such person and affiliated interests generally may not exceed 15% of the Bank s unimpaired capital and surplus and all loans to such persons may not exceed the institution s unimpaired capital and unimpaired surplus. Loans to directors, executive officers and principal stockholders, and their respective affiliates, in excess of the greater of $25,000 or 5% of capital and surplus (on any loans where the total outstanding amounts to $500,000 or more) must be approved in advance by a majority of the Board of Directors of the Bank with any interested director not participating in the voting. State nonmember banks are prohibited from paying the overdrafts of any of their executive officers or directors unless payment is made pursuant to a written, pre-authorized interest-bearing extension of credit plan that specifies a method of repayment or transfer of funds from another account at the bank.

Transactions with Affiliates. A state nonmember bank or its subsidiaries may not engage in covered transactions with any one affiliate in an amount greater than 10% of such bank s capital stock and surplus, and for all such transactions with all affiliates, a state non-member bank is limited to an amount equal to 20% of capital stock and surplus. All such transactions must also be on terms substantially the same, or at least as favorable, to the bank or subsidiary as those provided to a nonaffiliate. Certain covered transactions must meet prescribed collateralization requirements. The term covered transaction includes the making of loans, purchase of assets, issuance of a guarantee and similar other types of transactions. An affiliate of a state non-member bank is any company or entity that controls or is under common control with the state non-member bank and, for purposes of the aggregate limit on transactions with affiliates, any subsidiary that would be deemed a financial subsidiary of a national bank. In a holding company context, the parent holding company of a state non-member bank (such as Ameriana Bancorp) and any companies that are controlled by such parent holding company are affiliates of the state non-member bank. The BHCA further prohibits a depository institution from extending credit to or offering any other services, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or certain of its affiliates or not obtain services of a competitor of the institution, subject to certain limited exceptions.

Indiana Banking Law

Branching. An Indiana bank is entitled to establish one or more branches *de novo* or by acquisition in any location or locations in Indiana and in other states (subject to the requirements of federal law for interstate banking). The Bank is required to file an application with the Department of Financial Institutions. Approval of the application is contingent upon the Department s determination that after the establishment of the branch, the Bank will have adequate capital, sound management and adequate future earnings. An application to branch must also be approved by the FDIC.

Lending Limits. Indiana banks are not subject to percentage of asset or capital limits on their commercial, consumer and non-residential mortgage lending, and accordingly, have more flexibility in structuring their portfolios than federally chartered savings banks. Indiana law provides that a bank may not make a loan or extend credit to a borrower or group of borrowers in excess of 15% of its unimpaired capital and surplus. An additional 10% of capital and surplus may be lent if secured by specified readily marketable collateral.

Enforcement. The Department has authority to take enforcement action against an Indiana bank in appropriate cases, including the issuance of cease and desist orders, removal of directors or officers, issuance of civil money penalties and appointment of a conservator or receiver.

Other Activities. The Bank is authorized to engage in a variety of agency and fiduciary activities including acting as executors of an estate, transfer agent and in other fiduciary capacities. On approval from the Department of Financial Institutions, the Bank would be permitted to exercise any right granted to national banks.

Taxation

Federal Taxation. Ameriana Bancorp and its subsidiaries file a consolidated federal income tax return on a calendar year end. Banks are subject to the provisions of the Internal Revenue Code of 1986 (the Code) in the same general manner as other corporations. However, institutions, such as the Bank, which met certain definitional tests and other conditions prescribed by the Code benefited from certain favorable provisions regarding their deductions from taxable income for annual additions to their bad debt reserve.

Ameriana Bancorp s federal income tax returns have not been audited in the past five years.

State Taxation. The State of Indiana imposes a franchise tax which is assessed on qualifying financial institutions, such as the Bank. The tax is based upon federal taxable income before net operating loss carryforward deductions (adjusted for certain Indiana modifications) and is levied at a rate of 8.5% of apportioned adjusted taxable income. The rate will be reduced to 6.5%, phased in by 0.5% increments over four years beginning in 2014.

Ameriana Bancorp s state income tax returns have not been audited by the State of Indiana since 2008.

Information about Ameriana Bancorp s Properties

The following table sets forth the location of Ameriana Bancorp s office facilities at December 31, 2014 and certain other information relating to these properties at that date.

	Year Acquired	Total Investment	Net Book Value	Owned/ Leased	Square Feet
		(Dollars in thousands)			
Main Office:					
2118 Bundy Avenue					
New Castle, Indiana	1958	$ 2,037	$ 395	Owned	20,500
Branch Offices:					
1311 Broad Street					
New Castle, Indiana (1)	1890	1,215	168	Owned	18,000
956 North Beechwood Avenue	1971	363	28	Owned	5,500

Middletown, Indiana					
22 North Jefferson Street					
Knightstown, Indiana	1979	633	286	Owned	3,400
1810 North State Street					
Greenfield, Indiana	1995	2,659	1,824	Owned	7,600
99 South Dan Jones Road					
Avon, Indiana	1995	1,844	1,186	Owned	12,600

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	Year Acquired	Total Investment	Net Book Value	Owned/ Leased	Square Feet
		(Dollars in thousands)			
1724 East 53rd Street Anderson, Indiana	1993	750	492	Owned	3,000
488 West Main Street Morristown, Indiana	1998	364	217	Owned	2,600
7435 West U.S. 52 New Palestine, Indiana	1999	947	579	Owned	3,300
11521 Olio Road Fishers, Indiana	2008	2,148	1,843	Owned	2,500
3975 West 106th Street Carmel, Indiana	2008	2,098	1,828	Owned	3,500
3333 East State Road 32 Westfield, Indiana	2008	619	489	Leased (2)	5,000
11991 Fishers Crossing Drive Fishers, Indiana	2013	812	809	Owned	2,400
107 West Logan Street Noblesville, Indiana	2013	623	619	Owned	3,200
Lease for Space Under Construction for Future Branch Office:					
5915 N. College Avenue Indianapolis, Indiana	2014	59	59	Leased (3)	2,375
Land Acquired for Future Branch Office:					
2437 East Main Street Plainfield, Indiana	2008	1,377	1,377	Owned	
Former Branch Office Used to House Lending Personnel: 6653 West Broadway	2004	1,141	923	Owned	3,400

McCordsville, Indiana					
Ameriana Insurance Agency, Inc.:					
1908 Bundy Avenue					
New Castle, Indiana	1999			Owned	5,000
		391	266		
Total		$ 20,080	$ 13,388		

(1) The Bank closed this branch on July 6, 2015.
(2) The initial lease expires on May 31, 2029 and the Bank has options for four additional terms of five years each.
(3) The initial lease expires in mid-2025, and the Bank has options for two additional terms of five years each.

The total net book value of $13.4 million shown above for Ameriana Bancorp s office facilities is $2.1 million less than the total of $15.5 million shown for premises and equipment on the consolidated balance sheet. This difference represents the net book value as of December 31, 2014 for furniture, equipment and automobiles.

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Ameriana Bancorp Legal Proceedings

On March 18, 2014, the City of Noblesville filed action seeking to take title of the real estate purchased by the Bank that was used to open a banking center in September 2014. The suit seeks to acquire title pursuant to condemnation proceedings and the City has made an offer to acquire the real estate for $375,000. That offer has been rejected by the Bank. The City has agreed not to take action before July 1, 2016, during which time the Bank can continue to operate its banking center. The Court has now entered its order approving the agreement.

On July 8, 2015, a purported shareholder of Ameriana Bancorp filed a putative class action lawsuit captioned Shiva Stein, individually and on behalf of others similarly situated vs. Ameriana Bancorp et al., Cause No. 49D10-1507-PL-022566 in the Marion County, Indiana Superior Court 10 against Ameriana Bancorp, its Board of Directors and First Merchants. Plaintiff amended the complaint on September 23, 2015. The amended complaint alleges direct and derivative claims for breach of fiduciary duties by the members of the Board of Directors regarding the proposed Merger and claims against First Merchants for allegedly aiding and abetting those alleged breaches. The plaintiff seeks (1) class certification, (2) to enjoin the Merger, (3) a declaration that the Merger Agreement is unlawful and unenforceable, (4) an order directing the members of Ameriana Bancorp s Board of Directors to commence a new sales process, (5) an order rescinding the Merger Agreement, and (6) compensatory damages, expert fees, attorneys fees, and costs in an unspecified amount. At this early stage of the litigation, it is not possible to assess the probability of a material adverse outcome or reasonably estimate any potential financial impact of the lawsuit on Ameriana Bancorp. Ameriana Bancorp, its Board of Directors and First Merchants believe the claims against them are without merit and intend to contest the matter vigorously.

On September 22, 2015, a purported shareholder of Ameriana Bancorp filed a putative class action lawsuit captioned Darrell F. Ewing v. Ameriana, et al., No. 1:15-CV-01491 in U.S. District Court in the Southern District of Indiana against Ameriana Bancorp, its Board of Directors and First Merchants. The complaint generally alleges various claims of federal securities law violations and that the Directors of Ameriana Bancorp breached their fiduciary duties by providing materially inadequate disclosures and material disclosure omissions with respect to the proposed Merger. The plaintiff seeks (1) class certification, (2) to enjoin the Merger or, in the event the Merger is completed before entry of an injunction, to rescind the Merger or be awarded an unspecified amount of rescissory damages, (3) compensatory damages in an unspecified amount, and (4) costs and expenses, including attorneys and expert fees. At this early stage of the litigation, it is not possible to assess the probability of a material adverse outcome or reasonably estimate any potential financial impact of the lawsuit on Ameriana Bancorp. Ameriana Bancorp, its Board of Directors and First Merchants believe the claims against them are without merit and intend to contest the matter vigorously.

Market for Common Equity and Related Stockholder Matters

Ameriana Bancorp s common stock, par value $1.00 per share, is traded on the NASDAQ Capital Market under the symbol ASBI. On March 19, 2015, there were 316 holders of record of Ameriana Bancorp s common stock. Ameriana Bancorp s ability to pay dividends depends on a number of factors including Ameriana Bancorp s capital requirements, financial condition and results of operations, tax considerations, statutory and regulatory limitations and general economic conditions. No assurance can be given that Ameriana Bancorp will continue to pay dividends or that they will not be reduced in the future.

The payment of dividends by Ameriana Bancorp depends substantially upon receipt of dividends from the Bank, which is subject to various regulatory restrictions on the payment of dividends. Under current regulations, the Bank may not declare or pay a cash dividend or repurchase any of its capital stock if the effect thereof would cause its net worth to be reduced below regulatory capital requirements or the amount required for its liquidation account.

In addition, without prior approval, current regulations allow the Bank to pay dividends to Ameriana Bancorp not exceeding retained net income for the applicable calendar year to date, plus retained net income for the preceding two years. Application is required by the Bank to pay dividends in excess of this restriction.

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The following table sets forth the high and low sales prices for Ameriana Bancorp s common stock as reported on the NASDAQ Capital Market and the cash dividends declared on Ameriana Bancorp s common stock for each full quarterly period during the last two fiscal years.

	2014			2013		
Quarter Ended:	**High**	**Low**	**Dividends Declared**	**High**	**Low**	**Dividends Declared**
March 31	$ 14.00	$ 13.00	$ 0.02	$ 9.30	$ 7.42	$ 0.01
June 30	16.73	13.11	0.02	10.88	9.00	0.01
September 30	20.00	13.15	0.02	12.96	10.07	0.01
December 31	18.50	14.38	0.02	14.07	12.50	0.01

The following table sets forth the high and low sales prices for Ameriana Bancorp s common stock as reported on the NASDAQ Capital Market and the cash dividends declared on Ameriana Bancorp s common stock for each full quarterly period ended March 31, 2015 and June 30, 2015.

	2015		
Quarter Ended:	**High**	**Low**	**Dividends Declared**
March 31	$ 18.00	$ 14.79	$ 0.04
June 30	22.00	15.21	0.04

Equity Compensation Plan Information

The following table sets forth information about Ameriana Bancorp s common stock that may be issued under the Ameriana Bancorp s equity compensation plans as of December 31, 2014. Ameriana Bancorp does not maintain any equity compensation plans that have not been approved by shareholders.

Plan Category	**Number of securities to be issued upon the exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)**
Equity compensation plans approved by security holders	74,850	$ 12.25	178,400
Equity compensation plans not approved by security			

holders			
Total	74,850	$ 12.25	178,400

Ameriana Bancorp Management s Discussion and Analysis of Financial Condition and Results of Operation

The following discussion and analysis of Ameriana Bancorp s financial condition and results of operations should be read in conjunction with Ameriana Bancorp s interim condensed consolidated financial statements and the accompanying notes for the fiscal quarter ended June 30, 2015, as well as the consolidated financial statements and accompanying notes and other detailed information for the fiscal year ended December 31, 2014, in each case, included elsewhere in this registration statement.

The Bank began operations in 1890 and conducts business through its main office at 2118 Bundy Avenue, New Castle, Indiana and through thirteen (13) branch offices located throughout Central Indiana. Ameriana Bancorp s primary markets are in Hamilton, Hancock, Hendricks, Henry, Madison, Marion and Shelby counties.

The Bank has two wholly-owned subsidiaries, Ameriana Insurance Agency (AIA) and Ameriana Financial Services, Inc. (AFS). AIA provides insurance sales from offices in New Castle, Greenfield and

Avon, Indiana. AFS operates a brokerage facility in conjunction with LPL Financial that provides non-bank investment product alternatives to its customers and the general public. Ameriana Bancorp and the Bank employed 140 full-time equivalent employees at August 18, 2015. Ameriana Bancorp holds all of the common securities of Ameriana Capital Trust I.

What Ameriana Bancorp Does. The Bank is a community-oriented financial institution. Its principal business consists of attracting deposits from the general public and investing those funds, along with borrowed funds, primarily in mortgage loans on single-family residences, multi-family loans, construction loans, commercial real estate loans, and commercial and industrial loans, and, to a lesser extent, consumer loans, leases and loans to municipalities. It has from time to time purchased loans and loan participations in the secondary market. It also invests in various federal and government agency obligations and other investment securities permitted by applicable laws and regulations, including mortgage-backed, municipal and equity securities. It offers customers in its market area time deposits with terms ranging from three months to seven years, interest-bearing and noninterest-bearing checking accounts, savings accounts and money market accounts. Its primary source of borrowings is FHLB advances. Through its subsidiaries, it engages in insurance, investment and brokerage activities.

Its primary source of income is net interest income, which is the difference between the interest income earned on its loan and investment portfolios and the interest expense incurred on its deposits and borrowings. Its loan portfolio typically earns more interest than the investment portfolio, and its deposits typically have a lower average rate than FHLB advances and other borrowings. Several factors affect its net interest income. These factors include loan, investment, deposit, and borrowing portfolio balances, their composition, the length of their maturities, re-pricing characteristics, liquidity, credit, and interest rate risk, as well as market and competitive conditions and the current interest rate environment.

Competition. The geographic markets the Bank serves are highly competitive for deposits, loans and other financial services, including retail brokerage services and insurance. Its direct competitors include traditional banking and savings institutions, as well as other non-bank providers of financial services, such as insurance companies, brokerage firms, mortgage companies and credit unions located in the Bank s market area. Additional significant competition for deposits comes from money market mutual funds and corporate and government debt securities, and Internet banks. The primary factors in competing for loans are interest rates and loan origination fees, and the range of services offered by the various financial institutions. Competition for origination of loans normally comes from commercial banks, savings institutions, mortgage bankers, mortgage brokers and insurance companies.

Ameriana Bancorp expects competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Technological advances, for example, have lowered barriers to entry into the industry, allowed banks to expand their geographic reach by providing services over the Internet and made it possible for non-depository institutions to offer products and services that traditionally have been provided by banks. Changes in federal law permit affiliation among banks, securities firms and insurance companies, which promotes a competitive environment in the financial services industry. Competition for deposits and the origination of loans could limit Ameriana Bancorp s growth in the future.

Lending Activities. The principal lending activity of the Bank has been the origination of conventional first mortgage loans secured by residential property and commercial real estate, and commercial loans and consumer loans. The residential mortgage loans have been predominantly secured by single-family homes and have included construction loans.

The majority of the Bank s mortgage loan portfolio is secured by real estate located in Henry, Hancock, Hamilton, Hendricks, Madison, Shelby, Delaware and Marion Counties in Indiana.

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The following table sets forth information concerning the Bank s loans by type of loan as of the dates indicated:

(Dollars in Thousands)

	At June 30, 2015	*At December 31,* 2014
Real estate loans:		
Commercial	$ 116,472	$ 111,455
Residential	163,467	163,839
Construction	18,637	13,570
Commercial loans and leases	30,196	29,358
Municipal loans	1,895	785
Consumer loans	1,875	2,018
Total loans	$ 332,542	$ 321,025
Less:		
Undisbursed loan proceeds	594	302
Deferred loan fees, net	622	707
Allowance for loan losses	3,904	3,903
	5,120	4,912
Total loans net	$ 327,422	$ 316,113

The risk characteristics of each loan portfolio segment are as follows:

Commercial Real Estate: These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Bank s commercial real estate portfolio are diverse in terms of type and geographic location. Management monitors and evaluates commercial real estate loans based on collateral and risk grade criteria. As a general rule, the Bank avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, management tracks the level of owner-occupied commercial real estate loans versus non-owner occupied loans.

Construction Real Estate: Construction loans are underwritten utilizing feasibility studies, independent appraisal reviews, sensitivity analysis of absorption and lease rates and financial analysis of the developers and property owners. Construction loans are generally based on estimates of costs and value associated with the completed project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Bank until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, timely completion and sale of the property, sale of the property at a price commensurate with the initial estimate, governmental regulation of real property, general economic conditions and the availability of long-term financing.

Commercial Loans and Leases: Commercial loans and leases are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee; however, some short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

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Residential and Consumer: With respect to residential loans that are secured by one-to four-family residences and are generally owner occupied, the Bank generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in one-to four-family residences, and consumer loans are secured by consumer assets such as automobiles or recreational vehicles. Some consumer loans are unsecured such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Municipal: Municipal loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Most municipal loans are secured by the full faith and credit of the municipality. The availability of funds for the repayment of these loans may be substantially dependent on the ability of the municipality to collect taxes or other revenue.

Ameriana Bancorp s Management Discussion and Analysis of Financial Condition and Results of Operation June 30, 2015.

Ameriana Bancorp recorded net income of $188,000, or $0.06 per diluted share, for the three-month period ended June 30, 2015, which represented a $415,000 decrease from the same period a year earlier that was due primarily to $407,000 in legal and investment banking fees, as well as other costs related to the Merger, and approximately $130,000 related to two new banking centers opened during the last half of 2014. Following is additional summary information for the year:

Ameriana Bancorp declared a quarterly dividend of $0.04 per share, which represented a $0.02 per share increase over the same quarter a year earlier.

At June 30, 2015, the Bank s tier 1 leverage ratio was 9.41%, the common equity tier 1 risk-based capital ratio and the tier 1 risk-based capital ratio were both 13.44%, and the total risk-based capital ratio was 14.62%. All four ratios were considerably above the levels required under regulatory guidelines to be considered well capitalized. The new Basel III capital rules did not have a significant impact on the Bank s capital ratios.

Net interest income on a fully-tax equivalent basis for the second quarter of 2015 represented an increase of $26,000, or 0.7%, over the same quarter of 2014. The improvement was the net result of the benefit from a $9.8 million, or 2.4%, increase in average interest-earning assets to $420.4 million being partly offset by a decrease in net interest margin.

Net interest margin of 3.50% on a fully tax-equivalent basis for the second quarter of 2015 was six basis points lower than the same period in 2014.

The Bank did not record a provision for loan losses in the second quarter of 2015, compared to a $150,000 provision in the year earlier quarter, which reflected the declining pressure of economic conditions on credit quality, and a decrease in loan charge-offs.

Other income of $1.5 million for the second quarter of 2015 represented an increase of $130,000, or 9.4%, from the year earlier quarter that resulted primarily from the following changes:

A $100,000 increase in gains on sales of loans and servicing rights compared to the same quarter a year earlier that resulted from a larger percentage of new loans being sold in the secondary market compared to the same quarter a year earlier, when a strategy was in place to put most new residential mortgage loan originations into the Bank s portfolio; and

A $62,000 increase in OREO income that related primarily to the receipt in the second quarter of rental income from a recently acquired residential condominium project; partly offset by

$35,000 in write-downs of OREO, compared with a $7,000 net gain in the same quarter a year earlier.

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$4.9 million in other expense for the second quarter of 2015 was $818,000, or 20.3%, higher than the same quarter in 2014 and resulted primarily from the following changes:

A $500,000 increase in legal and professional fees, which included $407,000 in legal and investment banking fees related to the Merger;

A $154,000, or 6.6%, increase in salaries and employee benefits that was due primarily to a $109,000 cost for personnel hired for the two new banking centers opened in the last half of 2014, and normal annual salary increases, partly offset by a $16,000 decrease in expense related to Ameriana Bancorp s frozen defined benefit plan and a $24,000 decrease in the expense related to the retirement plan for certain officers;

A $54,000 increase in OREO expense to $121,000, of which $70,000 related to a residential condominium project acquired in December 2014;

A $50,000 increase in data processing expense that related primarily to Ameriana Bancorp s cost to support greater use of new technology by Ameriana Bancorp s customers; and

A $34,000 increase in furniture and equipment expense, with $22,000 related to the two new banking centers opened in the last half of 2014.

Income before income taxes was $305,000 for the second quarter of 2015 and income tax expense was $117,000, which resulted in an effective rate of 38.4% that was higher than the statutory rate due primarily to a significant amount of non-deductible Merger related expense, partly offset by a significant amount of tax-exempt income from bank-owned life insurance.

For the second quarter of 2015, total assets decreased by $2.0 million, or 0.4%, to $480.7 million:

Investments in interest-bearing demand deposits decreased $14.9 million to $14.8 million at June 30, 2015, of which $14.6 million was invested at the Federal Reserve Bank of Chicago. The deposits withdrawn from the Federal Reserve Bank were used primarily to fund loan portfolio and investment portfolio growth during the quarter.

The $65.0 million total at June 30, 2015 for available-for-sale and held-to-maturity investment securities represented a $6.4 million increase for the quarter that resulted primarily from $9.6 million in purchases of Fannie Mae and Freddie Mac pass-through mortgage-backed securities reduced by principal payments. The portfolio consists primarily of mortgage-backed securities insured by either Ginnie Mae, Fannie Mae or Freddie Mac.

Net loans receivable increased $7.5 million, or 2.4%, during the quarter to $327.4 million, and the Bank had a strong loan pipeline at June 30, 2015.

Total non-performing loans of $4.5 million, or 1.4% of total net loans at June 30, 2015, represented a decrease of $29,000 for the quarter.

The allowance for loan losses of $3.9 million at June 30, 2015 was 1.17% of total loans and 86.0% of non-performing loans, compared to 1.23% and 87.2%, respectively, at March 31, 2015.

The Federal Home Loan Bank repurchased $1.1 million of its stock in the second quarter, reducing Ameriana Bancorp s investment to $2.7 million at June 30, 2015.

$27.8 million cash value of life insurance at June 30, 2015 represented an $800,000 decrease that resulted from the receipt of a death benefit exceeding the increase in cash value of other policies during the quarter. The Bank realized a $20,000 gain from its share of the death benefit from the split-dollar BOLI policy.

OREO of $6.7 million at June 30, 2015 represented a $76,000 increase from March 31, 2015, as the Bank acquired two single-family residential properties with a total book value of $111,000, and had write-downs totaling $35,000 for four properties that were based on new appraisals.

During the second quarter of 2015, total deposits decreased by $1.2 million, or 0.3%, to $389.4 million and resulted from a $473,000 decrease in non-maturity deposits, coupled with a $701,000 decline in certificate of deposit balances.

Total shareholders equity of $41.4 million at June 30, 2015 represented a decrease of $149,000 for the quarter, and resulted from a $309,000 reduction to a $134,000 unrealized gain net of income tax related to Ameriana Bancorp s available-for-sale investment securities portfolio and $121,000 in shareholder dividends declared during the quarter, partly offset by net income of $188,000, $67,000 from the exercise of stock options and $26,000 of share-based compensation related to stock options.

Financial Condition. The balance sheet totals of $480.7 million at June 30, 2015 represented an increase of $7.9 million, or 1.7%, from the December 31, 2014 totals of $472.8 million. The increase resulted primarily from $10.5 million, or 2.8%, growth in the Bank s deposit accounts, partly offset by a $3.0 million reduction in borrowings. The growth in total assets for the period included an $11.3 million increase in net loans receivable, a $9.8 million increase in investment securities, partly offset by a $12.3 million reduction in interest-bearing demand deposits and a $1.1 million decrease in FHLB stock.

Cash and cash equivalents decreased $11.7 million during the first half of 2015 to $21.5 million at June 30, 2015. Included in the total at June 30, 2015 was $14.6 million of interest-bearing demand deposits at the Federal Reserve Bank of Chicago. Cash and cash equivalents represent an immediate source of liquidity to fund loans or meet deposit outflows. The decrease for the first six months of 2015 resulted primarily from the total use of funds for growth in the loan portfolio, growth in the investment securities portfolio and repayment of an FHLB advance exceeding funds provided by growth in deposit accounts.

At June 30, 2015, the Bank held $3.9 million in FDIC insured bank certificates of deposit, which had a weighted-average rate of 1.29% and a weighted-average remaining life of 1.5 years. There were no purchases and one $248,000 maturity during the first half of 2015.

Investment securities available-for-sale decreased by $264,000 to $47.8 million at June 30, 2015 from $48.1 million at December 31, 2014. The decrease resulted primarily from $4.5 million in principal repayments on mortgage-backed pass-through and collateralized mortgage obligation securities, partly offset by purchases of a Fannie Mae and a Freddie Mac pass-through mortgage-backed security totaling $4.8 million.

Investment securities held-to-maturity increased by $10.0 million to $17.1 million at June 30, 2015 from $7.1 million at December 31, 2014, primarily the result of the purchase of $7.4 million of Fannie Mae mortgage-backed pass through securities and $3.1 million of tax-exempt local municipal bonds, partly offset by $419,000 of principal repayments on mortgage-backed pass-through securities and the maturity of a $35,000 local municipal bond.

All mortgage-backed pass-through securities and collateralized mortgage obligations in the available-for-sale and held-to-maturity portfolios, with a total fair value of $57.7 million at June 30, 2015, are insured by either Ginnie Mae, a U.S. Government agency, or by Fannie Mae or Freddie Mac, each a U.S. Government sponsored enterprise.

Net loans receivable increased by $11.3 million to $327.4 million at June 30, 2015 from $316.1 million at December 31, 2014, as construction loans increased $5.1 million to $18.6 million, commercial real estate loans increased $5.0 million to $116.5 million, commercial loans and leases increased $838,000 to $30.2 million and the Bank added a $1.1 million municipal loan, increasing total municipal loans to $1.9 million. Consumer loans totaling $1.9 million at June 30, 2015, represented a $143,000 decline for the six-month period. Residential mortgage loans originated for sale into the secondary market totaled $5.6 million, and new originations retained in the portfolio were less than repayments during the first six months of 2015. As a result total residential real estate loans declined $372,000 to $163.5 million at June 30, 2015. The Bank s mortgage-banking strategy is reviewed regularly to ensure that it remains consistent with the Bank s overall balance sheet management objectives.

Premises and equipment of $15.9 million at June 30, 2015 represented a $385,000 increase from $15.5 million at December 31, 2014. The net increase resulted from capital expenditures totaling $937,000, partly offset by $544,000 of depreciation and an $8,000 disposition during the period. $500,000 of the capital expenditure total was for the purchase of replacement ATMs that are compatible with a new operating system and capable of supporting chip card technology, and $239,000 represented initial expenditures related to the new Broad Ripple Banking Center that is expected to open in the fourth quarter of 2015.

The Federal Home Loan Bank repurchased $1.1 million of its stock in the second quarter, reducing Ameriana Bancorp s investment from $3.8 million at December 31, 2014 to $2.7 million at June 30, 2015.

Goodwill was $656,000 at June 30, 2015, unchanged from December 31, 2014. Goodwill of $457,000 relates to deposits associated with a banking center acquired in 1998, and $199,000 is the result of three separate insurance business acquisitions. The Bank s impairment tests reflected no impairment of the goodwill as of June 30, 2015.

Ameriana Bancorp has investments in life insurance on employees and directors, which had a balance or cash surrender value of $27.8 million and $28.4 million at June 30, 2015 and December 31, 2014, respectively. The reduction of $622,000 for the six month period was the result of a $1.0 million death benefit received by the Bank from a split-dollar BOLI policy with a $981,000 cash surrender value. The non-taxable increase in cash surrender value of this life insurance was $359,000 for the first six months of 2015, compared to $357,000 for the same period a year earlier.

OREO totaled $6.7 million at June 30, 2015, a $43,000 increase from December 31, 2014. There were three single-family properties with a total book value of $151,000 transferred to OREO, two sales of properties with book values totaling $73,000 that resulted in gains totaling $32,000, and four write-downs totaling $35,000 during the six-month period ended June 30, 2015.

Other assets of $8.8 million at June 30, 2015 represented a $73,000 decrease from December 31, 2014, which resulted primarily from a $447,000 net decrease in total prepaid expense, partly offset by a $304,000 increase in the income tax asset and a $76,000 increase in interest and dividends receivable.

Total liabilities increased $7.5 million, or 1.7%, from $431.8 million at December 31, 2014 to $439.3 million at June 30, 2015, primarily due to the increase in deposits.

Total deposits of $389.4 million at June 30, 2015 represented an increase of $10.5 million, or 2.8%, from December 31, 2014. The Bank has maintained a strong focus on nurturing existing and attracting new core deposit relationships, while limiting its efforts related to highly rate-sensitive deposits. During the first six months of 2015, money market, savings and checking balances, exclusive of public funds checking accounts, increased $12.6 million, as customers continued to choose more liquid deposit products, due primarily to the ongoing economic uncertainty and related low interest rate environment. Public funds checking balances increased $706,000 to $43.4 million at June 30, 2015. Total certificates of deposit balances declined $2.8 million during the same period to $134.2 million, due mostly to a migration of maturing balances to the Bank s non-maturity deposit products. The Bank has concentrated on strategies designed to grow total balances in multi-product deposit relationships, and continues to utilize pricing strategies designed to produce growth with an acceptable marginal cost for both existing and new deposits.

Total borrowed money of $42.8 million at June 30, 2015 was down $3.0 million from December 31, 2014 as a result of the maturity of a FHLB advance with an interest rate of 2.70%. Wholesale funding options and strategies are continuously analyzed to ensure that the Bank retains sufficient sources of credit to fund all of its needs, and to control funding costs by using this alternative to organic deposit account funding when appropriate.

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Drafts payable of $1.2 million at June 30, 2015 decreased $119,000 from $1.3 million at December 31, 2014. This difference will vary and is a function of the dollar amount of checks issued near period end and the time required for those checks to clear.

Total shareholders equity of $41.4 million at June 30, 2015 represented a $387,000 increase over the total of $41.1 million at December 31, 2014. The increase resulted from net income of $690,000, $125,000 from exercises of stock options and $42,000 in share-based compensation related to stock options, partly offset by $242,000 in dividends declared and a $228,000 decrease to a $134,000 unrealized gain net of income tax related to Ameriana Bancorp s available-for-sale investment securities portfolio, during the six-month period ended June 30, 2015. Ameriana Bancorp s and the Bank s regulatory capital ratios were all considerably above the levels required under regulatory guidelines to be considered well capitalized.

Results of Operations Second Quarter of 2015 compared to the Second Quarter of 2014.

Ameriana Bancorp recorded net income of $188,000, or $0.06 per diluted share, for the second quarter of 2015, compared to net income of $603,000, or $0.20 per diluted share, for the first quarter of 2014.

The earnings decline of $415,000, or $0.14 per diluted share, for the second quarter of 2015 compared to the same quarter a year earlier was due primarily to $407,000 in legal and investment banking fees, as well as other costs related to the Merger, and approximately $130,000 related to two new banking centers opened during the last half of 2014.

Net Interest Income. Net interest income on a fully tax-equivalent basis of $3.7 million for the second quarter of 2015 represented an increase of $26,000, or 0.7%, compared to the same period of 2014. Net interest income on a fully tax-equivalent basis was positively affected by the benefit from a $9.8 million, or 2.4%, increase in average interest-earning assets to $420.4 million, partly offset by a decrease in net interest margin. Net interest margin on a fully tax-equivalent basis for the second quarter of 2015 of 3.50% was six basis points lower than the year earlier period.

Tax-exempt interest was $54,000 for the second quarter of 2015 compared to $36,000 for the same period of 2014, and resulted from municipal securities and municipal loans. Tax-equivalent adjustments were $23,000 and $15,000 for the three months ended June 30, 2015 and June 30, 2014, respectively.

Net interest income on a fully tax-equivalent basis is calculated by increasing net interest income by an amount that represents the additional taxable interest income that would be needed to produce the same amount of after-tax income as the tax-exempt interest income included in net interest income for the period.

Net interest margin on fully tax-equivalent basis is calculated by dividing annualized net interest income on a fully tax-equivalent basis by average interest-earning assets for the period.

Ameriana Bancorp s fully tax-equivalent basis calculations are based on a federal income tax rate of 34%.

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Provision for Loan Losses. The following table sets forth an analysis of the Bank s allowance for loan losses for the periods indicated:

	(Dollars in thousands) Three Months Ended June 30,	
	2015	2014
Balance at beginning of quarter	$ 3,984	$ 4,100
Provision for loan losses		150
Charge-offs	(121)	(263)
Recoveries	41	17
Net charge-offs	(80)	(246)
Balance at end of period	$ 3,904	$ 4,004
Allowance to total loans	1.17%	1.26%
Allowance to non-performing loans	85.95%	87.58%

Ameriana Bancorp did not record a provision for loan losses for the second quarter of 2015, compared to a $150,000 provision for the year earlier quarter, which was reflective of the declining pressure of economic conditions on credit quality, including a decrease in loan charge-offs. Net charge-offs decreased from $246,000 for the second quarter of 2014 to $80,000 for the second quarter of 2015. Total charge-offs of $121,000 for the second quarter of 2015 included loans with specific reserves totaling $53,000 at March 31, 2015.

The following table summarizes Ameriana Bancorp s non-performing loans:

	(Dollars in thousands) June 30,	
	2015	2014
Loans accounted for on a non-accrual basis	$ 4,427	$ 4,551
Accruing loans contractually past due 90 days or more	115	21
Total of non-accrual and 90 days or more past due loans (1)	$ 4,542	$ 4,572
Percentage of total net loans	1.39%	1.46%
Other non-performing assets (2)	$ 6,682	$ 5,666
Total non-performing assets	$ 11,224	$ 10,238
Percentage of total assets	2.34%	2.16%
	$ 1,411	$ 2,466

Troubled debt restructurings in total of nonaccrual and 90 days or more past due loans (1)		
Total troubled debt restructurings	$ 10,904	$ 11,918

(1) Total non-accrual loans and accruing loans 90 days or more past due at June 30, 2015 included $1.4 million of TDRs, which consisted of four residential real estate loans totaling $976,000 and three commercial loans totaling $435,000.

(2) Other non-performing assets represent property acquired through foreclosure or repossession. This property is carried at the lower of its fair market value or its carrying value.

The allowance for loan losses of $3.9 million at June 30, 2015 was $100,000 lower than a year earlier, but the allowance for loan losses to non-performing loans ratio remained relatively stable at 85.95% at June 30, 2015 compared to 87.58% at June 30, 2014, due to a lower total of non-performing loans. Non-performing loans of $4.5 million at June 30, 2015 represented a $30,000 decrease from the total of $4.6 million at June 30, 2014. It is management s opinion that the allowance for loan losses at June 30, 2015 is adequate based on measurements of the credit risk in the entire portfolio as of that date.

At June 30, 2015, the Bank had $10.9 million in loans categorized as TDRs, with seven loans totaling $1.4 million also included in the table above in the total for loans accounted for on a non-accrual basis. The total of $10.9 million included $3.7 million related to a hotel in northern Indiana, a $3.3 million multi-family loan, 20 loans on single-family properties totaling $2.6 million, an $888,000 loan for developed commercial land and three commercial loans totaling $435,000.

Other Income. Ameriana Bancorp recorded other income of $1.5 million for the second quarter of 2015, an increase of $130,000, or 9.4%, from the same period a year earlier that resulted primarily from the following changes:

A $100,000 increase in gains on sales of loans and servicing rights to $125,000 from $25,000 that resulted from a larger percentage of new loans being sold in the secondary market in the first quarter of 2015 compared with the same quarter a year earlier, when a strategy was in place to put most new loan originations into the Bank s portfolio; and

A $62,000 increase in OREO income that related primarily to the receipt of rental income from a recently acquired residential condominium project; partly offset by

$35,000 in OREO write-downs, compared with a $7,000 net gain in the year earlier quarter.

Other Expense. Total other expense of $4.9 million for the second quarter of 2015 was $818,000, or 20.3%, higher than the second quarter of 2014, with the following major differences:

A $500,000 increase in legal and professional fees for the second quarter of 2015 compared to the same quarter a year earlier that resulted primarily from $407,000 in legal and investment banking fees related to the recently announced merger with First Merchants Corporation, $68,000 in consulting fees for an information technology systems evaluation and a $33,000 increase in fees related to successful appeals of real estate tax assessments;

A $154,000, or 6.6%, increase in salaries and employee benefits to $2.5 million that was due primarily to $163,000 in increased compensation costs, of which $86,000 related to personnel hired for the two new banking centers opened in the last half of 2014 and the difference being related primarily to normal annual salary increases, partly offset by a $9,000 net reduction in benefits that resulted primarily from a $16,000 decrease in retirement benefits expense related to Ameriana Bancorp s frozen defined benefit plan and a $24,000 decrease in the expense related to the retirement plan for certain officers;

A $54,000 increase in OREO expense to $121,000, due primarily to $70,000 of expense related to a residential condominium project acquired in December 2014;

A $50,000 increase in data processing expense to $301,000 that related primarily to Ameriana Bancorp s cost to support greater use of new technology by Ameriana Bancorp s customers; and

A $34,000 increase in furniture and equipment expense, with $22,000 related to the opening of two new banking centers during the last half of 2014.

Income Tax Expense. Ameriana Bancorp recorded income tax expense of $117,000 on pre-tax income of $305,000 for the three-month period ended June 30, 2015, compared to income tax expense of $223,000 on pre-tax income of $826,000 for the same period a year earlier. The second quarter of 2015 had a significant amount of non-deductible merger related expense. Both quarters had a significant amount of tax-exempt income, primarily from bank-owned life insurance.

Ameriana Bancorp has a deferred state tax asset that is primarily the result of operating losses sustained since 2003. Ameriana Bancorp started recording a valuation allowance against its current period state income tax benefit in 2005 due to its concern that it may not be able to use more than the tax asset already recorded on the books without modifying the use of Ameriana Investment Management, Inc. (AIMI), Ameriana Bancorp s

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investment subsidiary, which was liquidated effective December 31, 2009. Operating income from AIMI was not subject to state income taxes under state law, and as a result was also a major factor in the growth of the deferred state tax asset.

Ameriana Bancorp also has a deferred federal tax asset that is composed of tax benefit from a net operating loss carry-forward and tax credits. The federal loss carry-forward expires in 2026, and the tax credits begin to expire in 2023. The tax credits include alternative minimum tax credits, which have no expiration date. Management believes that Ameriana Bancorp will be able to utilize the benefits recorded for loss carry-forwards and credits within the allotted time periods.

In addition to the liquidation of AIMI, the Bank has initiated several strategies designed to expedite the use of both the deferred state tax asset and the deferred federal tax asset. Through sales of $34.5 million of municipal securities and only two purchases since December 31, 2006, that segment of the investment securities portfolio has been reduced to $5.4 million. The proceeds from these sales have been reinvested in taxable financial instruments. The Bank has periodically evaluated a sale/leaseback transaction that could result in a taxable gain on its office properties, and also allow the Bank to convert nonearning assets to assets that will produce taxable income. Additionally, the Bank periodically considers reducing its current investment in tax-exempt bank owned life insurance policies that involve the reinvestment of the proceeds in taxable financial instruments with a similar or greater risk-adjusted after-tax yield. Sales of banking centers not important to long-term growth objectives that would result in taxable gains and reduced operating expenses could be considered by the Bank.

Results of Operations Six Months Ended June 30, 2015 compared to the Six Months Ended June 30, 2014.

Ameriana Bancorp recorded net income of $690,000, or $0.23 per diluted share, for the first six months of 2015, a decrease of $642,000, or 48.20%, from net income of $1.3 million, or $0.45 per diluted share, for the first six months of 2014.

The earnings decline of $642,000, or $0.22 per diluted share, for the first six months of 2015 compared to the same period a year earlier was due primarily to $432,000 in legal and investment banking fees, as well as other costs related to the Merger, approximately $307,000 related to two new banking centers opened during the last half of 2014, and a total of $235,000 in interest income and expense reversal related to the repurchase of a non-performing loan by the servicer in the first six months of 2014.

Net Interest Income. Net interest income on a fully tax-equivalent basis of $7.2 million for the first half of 2015 represented a decrease of $160,000, or 2.2%, compared to the same period of 2014, and was related primarily to $173,000 in interest income recognized on the repurchase of a non-performing loan by the servicer in the first six months of 2014, and a $120,000 decrease in loan prepayment fee income. Ameriana Bancorp experienced a $10.1 million, or 2.5%, increase in average interest-earning assets to $418.8 million for the first half of 2015, compared with the same period a year earlier. Ameriana Bancorp s net interest margin on a fully tax-equivalent basis for the first half of 2015 of 3.47% was sixteen basis points lower than the year earlier period.

Tax-exempt interest was $108,000 for the first six months of 2015 compared to $72,000 for the same period of 2014. Ameriana Bancorp s tax exempt interest results from holdings of bank-qualified municipal securities and municipal loans. The tax-equivalent adjustments were $46,000 and $30,000 for the first six months of 2015 and 2014, respectively.

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Provision for Loan Losses. The following table sets forth an analysis of the Bank s allowance for loan losses for the periods indicated:

	(Dollars in thousands) Six Months Ended June 30,	
	2015	2014
Balance at beginning of year	$ 3,903	$ 3,993
Provision for loan losses	105	300
Charge-offs	(159)	(320)
Recoveries	55	31
Net charge-offs	(104)	(289)
Balance at end of period	$ 3,904	$ 4,004

Ameriana Bancorp recorded a provision for loan losses of $105,000 for the first six months of 2015, compared with $300,000 for the same period in 2014. The 2015 provision represents a $195,000, or 65.0%, decrease from the six-month period a year earlier. The lower provision is also reflective of the effect of slowly improving economic conditions on credit quality, including a reduced amount of loan charge-offs. Charge-offs of $159,000 for the six-month period ended June 30, 2015 included $83,000 for a residential real estate loan, $48,000 for a commercial loan and $28,000 for consumer loans. Charge-offs of $320,000 for the six-month period a year earlier included $101,000 for two commercial real estate loans, $80,000 for four residential real estate loans, $59,000 for two commercial loans, and $46,000 for two construction loans. The allowance to total loans was 1.17% at June 30, 2015, compared with 1.26% at June 30, 2014.

Other Income. Ameriana Bancorp recorded other income of $3.1 million for the first half of 2015, an increase of $325,000, or 11.8%, from the same period a year earlier that resulted primarily from the following changes:

A $139,000 increase in gains on sales of loans and servicing rights to $180,000 from $41,000 that resulted from a larger percentage of new loans being sold in the secondary market in the first half of 2015 compared with the same period a year earlier, when a strategy was in place to put most new loan originations into the Bank s portfolio;

A $130,000, or 16.2%, increase in brokerage and insurance commissions to $932,000 for the first six months of 2015 from $802,000 for the same period a year earlier that resulted primarily from a $138,000 increase in the contingent bonus received by the Bank s insurance subsidiary related to the claims loss experience on insured properties;

A $45,000 increase in other fees and service charges on deposit accounts to $1.3 million for the first half of 2015 compared to the year earlier period, that was due primarily to an increase in the number of checking accounts that resulted from the Bank s continuing focus on growing core deposit relationships; and

A $39,000 increase in OREO income that related primarily to the receipt of rental income from a recently acquired residential condominium project.

Other Expense. The net increase of $1.2 million, or 15.3%, in other expense to $9.2 million for the first six months of 2015 compared with the same period of 2014 resulted primarily from the net of the following differences:

A $519,000 increase in legal and professional fees for the first half of 2015 compared to the year earlier period that resulted primarily from $432,000 in legal and investment banking fees related to the Merger, $68,000 in consulting fees for an information technology systems evaluation and a $29,000 increase in fees related to successful appeals of real estate tax assessments;

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A $255,000, or 5.6%, increase in salaries and employee benefits to $4.8 million that was due primarily to $271,000 in increased compensation costs, of which $175,000 related to personnel hired for the two new banking centers opened in the last half of 2014 and the difference being related primarily to normal annual salary increases, partly offset by a $16,000 net reduction in benefits that resulted primarily from a $31,000 decrease in retirement benefits expense related to Ameriana Bancorp s frozen defined benefit plan and a $48,000 decrease in the expense related to the retirement plan for certain officers;

A $139,000 increase in OREO expense to $245,000 of which $132,000 related to a residential condominium project acquired in December 2014;

A $99,000 increase in other expense that related primarily to the reversal of $62,000 of loan expense in the first half of 2014 as a result of the repurchase of a non-performing loan by the servicer;

A $97,000 increase in data processing expense to $581,000 that related primarily to Ameriana Bancorp s cost to support greater use of new technology by the Bank s customers;

A $55,000 increase in furniture and equipment expense, with $42,000 related to the opening of two new banking centers during the last half of 2014; and

A $34,000 increase in net occupancy expense due primarily to a $34,000 reduction in rental income that resulted from the loss of a tenant in a building housing one of the Bank s banking centers.

Income Tax Expense. Ameriana Bancorp had income before income taxes of $1.0 million for the first six months of 2015, and recorded income tax expense of $274,000, an effective tax rate of 28.4% that resulted from a large amount of tax-exempt income, partly offset by a significant amount of non-deductible merger related expense. Ameriana Bancorp had income before income taxes of $1.8 million for the same period of 2014, and recorded income tax expense of $507,000, an effective rate of 27.6% that was also a result of a large amount of tax-exempt income. For both six-month periods, the Bank had a significant amount of tax-exempt income from BOLI, in addition to tax-exempt income from municipal loans and municipal securities.

Ameriana Bancorp s Management Discussion and Analysis of Financial Condition and Results of Operation December 31, 2014.

Ameriana Bancorp recorded net income of $2.4 million, or $0.79 per share, for 2014, compared to net income of $2.2 million, or $0.73 per share, for 2013. The growth in earnings for 2014 was due primarily to an improvement in net interest income and a reduction in the provision for loan losses, partly offset by lower total noninterest income and higher total noninterest expense. Following is additional summary information for the year:

Consistent with its capital contingency plan, Ameriana Bancorp paid a de minimis quarterly dividend of $0.01 per share, or $0.04 per share for each year from 2010 through 2013. In 2014, the quarterly dividend was increased to $0.02 per share, or $0.08 per share for the year.

Ameriana Bancorp s tangible common equity ratio at December 31, 2014 was 8.45%.

At December 31, 2014, the Bank s tier 1 leverage ratio was 9.49%, the tier 1 risk-based capital ratio was 14.38%, and the total risk-based capital ratio was 15.64%. All three ratios were considerably above the levels required under regulatory guidelines to be considered well capitalized.

Net interest income of $15.1 million for 2014 represented an increase of $1.2 million over 2013 due primarily to increases of $25.3 million in average interest-earning and $745,000 in prepayment fees, which included a $651,000 prepayment fee related to a match-funded commercial real estate loan. These metrics contributed to a six basis point increase in net interest margin from 3.63% for 2013 to 3.69% for 2014.

The Bank recorded a $322,000 provision for loan losses in 2014 compared with a $755,000 provision in 2013. The improvement was due primarily to a reduction in nonperforming loans and net charge-offs.

Total nonperforming loans of $4.4 million, or 1.37%, of total loans at December 31, 2014, represented a $676,000 decrease from $5.1 million, or 1.60% of total loans at December 31, 2013.

Net charge-offs declined $589,000 from $1.0 million in 2013 to $412,000 in 2014.

The allowance for loan losses was $3.9 million, or 1.22% of total loans at December 31, 2014, compared with $4.0 million, or 1.26% of total loans at December 31, 2013.

Other income of $5.6 million for 2014 was $184,000, or 3.2%, lower than the total for the prior year, due primarily to the $341,000 decrease in gains on sales of mortgage loans and servicing rights that resulted from a decline in demand in the Bank s markets, coupled with management s decision to retain a substantial portion of the 2014 loan originations for the Bank s portfolio. The change in other income also included the following differences:

Fees and service charges on deposit accounts of $2.7 million for 2014 represented a $228,000, or 9.3%, improvement over 2013 that was due primarily to an increase in the number of checking accounts that resulted from the Bank s continuing focus on growing core deposit relationships.

A $57,000 decrease in brokerage and insurance commissions to $1.6 million for 2014 included a $38,000 decrease in commissions and fees earned by the Bank s investment services subsidiary that resulted primarily from a lower volume of sales, and a $34,000 decrease in the contingency bonus received by the Bank s insurance subsidiary related to claims loss experience.

The Bank had no sales of investment securities in 2014, compared to $167,000 in net gains from $10.2 million in sales in 2013.

A $32,000 decrease in the net loss from sales and write-downs of other real estate owned to $3,000 for 2014 compared with $35,000 for 2013.

A $60,000 increase in other real estate owned income to $280,000 that resulted primarily from the January 2014 collection of $26,000 in delinquent rent from a tenant of a commercial strip center.

Other expense for 2014 of $17.2 million was $1.1 million, or 6.9%, higher than 2013, due primarily to a prepayment penalty of $614,000 paid to the Federal Home Loan Bank related to a borrowing for a match-funded commercial real estate loan, and to costs associated with two new banking centers. The change in other expense also included the following differences:

Total salaries and employee benefits of $9.3 million for 2014 represented an increase of $323,000, or 3.6%, from 2013 that was due in part to $155,000 of expense related to the two new banking centers opened in the last half of 2014, and a $71,000 increase in the expense of Ameriana Bancorp s frozen multi-employer defined benefit retirement plan.

A $56,000 decrease in furniture and equipment expense to $778,000 related mostly to reduced ATM maintenance expense and lower depreciation.

A $149,000 increase in legal and professional fees to $723,000 was due primarily to a $72,000 increase in legal fees, a $38,000 increase in fees related to successful appeals of real estate tax assessments and a $16,000 increase in recruiting fees.

A $127,000 decrease in FDIC insurance premiums resulted primarily from a reduction in the Bank s assessment rate.

A $90,000 increase in data processing expense related primarily to Ameriana Bancorp s cost to support greater use of new technology by its customers.

A $168,000 increase in marketing expense to $529,000 for 2014 related primarily to media advertising to build brand awareness in the greater Indianapolis metropolitan area.

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An $84,000 decrease in other real estate owned expense to $277,000 related primarily to real estate tax refunds from successful appeals of assessments that resulted in a $55,000 expense reduction.

A $66,000 decrease in loan expense resulted primarily from an expense reversal of $62,000 as a result of the repurchase of a non-performing loan by the servicer.

A $102,000 increase in other noninterest expense to $1.7 million resulted primarily from a $101,000 increase in expense related to split-dollar life insurance agreements.

Ameriana Bancorp had income before income taxes of $3.2 million for 2014 and recorded income tax expense of $867,000, an effective rate of 26.8%, which was lower than the statutory rate due primarily to a significant amount of tax-exempt bank-owned life insurance.

Ameriana Bancorp s total assets of $472.8 million at December 31, 2014 were up $14.2 million, or 3.1%, from $458.6 million at December 31, 2013:

Net loans receivable were $316.1 million at December 31, 2014, which represented a $4.1 million, or 1.3%, increase from $312.0 million at December 31, 2013. Portfolio growth efforts in 2014 were hampered mostly by prepayments of large commercial real estate loans, for which the Bank received $778,000 in prepayment fees, and also by a weak local single-family residential mortgage market. Total prepayment fees received were partly offset by a $614,000 prepayment penalty paid to the Federal Home Loan Bank related to one of the commercial real estate loans that was match-funded.

The growth in total loans outstanding to $321.0 million at December 31, 2014 resulted from a $6.7 million increase in commercial real estate loans to $111.5 million, a $2.2 million increase in construction loans to $13.6 million, and a $104,000 increase in commercial loans to $29.4 million, partly offset by a $4.7 million decrease in residential real estate loans to $163.8 million, a $212,000 decrease in municipal loans to $785,000 and a $14,000 decrease in consumer loans to $2.0 million.

Reflective of the effect of the low interest rate environment coupled with competitive pricing pressures, the 4.67% weighted-average rate for the loan portfolio at December 31, 2014 represented a sixteen basis point decrease from 4.83% at December 31, 2013.

The Bank experienced an increase of $15.0 million, or 37.4%, in the investment securities portfolio during 2014 to $55.2 million, which was due primarily to $21.0 million in purchases of Ginnie Mae and GSE mortgage-backed securities and a $1.1 million increase in the market value of the available for sale portfolio, partly offset by $6.9 million of principal payments on mortgage securities.

Ameriana Bancorp had an $8.6 million decrease in interest-bearing demand deposits at the Federal Reserve Bank of Chicago to $27.0 million that was due primarily to growth in the investment securities portfolio.

Other real estate owned of $6.6 million at December 31, 2014 represented an increase of $1.5 million from December 31, 2013, with the addition of ten properties totaling $2.4 million, the sale of 18 properties with a total book value of $900,000, and $26,000 in write-downs during the year. The additions included a residential condominium project with a book value of $1.5 million.

Total deposits of $378.9 million at December 31, 2014 represented an increase of $16.2 million, or 4.5%, for the year. Non-maturity deposits grew $24.8 million, or 11.4%, to $241.9 million, while certificates of deposit decreased $8.6 million, or 5.9%, to $137.0 million.

The Bank achieved a seven basis point reduction in the weighted average cost of interest-bearing deposits to 0.48% at December 31, 2014 from 0.55% at the end of 2013.

Total borrowings decreased by $5.0 million in 2014 to $45.8 million, due to the Bank prepaying a 4.60% Federal Home Loan Bank note with a maturity date of November 20, 2018 that had been used to match-fund a commercial real estate loan in 2008.

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Financial Condition. Total assets increased by $14.2 million, or 3.1%, to $472.8 million at December 31, 2014 from $458.6 million at December 31, 2013. This change was due primarily to an increase in investment securities that were funded primarily from growth in deposit balances, as loan growth efforts were limited by a weak local single-family residential mortgage market and by a significant volume of prepayments of commercial real estate loans.

Cash and Cash Equivalents. Cash and cash equivalents decreased $7.7 million to $33.1 million at December 31, 2014 from $40.8 million at December 31, 2013. Interest-bearing demand deposits decreased $8.7 million to $27.1 million at December 31, 2014, with the totals for both year-end dates consisting almost entirely of balances with the Federal Reserve Bank of Chicago.

Interest-Bearing Time Deposits. At December 31, 2014, the Bank held $4.2 million in FDIC-insured bank certificates of deposit, which had a weighted-average interest rate of 1.24% and a weighted-average remaining life of approximately 2.0 years.

Securities. Investment securities increased $15.0 million, or 37.4%, to $55.2 million at December 31, 2014 from $40.2 million at December 31, 2013. This change was due primarily to $21.0 million in purchases of Ginnie Mae and GSE mortgage-backed pass-through securities and a $1.1 million increase in the market value of the available for sale portfolio that resulted from a decline in market interest rates during 2014, partly offset by $6.9 million of principal repayments on the mortgage securities and $271,000 of net amortization of purchase premiums and discounts.

All mortgage-backed securities and collateralized mortgage obligations at December 31, 2014 are guaranteed by either Ginnie Mae, Fannie Mae or Freddie Mac. All of Ameriana Bancorp s investments are evaluated for other-than-temporary impairment, and such impairment, if any, is recognized as a charge to earnings. There were no other than temporarily impaired investment securities as of December 31, 2014.

The following table identifies changes in the investment securities carrying values:

(Dollars in thousands)

	2014	2013	$ Change	% Change
December 31:				
Available for sale:				
Ginnie Mae and GSE mortgage-backed pass-through securities	$ 44,198	$ 33,806	$ 10,392	30.74%
Ginnie Mae collateralized mortgage obligations	2,019	2,214	(195)	(8.81)
Mutual funds	1,867	1,783	84	4.71
	48,084	37,803	10,281	27.20
Held to maturity:				
GSE mortgage-backed pass-through securities	4,736		4,736	
Municipal securities	2,346	2,347	(1)	(0.04)
	7,082	2,347	4,735	201.75
Totals	$ 55,166	$ 40,150	$ 15,016	37.40

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The following table identifies the percentage composition of the invested securities.

	2014	2013	2012
December 31:			
Available for sale			
Ginnie Mae and GSE mortgage-backed pass-through securities	80.1%	84.2%	83.8%
Ginnie Mae collateralized mortgage obligations	3.7	5.5	6.1
Mutual funds	3.4	4.5	4.5
	87.2	94.2	94.4
Held to maturity:			
GSE mortgage-backed pass-through securities	8.6		
Municipal securities	4.2	5.8	5.6
	12.8	5.8	5.6
Totals	100.0%	100.0%	100.0%

See Note 3 to the Consolidated Financial Statement for more information on investment securities.

Loans. Net loans receivable totaled $316.1 million at December 31, 2014, an increase of $4.1 million, or 1.3% from $312.0 million at December 31, 2013. Additional growth was hindered by prepayments of large commercial real estate loans, for which the Bank received $778,000 in prepayment fees, and also by a weak local single-family residential mortgage loan market. Total prepayment fees received were partly offset by a $614,000 prepayment penalty paid to the Federal Home Loan Bank related to one of the commercial real estate loans that was match-funded.

Residential real estate loans decreased $4.7 million to $163.8 million at December 31, 2014, from $168.5 million at December 31, 2013. New loan originations involved a mix of owner-occupied single-family and investment properties, as well as a blend of fixed-rate and, to a lesser degree, variable-rate notes. During 2014, the Bank originated $32.5 million in non-construction residential real estate loans, including home equity loans, and sold $4.7 million into the secondary market.

Commercial real estate loans increased $6.7 million to $111.5 million at December 31, 2014, from $104.8 million at December 31, 2013. Commercial loans and leases increased $104,000 to $29.4 million at December 31, 2014 from $29.3 million at December 31, 2013. Non-construction commercial real estate loans totaling $38.1 million were originated in 2014, and $12.3 million in other commercial loans were also added in 2014.

Construction loans increased $2.2 million to $13.6 million at December 31, 2014 from $11.4 million at December 31, 2013. Construction loan originations in 2014 totaled $13.0 million, which included eight commercial construction loans totaling $9.1 million and 17 residential construction loans totaling $3.9 million.

On December 31, 2014, the Bank had two loans to local municipalities totaling $785,000, compared to three loans totaling $997,000 at December 31, 2013. Municipal loans are usually added through a competitive bid process. No municipal loans were added in 2014 or in 2013.

Consumer loans declined $14,000 from December 31, 2013 to $2.0 million at December 31, 2014. This decrease reflected the impact of the local economy and competitive pressures on the Bank s lending growth objectives. The Bank originated $1.2 million of consumer loans in 2014.

New loan volume in 2014 totaled $97.5 million. New loan volume in 2013 totaled $81.1 million. New residential loan additions, including $11.0 million of construction loans and $155,000 in purchases, increased to

$43.7 million in 2014 from $41.0 million in 2013. Commercial loan, commercial real estate, and commercial construction loan additions in 2014, including a $254,000 purchased loan, totaled $52.6 million, compared to $39.0 million in 2013. New consumer loans totaled $1.2 million in 2014 compared to $1.1 million in 2013.

Ameriana Bancorp generally retains loan servicing on loans sold. Loans that Ameriana Bancorp serviced for investors, primarily Freddie Mac, Fannie Mae and the Federal Home Loan Bank of Indianapolis, totaled approximately $70.9 million at December 31, 2014 compared to $80.7 million at December 31, 2013. The decrease of $9.8 million for 2014 was due to $14.5 million of payoffs and other principal payments on loans serviced for investors exceeding the $4.7 million of loans sold with servicing retained during the year. Loans sold that Ameriana Bancorp service generate a steady source of fee income, with servicing fees ranging from 0.25% to 0.375% per annum of the loan principal amount.

Credit Quality. Nonperforming loans decreased $676,000 to $4.4 million at December 31, 2014 from $5.1 million at December 31, 2013. Nonaccrual residential real estate loans decreased $555,000 for the year to $2.2 million at December 31, 2014, primarily as a result of the repurchase of a loan with a $781,000 balance at December 31, 2013. Nonaccrual construction loans decreased by $371,000 and nonaccrual commercial loans declined $216,000 during 2014. There was one nonaccrual commercial real estate loan with a balance of $812,000 at December 31, 2014, an increase of $460,000 over a year earlier.

Ameriana Bancorp recorded net charge-offs of $412,000 in 2014 and $1.0 million in 2013. Total charge-offs were $505,000 in 2014 and $1.1 million in 2013. Total recoveries in 2014 were $93,000, while total recoveries were $139,000 in 2013.

The allowance for loan losses as a percent of loans was 1.22% at December 31, 2014 and 1.26% at December 31, 2013. As a result of the Bank s review of collateral positions and historic loss ratios, management believes that the allowance for loan losses is adequate to cover all incurred and probable losses inherent in the portfolio at December 31, 2014.

Premises and Equipment. Premises and equipment of $15.5 million at December 31, 2014 represented an $825,000 increase from $14.7 million at December 31, 2013. The net increase resulted primarily from capital expenditures totaling $1.8 million, of which $1.1 million related to the two new banking centers, partly offset by $966,000 of depreciation for the year.

Stock in Federal Home Loan Bank. The $719,000 decrease in Federal Home Loan Bank stock to $3.8 million at December 31, 2014 was the result of a stock repurchase program initiated by the Federal Home Loan Bank in 2014.

Goodwill. Goodwill was $656,000 at December 31, 2014, unchanged from December 31, 2013. Goodwill of $457,000 relates to deposits associated with a banking center acquired on February 27, 1998, and $199,000 is the result of three separate acquisitions of insurance businesses. The results of the Bank s impairment tests have reflected a fair value for the deposits at this banking center that exceeds the goodwill, and a fair value of the three insurance agency books of business purchased that exceeds the associated goodwill.

Cash Value of Life Insurance. Ameriana Bancorp has investments in life insurance on employees and directors, with a balance or cash surrender value of $28.4 million and $27.7 million, respectively, at December 31, 2014 and 2013. The majority of these policies were purchased in 1999. Some policies were exchanged in 2014 to reduce Ameriana Bancorp s concentration with one insurance carrier, and some policies with lower returns were exchanged in 2007 as part of a restructuring of the program. The nontaxable increase in cash surrender value of life insurance was $716,000 in 2014, compared to $720,000 in 2013.

Other Real Estate Owned. Other real estate owned of $6.6 million at December 31, 2014 represented an increase of $1.5 million from December 31, 2013. Ten additions to other real estate owned totaling $2.4 million and the sale of eight properties with an aggregate book value of $900,000 occurred during 2014. The additions included a residential condominium project with a book value of $1.5 million, two commercial real estate properties totaling $244,000, five single-family residential properties totaling $472,000 and 20 residential building lots totaling $195,000. The sales resulted in a net gain of $23,000, and consisted of five single-family properties, two residential building lots, and developed commercial land. Write-downs of other real estate owned during 2014 totaled $26,000, of which $24,000 related to an outlot adjacent to a strip retail center also owned by the Bank. All of the write-downs during 2014 were due to reduction of the property s market value, evidenced by updated appraisals or valuations received during the period.

Other Assets. Other assets were $8.9 million at December 31, 2014, compared to $9.9 million at December 31, 2013. The decrease of $966,000 resulted primarily from a $1.0 million reduction of Ameriana Bancorp s net income tax asset.

Deposits. The following table shows deposit changes by category:

(Dollars in thousands)

December 31,	2014	2013	$ Change	% Change
Noninterest-bearing deposits	$ 61,063	$ 52,747	$ 8,316	15.77%
Savings deposits	32,997	30,009	2,988	9.96
Interest-bearing checking	112,899	98,234	14,665	14.93
Money market deposits	34,960	36,125	(1,165)	(3.23)
Certificates $100,000 and more	46,157	51,188	(5,031)	(9.83)
Other certificates	90,871	94,398	(3,527)	(3.74)
Totals	$ 378,947	$ 362,701	$ 16,246	4.48

Non-maturity deposits increased $24.8 million, or 11.4%, to $241.9 million at December 31, 2014 from $217.1 million at December 31, 2013. The growth resulted primarily from a $23.0 million increase in checking account balances, noninterest-bearing and interest-bearing deposits, which included a $7.0 million temporary public funds checking balance related to a municipal construction project. The $8.6 million decline in certificate balances resulted primarily from the Bank s decision not to renew a maturing $7.5 million State of Indiana certificate deposit that was accepted in December 2013.

Borrowings. Borrowings decreased $5.0 million to $45.8 million at December 31, 2014 from $50.8 million at December 31, 2013, as the Bank prepaid a Federal Home Loan Bank note that had been used to match-fund a ten-year commercial real estate loan in 2008. The Bank received a $651,000 prepayment fee from the loan payoff and paid a $614,000 prepayment penalty to the Federal Home Loan Bank. In 2013, the Bank added a three-year Federal Home Loan Bank note with an interest rate of 0.77%. The proceeds from the note were used to purchase $8.1 million of Ginnie Mae mortgage-backed securities, with the balance of the purchase funded with cash from the Bank s interest-bearing demand account at the Federal Reserve Bank of Chicago. In September 2012, the Bank prepaid a $10.0 million FHLB note that had an interest rate of 3.42% and maturity date of June 24, 2015, using the proceeds from a $10.0 million FHLB borrowing with an interest rate of 0.96% and maturity date of September 20, 2017. In November 2012, the Bank prepaid a $10.0 million FHLB note that had an interest rate of 3.40% and maturity date of July 24, 2015, using the proceeds from a $10.0 million borrowing with an interest rate of 0.92% and maturity date of November 28, 2017. This restructuring strategy, which included two prepayment penalties totaling $1.5 million that are being amortized over the lives of the two new borrowings, allowed the Bank to extend the debt during a low interest rate environment, and reduce the amount of interest expense that will be recorded during the period from the restructuring dates to the original maturity dates of the replaced borrowings.

At December 31, 2014, Ameriana Bancorp s borrowings consisted of FHLB advances totaling $28.0 million, one $7.5 million repurchase agreement, and subordinated debentures of $10.3 million. The subordinated debentures were issued on March 7, 2006, and mature on March 7, 2036.

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Yields Earned and Rates Paid. The following tables set forth the weighted average yields earned on interest-earning assets and the weighted average interest rates paid on the interest-bearing liabilities, together with the net yield on interest-earning assets. Yields are calculated on a tax-equivalent basis. The tax-equivalent adjustment was $60,000, $62,000 and $64,000 for the years ended December 31, 2014, 2013, and 2012, respectively.

	Year Ended December 31,		
	2014	**2013**	**2012**
Weighted Average Yield:			
Loans	5.22%	4.99%	5.35%
Mortgage-backed pass through and collateralized mortgage obligations	2.24	1.93	2.34
Securities taxable	2.13	2.30	3.02
Securities tax-exempt	8.00	8.00	8.01
Other interest-earning assets	0.74	0.81	0.79
All interest-earning assets	4.42	4.41	4.72
Weighted Average Cost:			
Demand deposits, money market deposit accounts, and savings	0.10	0.11	0.18
Certificates of deposit	1.04	1.12	1.39
Federal Home Loan Bank advances, Federal Reserve Bank discount window borrowings, repurchase agreement and subordinated debentures	2.68	2.86	3.29
All interest-bearing liabilities	0.82	0.87	1.09
Interest Rate Spread (spread between weighted average yield on all Interest-earning assets and all interest-bearing liabilities)	3.60	3.54	3.63
Net Tax Equivalent Yield (net interest income as a percentage of average interest-earning assets)	3.69	3.63	3.72

	At December 31,		
Weighted Average Interest Rates:	**2014**	**2013**	**2012**
Loans	4.67%	4.83%	5.07%
Mortgage-backed pass through and collateralized mortgage obligations	2.18	2.21	2.11
Other securities taxable	1.87	2.01	2.00
Other securities tax-exempt	7.95	7.95	7.95
Other earning assets	0.72	0.65	0.96
Total interest-earning assets	4.03	4.15	4.52
Demand deposits, money market deposit accounts, and savings	0.10	0.11	0.11
Certificates of deposit	0.99	1.06	1.19
Federal Home Loan Bank advances, repurchase agreement, and subordinated debentures (1)	2.48	2.69	2.86
Total interest-bearing liabilities	0.73	0.86	0.90
Interest rate spread	3.30	3.29	3.62

(1)

The actual weighted average rate at December 31, 2014 for Federal Home Loan Bank advances was 1.10%, but the effective rate was 2.17%, which was used in this calculation. The effective rate incorporates the impact on interest expense from the amortization of two prepayment penalties totaling $1.5 million that resulted when two advances of $10.0 million each were replaced in 2012 with new borrowings that have lower rates and later maturity dates.

Rate/Volume Analysis. The following table sets forth certain information regarding changes in interest income, interest expense and net interest income for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to: (1) changes in volume (changes in volume multiplied by old rate) and (2) changes in rate (changes in rate multiplied by old volume). For purposes of this table, changes attributable to changes in both rate and volume that cannot be segregated have been allocated proportionally based on the changes due to the rate and the changes due to volume. No material amounts of loan fees or out-of-period interest are included in the table. Nonaccrual loans were not excluded in the calculations. The information shown below was adjusted for the tax-equivalent benefit of bank qualified non-taxable municipal securities and municipal loans. The tax-equivalent adjustment was $60,000, $62,000 and $64,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

	Year Ended December 31,					
	2014 vs. 2013 Increase (Decrease) Due to Changes in			2013 vs. 2012 Increase (Decrease) Due to Changes in		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(In thousands)					
Interest income:						
Loans	$ (27)	$ 730	$ 703	$ 342	$ (1,151)	$ (809)
Mortgage-backed securities	290	102	392	(122)	(134)	(256)
Securities taxable		(3)	(3)	2	(15)	(13)
Securities tax-exempt						
Other interest-earning assets	93	(21)	72	18	6	24
Total interest-earning assets	356	808	1,164	240	(1,294)	(1,054)
Interest expense:						
Demand deposits and savings	6	(2)	4	14	(115)	(101)
Certificates of deposits	87	(108)	(21)	(211)	(360)	(571)
FHLB advances, Federal Reserve Bank discount window borrowings, repurchase agreement and subordinated debentures	96	(85)	11	32	(202)	(170)
Total interest-bearing liabilities	189	(195)	(6)	(165)	(677)	(842)
Change in net interest income	$ 167	$ 1,003	$ 1,170	$ 405	$ (617)	$ (212)

Drafts Payable. Drafts payable of $1.3 million at December 31, 2014 represented a decrease of $205,000 from $1.5 million at December 31, 2013. This difference will vary and is a function of the dollar amount of checks issued near period end and the time required for those checks to clear.

Other Liabilities. The total for other liabilities decreased $166,000 to $5.7 million at December 31, 2014, from $5.9 million at December 31, 2013, and included a $186,000 decrease in a payable related to the transfer of loan servicing on loans purchased by the bank in prior years, and a $111,000 increase in loan escrow balances.

Shareholders Equity. Total shareholders equity of $41.1 million at December 31, 2014 was $3.3 million higher than the total at December 31, 2013. This increase resulted from net income of $2.4 million, $511,000 related to vesting of stock options and from stock options exercised, and other comprehensive income of $702,000 from unrealized appreciation of available-for-sale securities, partially offset by $240,000 in dividends to shareholders.

Results of Operations 2014 Compared to 2013.

Net Income. Ameriana Bancorp recorded net income of $2.4 million for 2014, or $0.79 per diluted share, compared to net income of $2.2 million, or $0.73 per diluted share, for 2013. This increase of $179,000 resulted primarily from growth in net interest income and a reduction in the provision for loan losses, partly offset by lower total noninterest income and higher total noninterest expense. The following is a summary of changes in the components of net income for 2014 compared to 2013:

Net interest income of $15.1 million for 2014 represented an increase of $1.2 million over 2013, and resulted primarily from a $25.3 million increase in average interest-earning assets and a $745,000

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increase in prepayment fees from commercial real estate loans. Total prepayment fee income for 2014 included one prepayment fee of $651,000 received on a commercial real estate loan that was match-funded with a FHLB borrowing in 2008. The $614,000 prepayment penalty paid to the FHLB is included in noninterest expense for 2014.

Provisions for loan losses of $322,000 were recorded during 2014, compared to $755,000 for the same period of 2013, a decrease of $433,000.

Other income for 2014 was $5.6 million, or a decrease of $184,000 from 2013, due primarily to the $341,000 reduction in gains on sales of loans and servicing rights.

$17.2 million in other expense for 2014 represented a $1.1 million, or 6.9%, increase from $16.1 million for 2013. The increase resulted primarily from a $614,000 prepayment penalty paid to the Federal Home Loan Bank related to a 2008 borrowing used to match-fund a commercial real estate loan.

The income tax expense of $867,000 on $3.2 million of pre-tax income for 2014 represented a reduced effective federal tax rate of 26.8% that resulted primarily from $857,000 of tax-exempt income from bank-owned life insurance, municipal securities and municipal loans. The income tax expense of $741,000 on $2.9 million of pre-tax income for 2013 represented a reduced effective federal tax rate of 25.3% that resulted from $865,000 of tax-exempt income from bank-owned life insurance, municipal securities and municipal loans.

Net Interest Income. Ameriana Bancorp derives the majority of its income from net interest income. The following table shows a breakdown of net interest income on a tax-equivalent basis for 2014 compared to 2013. The tax equivalent adjustment was $60,000 and $62,000 for the years ended December 31, 2014 and 2013, respectively, based on a tax rate of 34%.

Years ended December 31,	**2014**		**2013**		
	Interest	**Yield/Rate**	**Interest**	**Yield/Rate**	**Change**
Interest and fees on loans	$ 16,633	5.22%	$ 15,930	4.99%	$ 703
Other interest income	1,573	1.69	1,112	1.65	461
Total interest income	18,206	4.42	17,042	4.41	1,164
Interest on deposits	1,646	0.52	1,663	0.56	(17)
Interest on borrowings	1,351	2.68	1,340	2.86	11
Total interest expense	2,997	0.82	3,003	0.87	(6)
Net interest income	$ 15,209		$ 14,039		$ 1,170
Net interest spread		3.60%		3.54%	
Net interest margin		3.69%		3.63%	

The 8.3% increase in net interest income on a tax-equivalent basis, as shown in the table above, was mostly the result of a $25.3 million, or 6.5% increase in average interest-earning assets, and a $745,000 increase in prepayment fee income that included a fee of $651,000 from one commercial real estate loan that was match-funded with a FHLB borrowing. Although average interest-bearing liabilities for 2014 represented a 5.5% increase over 2013, interest expense decreased $6,000, as both the average cost of deposits and the average cost of borrowings declined from a year earlier. Ameriana Bancorp s interest-bearing liabilities have shorter overall maturities and typically reprice more frequently to market conditions than its interest-earning assets.

Ameriana Bancorp s net interest margin on a fully-tax equivalent basis increased six basis points to 3.69% for 2014 from 3.63% for 2013.

Tax-exempt interest for 2014 was $141,000 compared to $145,000 for 2013. Tax-exempt interest is from qualifying municipal securities and municipal loans. Total interest income on a tax-equivalent basis of $18.2

million for 2014 represented an increase of $1.2 million compared to $17.0 million for 2013. This increase resulted primarily from Ameriana Bancorp s growth in average interest-earning assets and significant increase in prepayment fee income. Total interest expense for 2014 decreased $6,000 compared to 2013, due mostly to the Bank taking advantage of market opportunities to reprice and continue to reduce its cost of interest-bearing deposits. For further information, see *Financial Condition Rate/Volume Analysis.*

Provision for Loan Losses. The provision for loan losses represents the current period credit or cost associated with maintaining an appropriate allowance for loan losses. Periodic fluctuations in the provision for loan losses result from management s assessment of the adequacy of the allowance for loan losses. The allowance for loan losses is dependent upon many factors, including loan growth, net charge-offs, changes in the composition of the loan portfolio, delinquencies, assessment by management, third parties and banking regulators of the quality of the loan portfolio, the value of the underlying collateral on problem loans and the general economic conditions in the Bank s market area. Ameriana Bancorp believes the allowance for loan losses is adequate to cover losses inherent in the loan portfolio as calculated in accordance with generally accepted accounting principles.

Ameriana Bancorp had a provision for loan losses of $322,000 for 2014 compared to a provision of $775,000 for 2013. The decrease in the provision was due primarily to a reduction in nonperforming loans and net charge-offs, and to an improvement in the overall credit quality of the loan portfolio. The allowance to total loans ratio was 1.22% at December 31, 2014, compared to 1.26% at December 31, 2013.

Other Income. The $184,000 decrease in total other income to $5.6 million in 2014 resulted primarily from the net of the following changes:

A $341,000 decrease in gains on sales of mortgage loans and servicing rights to $170,000 for 2014 from $511,000 for 2013, that resulted primarily from a decline in single-family home loan demand nationwide and management s decision to retain a substantial portion of the 2014 new loan production in the Bank s portfolio;

No sales of investment securities, compared to $167,000 in net gains from $10.2 million in sales of available-for-sale investment securities in 2013; and

A $57,000 decrease in brokerage and insurance commissions to $1.6 million for 2014 compared to the year earlier total, that included a $38,000 decrease in commissions and fees earned by the Bank s investment services subsidiary that resulted primarily from a lower volume of sales, and an $18,000 decrease in revenue earned by the Bank s insurance subsidiary that resulted primarily from a $34,000 decrease in the contingency bonus received related to the claims loss experience on insured properties; partially offset by

A $228,000, or 9.3%, increase in fees and service charges from deposit account relationships to $2.7 million that was due primarily to a 5.9% increase in the number of checking accounts that resulted from the Bank s continuing focus on growing core deposit relationships;

A $32,000 decrease in the net loss from sales and write-downs of other real estate owned to $3,000 for 2014 from $35,000 for 2013. The $3,000 net loss for 2014 included write-downs of $26,000 that were partly offset by net gains of $23,000 from the sale of 8 properties with a total book value of $900,000. The net loss for 2013 included write-downs totaling $283,000, including a write-down of $141,000 related to a high-end single family property, offset in part by a $154,000 gain on the sale of a single-family residential property with the potential for increased value when converted to commercial use.

A $60,000 increase in other real estate owned income to $280,000 that resulted primarily from the January 2014 collection of $26,000 in delinquent rent from a tenant of a commercial strip center.

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Other Expense. Ameriana Bancorp recorded a $1.1 million, or 6.9%, increase in total other expense to $17.2 million for 2014, compared to $16.1 million for 2013, due primarily to the following major differences:

A $614,000 prepayment penalty paid to the Federal Home Loan Bank related to a borrowing for a match-funded commercial real estate loan;

A $323,000, or 3.6%, increase in salaries and employee benefits to $9.3 million for 2014 from $9.0 million for 2013 that was due in part to $155,000 of expense related to the two new banking centers opened in the last half of 2014, and a $71,000 increase in the expense of Ameriana Bancorp s frozen multi-employer defined benefit retirement plan;

A $168,000 increase in marketing expense to $529,000 for 2014 that related primarily to media advertising to build brand awareness in the greater Indianapolis metropolitan area;

A $149,000 increase in legal and professional fees to $723,000 that resulted primarily from a $72,000 increase in legal fees, a $38,000 increase in fees related to successful appeals of real estate tax assessments on office properties and other real estate owned, and a $16,000 increase in recruiting fees;

A $90,000 increase in data processing expense to $1.0 million for 2014 related primarily to Ameriana Bancorp s cost to support greater use of new technology by its customers; and

A $102,000 increase in other noninterest expense to $1.7 million that resulted primarily from a $101,000 increase in expense related to split-dollar life insurance agreements; partly offset by

A $127,000 decrease in FDIC insurance premiums that resulted primarily from a reduction in the Bank s assessment rate;

An $84,000 decrease in other real estate owned expense to $277,000, due primarily to real estate tax refunds from successful appeals of assessments that resulted in a $55,000 expense reduction;

A $66,000 decrease in loan expense that resulted primarily from the reversal of $62,000 of loan expense as a result of the repurchase of a non-performing loan by the servicer, and

A $56,000 decrease in furniture and equipment expense to $778,000 that related mostly to reduced ATM maintenance expense and lower depreciation.

Strategic Issues

To diversify the balance sheet and provide new avenues for loan and deposit growth, the Bank further expanded into the greater Indianapolis area, adding three (3) full-service offices in 2008 and 2009 in the suburban markets of Carmel, Fishers and Westfield. As a result, more than half of Ameriana Bancorp s banking centers are located in the Indianapolis metropolitan area. These banking centers are focused on generating new deposit and lending relationships, where significant opportunities exist to win market share from smaller institutions lacking the depth of financial products and services, and large institutions that have concentrated on large business customers.

In 2012, the Bank closed its McCordsville Banking Center. The Fishers Banking Center, which is in close proximity to the McCordsville and Geist communities, allowed the Bank to serve the financial needs of its McCordsville customers from a consolidated and still convenient location. In 2013, the Bank purchased two vacant banking centers in Hamilton County. The Noblesville Banking Center opened in September 2014, and the Fishers Crossing Banking Center in November 2014. With the addition of these two (2) offices, Ameriana has five (5) locations in Hamilton County. A Broad Ripple Banking Center, the Bank s first brick and mortar location in Marion County, is scheduled to open in the second half of 2015. The Bank is in the process of determining the appropriate time to construct a banking center building on its Plainfield property, based on its long-term expansion strategy. Although implementation of the expansion strategy has resulted in an initial negative effect on earnings, management believes that the Bank s expansion into new markets is extremely important to its long-term sustainable growth.

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On July 6, 2015, Ameriana consolidated the Downtown New Castle Banking Center with the Bundy Avenue Banking Center, also located in New Castle, where customers are provided full access to services and amenities that were not available at the Downtown Banking Center. Ameriana is committed to developing a branch network that meets the changing needs of customers while maximizing profitability for its shareholders.

Earnings pressure is expected to continue as the uncertain economy maintains stress on efforts to grow the loan portfolio, and also due to the current interest rate environment that has proven to be difficult for the financial institution industry, including pressure on net interest margins. Deposit acquisition remains competitive; however, the Bank s disciplined pricing has resulted in further reduction of its cost of deposits. The Bank s pricing strategies, along with an increase in the size of the investment portfolio, have mitigated the negative effect of the low interest rate environment. Managing noninterest expense prudently has been a priority of the Bank, and management has utilized aggressive cost control measures including job restructuring and eliminating certain discretionary expenditures, to limit growth in noninterest expense as new banking centers are added.

With the Bank s mantra of Soundness. Profitability. Growth in that order, no exceptions, the priorities, culture and risk strategy of the Bank are focused on asset quality and credit risk management. Despite the current economic pressures, as well as the industry s challenges related to compliance and regulatory requirements, tightened credit standards, and capital preservation, management remains cautiously optimistic that business conditions will continue to improve over the longer term and is steadfast in the belief that Ameriana Bancorp is well positioned to grow and enhance shareholder value as this recovery occurs.

With a community banking history stretching over 125 years, the Bank has built its strong reputation with community outreach programs and being a workplace of choice. By combining its rich tradition with its ability to provide its customers with financial advice and solutions, the Bank will accomplish its mission by:

- being Ameriana Bancorp s customer s first choice for financial advice and solutions;
- informing and educating customers on the basics of money management; and
- understanding and meeting customer s financial needs throughout their life cycle.

Serving customers requires the commitment of all Bank associates to provide exceptional service and sound financial advice. The Bank believes these qualities will differentiate it from its competitors and increase profitability and shareholder value.

Critical Accounting Policies

The accounting and reporting policies of Ameriana Bancorp are maintained in accordance with accounting principles generally accepted in the United States and conform to general practices within the banking industry. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The financial position and results of operations of Ameriana Bancorp can be affected by these estimates and assumptions, and such estimates and assumptions are integral to the understanding of reported results. Critical accounting policies are those policies that management believes are the most important to the portrayal of Ameriana Bancorp s financial condition and results, and they require management to make estimates that are difficult, subjective or complex, and subject to change if actual circumstances differ from those that were assumed.

The following are Ameriana Bancorp s critical accounting policies:

Allowance for Loan Losses. The allowance for loan losses provides coverage for probable losses in Ameriana Bancorp s loan portfolio. Management evaluates the adequacy of the allowance for loan losses each quarter based on changes, if any, in underwriting activities, the loan portfolio composition (including product mix and geographic, industry or customer-specific concentrations), trends in loan performance, including the level of non-performing, delinquent and classified loans, regulatory guidance and economic factors. This evaluation is inherently subjective, as it requires the use of significant management estimates. Many factors can affect management s estimates of specific and expected losses, including volatility of default probabilities, rating migrations, loss severity and economic and political conditions. The allowance is increased through provisions charged to earnings and reduced by net charge-offs.

Ameriana Bancorp determines the amount of the allowance based on relative risk characteristics of the loan portfolio. The allowance recorded for commercial loans is based on reviews of individual credit relationships and an analysis of the migration of commercial loans and actual loss experience. The allowance recorded for noncommercial loans is based on an analysis of loan mix, risk characteristics of the portfolio, fraud loss and bankruptcy experiences and historical losses, adjusted for current trends, for each loan category or group of loans. The allowance for loan losses relating to impaired loans is based on the loan s observable market price, the collateral for certain collateral-dependent loans, or the discounted cash flows using the loan s effective interest rate.

Regardless of the extent of Ameriana Bancorp s analysis of customer performance, portfolio trends or risk management processes, certain inherent but undetected losses are probable within the loan portfolio. This is due to several factors, including inherent delays in obtaining information regarding a customer s financial condition or changes in their unique business conditions, the subjective nature of individual loan evaluations, collateral assessments and the interpretation of economic trends. Volatility of economic or customer-specific conditions affecting the identification and estimation of losses for larger, non-homogeneous credits and the sensitivity of assumptions utilized to establish allowances for homogenous groups of loans are among other factors. Ameriana Bancorp estimates a range of inherent losses related to the existence of these exposures. The estimates are based upon Ameriana Bancorp s evaluation of risk associated with the commercial and consumer allowance levels and the estimated impact of the current economic environment. Future adjustments to the allowance for loan losses may be necessary if conditions differ substantially from the assumptions used in making the evaluations. In addition, various regulatory agencies periodically review Ameriana Bancorp s allowance for loan losses. Such agencies may require Ameriana Bancorp to recognize adjustments to the allowance based on their judgments at the time of their examination.

Mortgage Servicing Rights. Mortgage servicing rights (MSRs) associated with loans originated and sold, where servicing is retained, are capitalized and included in other assets in the consolidated balance sheet. The value of the capitalized servicing rights represents the present value of the future servicing fees arising from the right to service loans in the portfolio. Critical accounting policies for MSRs relate to the initial valuation and subsequent impairment tests. The methodology used to determine the valuation of MSRs requires the development and use of a number of estimates, including anticipated principal amortization and prepayments of that principal balance. Events that may significantly affect the estimates used are changes in interest rates, mortgage loan prepayment speeds and the payment performance of the underlying loans. The carrying value of the MSRs is periodically reviewed for impairment based on a determination of fair value. Impairment, if any, is recognized through a valuation allowance and is recorded as amortization of intangible assets.

Valuation Measurements. Valuation methodologies often involve a significant degree of judgment, particularly when there are no observable active markets for the items being valued. Investment securities and residential mortgage loans held for sale are carried at fair value, as defined by FASB fair value guidance, which requires key judgments affecting how fair value for such assets and liabilities is determined. In addition, the outcomes of valuations have a direct bearing on the carrying amounts for goodwill and intangible assets. To determine the values of these assets and liabilities, as well as the extent to which related assets may be impaired, management makes assumptions and estimates related to discount rates, asset returns, prepayment rates and other factors. The use of different discount rates or other valuation assumptions could produce significantly different results, which could affect Ameriana Bancorp s results of operations.

Income Tax Accounting. Ameriana Bancorp files a consolidated federal income tax return. The provision for income taxes is based upon income in its consolidated financial statements. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on Ameriana Bancorp s deferred tax assets and liabilities is recognized as income or expense in the period that includes the enactment date.

Under U.S. generally accepted accounting principles, a valuation allowance is required to be recognized if it is more likely than not that a deferred tax asset will not be realized. The determination of the realizability of the deferred tax asset is highly subjective and dependent upon judgment concerning Ameriana Bancorp s evaluation of both positive and negative evidence, Ameriana Bancorp s forecasts of future income, applicable tax planning strategies, and assessments of current and future economic and business conditions. Positive evidence includes the existence of taxes paid in available carry-back years as well as the probability that taxable income will be generated in future periods, while negative evidence includes any cumulative losses in the current year and prior two years and general business and economic trends. At June 30, 2015 and December 31, 2014, Ameriana Bancorp determined that its existing valuation allowance was adequate, largely based on available tax planning strategies and its projections of future taxable income. Any reduction in estimated future taxable income may require it to increase the valuation allowance against its deferred tax assets. Any required increase to the valuation allowance would result in additional income tax expense in the period and could have a significant impact on Ameriana Bancorp s future earnings.

Positions taken in Ameriana Bancorp s tax returns may be subject to challenge by the taxing authorities upon examination. The benefit of an uncertain tax position is initially recognized in the financial statements only when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions are both initially and subsequently measured as the largest amount of tax benefit that is more likely than not of being realized upon settlement with the tax authority, assuming full knowledge of the position and all relevant facts. Differences between Ameriana Bancorp s position and the position of tax authorities could result in a reduction of a tax benefit or an increase to a tax liability, which could adversely affect its future income tax expense.

Ameriana Bancorp believes its tax policies and practices are critical accounting policies because the determination of its tax provision and current and deferred tax assets and liabilities have a material impact on its net income and the carrying value of its assets. Ameriana Bancorp believes its tax liabilities and assets are adequate and are properly recorded in the condensed consolidated financial statements at June 30, 2015.

Off-balance Sheet Arrangements

In the normal course of operations, Ameriana Bancorp engages in a variety of financial transactions that, in accordance with generally accepted accounting principles, are not recorded in Ameriana Bancorp s financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers requests for funding and take the form of loan commitments and lines of credit.

Ameriana Bancorp does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Impact of Inflation and Changing Prices

Ameriana Bancorp s consolidated financial statements and related data presented in this registration statement have been prepared in accordance with generally accepted accounting principles. This requires the measurement of financial position and operating results in terms of historical dollars without consideration of changes in the relative purchasing power of money over time due to inflation.

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Virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution s performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or at the same rate as changes in the prices of goods and services, which are directly affected by inflation, although interest rates may fluctuate in response to perceived changes in the rate of inflation.

Liquidity and Capital Resources

Liquidity is the ability to meet current and future obligations of a short-term nature. Historically, funds provided by operations, loan repayments and new deposits have been Ameriana Bancorp s principal sources of liquid funds. In addition, Ameriana Bancorp has the ability to obtain funds through the sale of investment securities and mortgage loans, through borrowings from the FHLB system, and through the brokered certificates market. It regularly adjusts the investments in liquid assets based upon its assessment of (1) expected loan demand, (2) expected deposit flows, (3) yields available on interest-earning deposits and securities and (4) the objectives of Ameriana Bancorp s asset/liability program.

Ameriana Bancorp is a separate entity and apart from the Bank and must provide for its own liquidity. In addition to its operating expenses, Ameriana Bancorp is responsible for the payment of dividends declared for its shareholders and the payment of interest on its subordinated debentures. At times, Ameriana Bancorp has repurchased its stock. Substantially all of Ameriana Bancorp s operating cash is obtained from subsidiary dividends. Payment of such dividends to Ameriana Bancorp by the Bank is limited under Indiana law.

At June 30, 2015, the Bank had $47.8 million in loan commitments outstanding and $59.3 million of additional commitments for line of credit receivables. Certificates of deposit due within one year of June 30, 2015 totaled $68.8 million, or 17.7% of total deposits. If these maturing certificates of deposit do not remain, other sources of funds must be used, including other certificates of deposit, brokered CDs, and borrowings. Depending on market conditions, the Bank may be required to pay higher rates on such deposits or other borrowings than currently paid on the certificates of deposit due on or before June 30, 2016. However, based on past experiences the Bank believes that a significant portion of the certificates of deposit will remain. The Bank has the ability to attract and retain deposits by adjusting the interest rates offered. The Bank held no brokered CDs at June 30, 2015 or at December 31, 2014.

Ameriana Bancorp s primary investing activity, the origination and purchase of loans, is offset by the sale of loans and principal repayments. In the first six months of 2015, net loans receivable increased by $11.3 million, or 3.6%.

Financing activities consist primarily of activity in deposit accounts and FHLB advances. Deposit flows are affected by the overall level of interest rates, the interest rates and products the Bank offers, and Ameriana Bancorp s local competitors and other factors. Total deposits increased by $10.5 million, or 2.8%, during the first six months of 2015. The Bank had FHLB advances of $25.0 million and $28.0 million at June 30, 2015 and December 31, 2014, respectively.

The Bank is subject to various regulatory capital requirements set by the FDIC, including a risk-based capital measure. Ameriana Bancorp is also subject to similar capital requirements set by the Federal Reserve Board. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories.

Basel III. On July 9, 2013, the federal bank regulatory agencies issued a final rule that revised their risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision (Basel III) and certain provisions of the Dodd-Frank Act.

The final rule applies to all depository institutions, top-tier bank holding companies with total consolidated assets of $500 billion or more and top-tier savings and loan holding companies.

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The rule established a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increased the minimum Tier 1 capital to risk-based assets requirement (from 4.0% to 6.0% of risk-weighted assets) and assigned a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property.

The rule also includes changes in what constitutes regulatory capital, some of which are subject to a two-year transition period. These changes include the phasing-out of certain instruments as qualifying capital. In addition, Tier 2 capital is no longer limited to the amount of Tier 1 capital included in total capital. Mortgage servicing rights, certain deferred tax assets and investments in unconsolidated subsidiaries over designated percentages of common stock will be required to be deducted from capital, subject to a two-year transition period. Finally, Tier 1 capital will include accumulated other comprehensive income (AOCI), (which includes all unrealized gains and losses on available for sale debt and equity securities), subject to a two-year transition period. A key provision of the new rules permits all non-advanced approaches institutions, generally those institutions with less than $250 billion in total assets, to make a one-time, irrevocable election to opt out of the requirement to include most components of AOCI in Tier 1 capital. With the filing of their respective March 31, 2015 regulatory reports, the Bank and Ameriana Bancorp made the one-time, irrevocable election to opt out.

The new capital requirements also include changes in the risk-weights of assets to better reflect credit risk and other risk exposures. These include a 150% risk weight (up from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and non-residential mortgage loans that are 90 days past due or otherwise on nonaccrual status; a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; a 250% risk weight (up from 100%) for mortgage servicing rights and deferred tax assets that are not deducted from capital; and increased risk-weights (from 0% to up to 600%) for equity exposures.

Finally, the rule limits capital distributions and certain discretionary bonus payments if the banking organization does not hold a capital conservation buffer consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements.

The final rule became effective on January 1, 2015. The capital conservation buffer requirement will be phased in beginning January 1, 2016, at 0.625% of risk-weighted assets, increasing each year until fully implemented at 2.5% on January 1, 2019. It is management s belief that, as of June 30, 2015, Ameriana Bancorp and the Bank have met all capital adequacy requirements under Basel III on a fully phased-in basis as if such requirements were currently effective.

There are five capital categories defined in the regulations, ranging from well capitalized to critically under-capitalized. Classification in any of the undercapitalized categories can result in actions by regulators that could have a material effect on a bank s operations. At June 30, 2015 and December 31, 2014, the Bank was categorized as well capitalized and met all subject capital adequacy requirements. There are no conditions or events since June 30, 2015 that management believes have changed this classification.

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Actual, required, and well capitalized amounts and ratios for the Bank are as follows:

	June 30, 2015					
	Actual Capital		**Required for Adequate Capital**		**To be Well Capitalized**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total risk-based capital ratio (total capital to risk-weighted assets)	**$ 48,841**	**14.62%**	**$ 26,721**	**8.00%**	**$ 33,402**	**10.00%**
Tier 1 risk-based capital ratio (tier 1 capital to risk-weighted assets)	**$ 44,897**	**13.44%**	**$ 20,041**	**6.00%**	**$ 26,721**	**8.00%**
Common equity tier 1 risk-based capital ratio (common equity tier 1 capital to risk-weighted assets)	**$ 44,897**	**13.44%**	**$ 15,030**	**4.50%**	**$ 21,711**	**6.50%**
Tier 1 leverage ratio (tier 1 capital to adjusted average total assets)	**$ 44,897**	**9.41%**	**$ 19,077**	**4.00%**	**$ 23,847**	**5.00%**

	December 31, 2014					
	Actual Capital		Required for Adequate Capital		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio (risk based capital to risk-weighted assets)	**$ 48,737**	**15.64%**	**$ 24,933**	**8.00%**	**$ 31,167**	**10.00%**
Tier 1 risk-based capital ratio (tier 1 capital to risk-weighted assets)	**$ 44,823**	**14.38%**	**$ 12,467**	**4.00%**	**$ 18,700**	**6.00%**
Tier 1 leverage ratio (tier 1 capital to adjusted average total assets)	**$ 44,823**	**9.49%**	**$ 14,175**	**3.00%**	**$ 23,626**	**5.00%**

Actual, required, and well capitalized amounts and ratios for Ameriana Bancorp are as follows:

	June 30, 2015					
	Actual Capital		**Required for Adequate Capital**		**To be Well Capitalized**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total risk-based capital ratio	**$ 51,116**	**15.17%**	**$ 26,964**	**8.00%**	**$ 33,705**	**10.00%**

(total capital to risk-weighted assets)						
Tier 1 risk-based capital ratio	**$ 47,172**	**14.00%**	**$ 20,223**	**6.00%**	**$ 26,964**	**8.00%**
(tier 1 capital to risk-weighted assets)						
Common equity tier 1 risk-based capital ratio	**$ 39,241**	**11.64%**	**$ 15,167**	**4.50%**	**$ 21,908**	**6.50%**
(common equity tier 1 capital to risk-weighted assets)						
Tier 1 leverage ratio	**$ 47,172**	**9.85%**	**$ 19,149**	**4.00%**	**$ 23,937**	**5.00%**
(tier 1 capital to adjusted average total assets)						

	December 31, 2014					
	Actual Capital		Required for Adequate Capital		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio	$ 49,983	15.85%	$ 25,233	8.00%	$ 31,541	10.00%
(risk based capital to risk-weighted assets)						
Tier 1 risk-based capital ratio	$ 46,069	14.61%	$ 12,617	4.00%	$ 18,925	6.00%
(tier 1 capital to risk-weighted assets)						
Tier 1 leverage ratio	$ 46,069	9.74%	$ 14,149	3.00%	$ 23,644	5.00%
(tier 1 capital to adjusted average total assets)						

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Available Information

Ameriana Bancorp s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are made available free of charge on its website, www.ameriana.com, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission.

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COMPARISON OF COMMON STOCK

The following summary comparison of First Merchants common stock and Ameriana Bancorp common stock includes the material features of such stocks and the material differences in the rights of holders of shares of such stocks. Because this is a summary, it does not contain all of the information that is important to you and is qualified in its entirety by reference to First Merchants Articles of Incorporation and Bylaws and Ameriana Bancorp s Articles of Incorporation and Bylaws.

Governing Law

Following the Merger, the rights of former Ameriana Bancorp shareholders who receive First Merchants common stock in the Merger will be governed by the laws of the State of Indiana, the state in which First Merchants is incorporated, and by First Merchants Articles of Incorporation and Bylaws. The rights of Ameriana Bancorp shareholders are presently governed by the laws of the State of Indiana, the state in which Ameriana Bancorp is incorporated, and by Ameriana Bancorp s Articles of Incorporation, Bylaws and the Shareholders Agreement. The rights of Ameriana Bancorp shareholders differ in certain respects from the rights they will have as First Merchants shareholders, including certain preferential rights of preferred stockholders, the vote required for the amendment of certain significant provisions of the Articles of Incorporation and for the approval of certain significant corporate transactions.

Authorized But Unissued Shares

First Merchants	*Ameriana Bancorp*
First Merchants Articles of Incorporation authorize the issuance of 50,000,000 shares of common stock, no par value, of which 37,852,852 shares were outstanding as of July 31, 2015. 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 as Fixed Rate Cumulative Perpetual Preferred Stock, Series A, $1,000 per share liquidation amount, no shares of which are currently 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 Articles of Incorporation of Ameriana Bancorp authorize the issuance of 15,000,000 shares of common stock, $1.00 par value. As of October 7, 2015, there were 3,043,262 shares of common stock outstanding. The Ameriana Bancorp Board of Directors may authorize the issuance of additional shares of common stock up to the amounts authorized in Ameriana Bancorp s Articles of Incorporation, without shareholder approval, subject only to the restrictions of the Indiana Business Corporation Law, the Articles of Incorporation, and the rules of a national securities exchange, if applicable. As of the date of this proxy statement and prospectus, Ameriana Bancorp had 5,000,000 shares of serial preferred stock, no par value, authorized, none of which is issued and outstanding.

As of September 20, 2015, First Merchants had 316,465 shares of its common stock reserved and remaining available for issuance under its 2009 Long-term Equity Incentive Plan and 76,486 shares of its common stock reserved and remaining available for

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issuance under its Dividend Reinvestment and Stock Purchase Plan. In addition, as of September 20, 2015, First Merchants had no options granted but unexercised under its 1994 Stock Option Plan, 320,062 options granted but unexercised under its 1999 Long-term Equity Incentive Plan, and 137,811 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	*Ameriana Bancorp*
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 Ameriana Bancorp common stock are generally not restricted on sales of their shares. The shares are also registered under Section 12 of the Exchange Act and listed for exchange on The NASDAQ Capital Market. As a result, a public market exists for the shares of common stock.

Preemptive Rights

Neither First Merchants Articles of Incorporation nor Ameriana Bancorp s Articles of Incorporation provide for preemptive rights for shareholders to subscribe for any new or additional shares of common stock.

Dividend Rights

First Merchants	*Ameriana Bancorp*
The holders of First Merchants common stock are entitled to dividends and other distributions when, as and if declared by its Boards of Directors.	The holders of Ameriana Bancorp 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 Ameriana Bancorp s stock.
Generally, First Merchants ***may not*** pay a dividend if, after giving effect to the dividend:	Generally, Ameriana Bancorp ***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	Ameriana Bancorp 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.	Ameriana Bancorp 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.

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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.

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.

Voting Rights

The holders of the outstanding shares of common stock of First Merchants and Ameriana Bancorp are entitled to one (1) vote per share on all matters presented for shareholder vote. Neither First Merchants nor Ameriana Bancorp shareholders have cumulative voting rights in the election of directors.

Articles of Incorporation and Bylaw Amendments

First Merchants	***Ameriana Bancorp***
Indiana law generally requires shareholder approval for most amendments to a corporation s articles of incorporation by a majority of a quorum at a shareholder s meeting (and, in certain cases, a majority of all shares held by any voting group entitled to vote). However, Indiana law permits a corporation in its articles of incorporation to specify a higher shareholder vote requirement for certain amendments. First Merchants Articles of Incorporation	The shareholders of Ameriana Bancorp have the right to amend, alter, repeal or rescind Articles X (Meetings of Stockholders; No Cumulative Voting), XI (Notice for Nominations and Proposals), XII (Directors), XIII (Removal of Directors), XIV (Capital Stock Acquisition Restriction), XV (Approval of Certain Business Combinations), XVI (Evaluation of Business Combination), XVII (Limited Liability of Directors),

require a super-majority shareholder vote of seventy-five percent (75%) of its outstanding shares of common stock for the amendment of certain significant provisions and a majority of its outstanding shares for all other amendments. See COMPARISON OF COMMON STOCK Number of Directors and Term of Office, COMPARISON OF COMMON STOCK Removal of

XVIII (Indemnification), XIX (Amendment of Bylaws) and XX (Amendment of Articles of Incorporation) of the Articles of Incorporation by the affirmative vote of at least eighty percent (80%) of the holders of Ameriana Bancorp s common stock. The Articles of Incorporation specify that Ameriana Bancorp has the right to amend, alter, repeal and rescind all other sections of the Articles of

Directors, and COMPARISON OF COMMON STOCK Anti-Takeover Provisions.	Incorporation in accordance with the Indiana Business Corporation Law.
Indiana law permits a board of directors to amend a corporation s bylaws unless the articles of incorporation provide otherwise. First Merchants Bylaws may generally be amended by an affirmative vote of a majority of the entire Board of Directors. However, several provisions of First Merchants Bylaws require two-thirds (2/3) vote of the entire Board of Directors to approve amendments, including the provision regarding removal of directors and setting the number and classes of directors. In addition, First Merchants Articles of Incorporation provide that its Bylaws may not be amended to repeal, modify or amend certain provisions of its Articles of Incorporation.	The Ameriana Bancorp Articles of Incorporation and Bylaws provide that the Board of Directors shall have the exclusive power to make, alter, amend, or repeal, or the Bylaws of the Ameriana Bancorp by the affirmative vote of two-thirds (2/3) of the number of directors then in office, except as provided by the Indiana Business Corporation Law.

Special Meetings of Shareholders

First Merchants	***Ameriana Bancorp***
First Merchants Bylaws provide that a special meeting of shareholders may be called by the Board of Directors, the President, at the written request of a majority of the Board of Directors or at the written request of shareholders holding at least one-fourth (1/4) of all shares outstanding and entitled to vote on business for which the meeting is called.	Ameriana Bancorp s Bylaws provide that a special meeting of shareholders may be called at any time by the Board of Directors, by a committee of the Board of Directors which has been duly designated by the Board of Directors, by the Chairman of the Board of Directors, by the President of Ameriana Bancorp, or otherwise as required by law.

Number of Directors and Term of Office

First Merchants	***Ameriana Bancorp***
First Merchants Articles of Incorporation provide that the number of directors shall be set in the Bylaws by the Board of Directors and shall be at least nine (9) and no more than 21 (twenty-one). First Merchants Articles of Incorporation also provide for classes of directors with staggered terms. Amendment of this provision of First Merchants Articles of Incorporation requires the approval of three-fourths (3/4) of the voting stock. First Merchants Bylaws specify that the number of directors is ten (10). The Bylaws provide that the number of directors may be amended only by a two-thirds (2/3) vote of the entire Board of Directors. Consistent with its Articles of Incorporation, First Merchants Bylaws provide that the Board of Directors is divided into three (3) classes with four (4) directors in one (1) of the classes and three (3) directors in the other two (2) classes. The	The Articles of Incorporation of Ameriana Bancorp provide that the number of directors shall be between seven (7) and fifteen (15) as provided from time to time in the Bylaws. The Bylaws provide that the Board of Directors shall initially consist of seven (7) members, divided into three (3) groups. The members of each group shall be elected for staggered terms of three (3) years. A decrease or increase in the number of directors requires the approval of two-thirds (2/3) the directors then in office.

directors in each class are elected for 3-year staggered terms. Thus, approximately only one-third (1/3) of First Merchants Board of Directors is elected at each annual meeting of shareholders. Because

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First Merchants Board of Directors is divided into classes, a majority of First Merchants directors can be replaced only after two (2) annual meetings of shareholders. A two-thirds (2/3) vote of the entire Board of Directors is required to amend this provision of First Merchants Bylaws.

Nomination of Directors

First Merchants

Under First Merchants Bylaws, only the Nominating and Governance Committee of the Board of Directors may nominate a candidate for the Board of Directors. Shareholders may suggest a person for nomination by sending a notice to the Committee setting forth at a minimum:

the name and address of each suggested nominee;

the age and principal occupation of each suggested nominee;

the total number of shares of First Merchants capital stock held by the notifying shareholder; and

the name and residence address of the notifying shareholder.

Ameriana Bancorp

Ameriana Bancorp s Articles of Incorporation and its Bylaws provide for the nomination of directors. Either a majority of independent directors of Ameriana Bancorp or a nominating committee composed of a minimum of three (3) directors shall select nominees for the election of directors. Shareholders may suggest a person for nomination by sending a notice to the Secretary of Ameriana Bancorp setting forth at a minimum:

the name, age, business address, and if known, residence address of each nominee proposed in the notice;

the principal occupation or employment of each such nominee;

the number of shares of stock of Ameriana Bancorp which are beneficially owned by each such nominee;

such other information as would be required to be included in a proxy statement soliciting proxies for the election of the proposed nominee pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended;

the name and address of the shareholder who is providing notice; and

First Merchants	Ameriana Bancorp
	the class and number of shares of Ameriana Bancorp beneficially owned by the shareholder who is providing notice.

Removal of Directors

First Merchants	***Ameriana Bancorp***
First Merchants Articles of Incorporation and Bylaws provide that any director or all directors may be removed, with or without cause, at a meeting of shareholders upon the vote of the holders of not less than two-thirds (2/3) of the outstanding shares entitled to vote on the election of directors. However, if two-	Ameriana Bancorp Articles of Incorporation provide that any or all of the members of the Board of Directors may be removed only for cause (i) by the shareholders at a meeting of the shareholders called expressly for that purpose, and only by the affirmative vote of the holders of at least eighty percent (80%) of

thirds (2/3) of the entire Board of Directors recommends removal of a director to the shareholders, then such director may be removed by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote on the election of directors at a shareholders meeting. A two-thirds (2/3) vote of the entire Board of Directors is required to amend this provision of First Merchants Bylaws. Amendment of this provision of First Merchants Articles of Incorporation requires the approval of three-fourths (3/4) of the voting stock.

the shares then entitled to vote at an election of directors, or (ii) by the affirmative vote of at least two-thirds (2/3) of the directors then in office.

Anti-Takeover Provisions

The anti-takeover measures applicable to First Merchants and Ameriana Bancorp described below may have the effect of discouraging a person or other entity from acquiring control of either company. These measures may have the effect of discouraging certain tender offers for shares of their common stock which might otherwise be made at premium prices or certain other acquisition transactions which might be viewed favorably by a significant number of shareholders.

Under Indiana law, any ten percent (10%) shareholder of an Indiana corporation, with a class of voting shares registered under Section 12 of the Exchange Act, such as First Merchants or Ameriana Bancorp, is prohibited for a period of five (5) years from completing a business combination with the corporation unless, prior to the acquisition of such ten percent (10%) interest, the Board of Directors approved either the acquisition of such interest or the proposed business combination. If such prior approval is not obtained, the corporation and a ten percent (10%) shareholder may not consummate a business combination unless all provisions of the articles of incorporation are complied with and either a majority of disinterested shareholders approve the transaction or all shareholders receive a price per share as determined by Indiana law. A corporation may specifically adopt application of the business combination provision in its Articles of Incorporation and obtain the protection provided by this provision.

An Indiana corporation may elect to remove itself from the protection provided by the Indiana business combination provision, but such an election remains ineffective for eighteen (18) months and does not apply to a combination with a shareholder who acquired a ten percent (10%) ownership position prior to the election. First Merchants has adopted the protection provided by the business combination provision of Indiana law.

In addition to the business combination provision, Indiana law contains a control share acquisition provision which, although different in structure from the business combination provision, may have a similar effect of discouraging or making more difficult a hostile takeover of an Indiana corporation. This provision also may have the effect of discouraging premium bids for outstanding shares. Under this provision, unless otherwise provided in the corporation s articles of incorporation or bylaws, if a shareholder acquires a certain amount of shares, approval of a majority of the disinterested shareholders must be obtained before the acquiring shareholder may vote the control shares. Under certain circumstances, the shares held by the acquirer may be redeemed by the corporation at the fair market value of the shares as determined by the control share acquisition provision. First Merchants and Ameriana Bancorp are subject to the control share acquisition provision. The constitutional validity of the control share acquisition statute has been challenged in the past and has been upheld by the United States Supreme Court.

The control share acquisition provision does not apply to a plan of affiliation and merger if the corporation complies with the applicable merger provisions and is a party to the agreement of merger or plan of share exchange.

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Liquidation Rights

First Merchants	Ameriana Bancorp
In the event of any liquidation or dissolution of First Merchants, its shareholders are entitled to receive pro rata, according to the number of shares held, any assets distributable to shareholders, subject to the payment of First Merchants liabilities and any rights of creditors and holders of shares of First Merchants preferred stock then outstanding.	In the event of any liquidation, dissolution, or winding up of Ameriana Bancorp, either voluntary or involuntary, the holders of shares shall be entitled to share, ratably according to the number of shares held by them, in all assets of Ameriana Bancorp available for distribution to its shareholders.

Redemption

First Merchants	Ameriana Bancorp
Under Indiana law, First Merchants may redeem or acquire shares of its common stock with funds legally available therefor, and shares so acquired constitute authorized but unissued shares. First Merchants may not redeem or acquire its shares of common stock if, after such redemption, it would not be able to pay its debts as they become due. Additionally, First Merchants may not redeem its shares if its total assets would be less than the sum of its total liabilities plus preferential rights of shareholders payable upon dissolution.	Ameriana Bancorp s Articles of Incorporation provide that Ameriana Bancorp may redeem or acquire shares of its securities pursuant to authorization by Ameriana Bancorp s Board of Directors and in such manner, upon such terms, and in such amounts as its Board of Directors determines, subject to any limitations or restrictions, if any, contained in the express terms of any shares outstanding or otherwise imposed by law. Under Indiana law, Ameriana Bancorp may redeem or acquire shares of its common stock with funds legally available therefor, and shares so acquired constitute authorized but unissued shares. Ameriana Bancorp may not redeem or acquire its shares of common stock if, after such redemption, it would not be able to pay its debts as they become due. Additionally, Ameriana Bancorp may not redeem its shares if its total assets would be less than the sum of its total liabilities plus any preferential rights of shareholders payable upon dissolution.

Director Liability

Under Indiana law, a director of First Merchants or Ameriana Bancorp will not be liable to shareholders for any action taken as a director, or any failure to take any action, unless:

The director has breached or failed to perform his duties as a director in good faith with the care an ordinarily prudent person in a like position would exercise under similar circumstances and in a manner the director reasonably believes to be in the best interests of the corporation; and

Such breach or failure to perform constitutes willful misconduct or recklessness.

Indemnification of Directors, Officers and Employees

Under Indiana law and First Merchants and Ameriana Bancorp s Articles of Incorporation, either corporation may indemnify any director, officer, employee or agent for any and all liability and expense incurred in connection with a proceeding which such person is involved in by reason of such person s position with First Merchants or Ameriana Bancorp, as applicable, in which (a) the person is wholly successful or (b) the person acted in good faith in what the person reasonably believed to be in or at least not opposed to the best interests of

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First Merchants or Ameriana Bancorp, as applicable. If the person is wholly successful with respect to the claim or proceeding, the indemnification by First Merchants or Ameriana Bancorp, as applicable is mandatory. Finally, under Indiana law and their respective Articles of Incorporation and/or Bylaws, both First Merchants and Ameriana Bancorp are permitted to advance expenses to a person prior to final disposition of the proceeding if the person undertakes to repay any advanced amounts, if it is ultimately determined that he or she is not entitled to indemnification.

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LEGAL MATTERS

Certain legal matters in connection with the Merger Agreement will be passed upon for First Merchants by the law firm of Bingham Greenebaum Doll LLP, Indianapolis, Indiana and for Ameriana Bancorp by the law firm of Kilpatrick Townsend & Stockton LLP, Washington D.C.

EXPERTS

The audited consolidated financial statements of First Merchants and its affiliates, incorporated by reference into this document, have been audited by BKD, LLP, independent registered public accountants, to the extent and for the periods indicated in their report thereon, and have been so incorporated by reference in this document in reliance upon such report of BKD, LLP given on the authority of such firm as experts in auditing and accounting.

The audited consolidated financial statements of Ameriana Bancorp and its affiliates as of December 31, 2014 and 2013, have been included herein and have been audited by BKD, LLP, independent registered public accountants, in reliance upon the report of such firm appearing elsewhere herein, and upon the authority of such firm as experts in auditing and accounting.

SHAREHOLDER PROPOSALS FOR NEXT YEAR

First Merchants

If the Merger is completed, Ameriana Bancorp shareholders will become shareholders of First Merchants. Any proposal which a First Merchants shareholder intends to have presented at the 2016 annual meeting of First Merchants and included in the proxy statement and form of proxy relating to that meeting must be received by the Secretary of First Merchants at First Merchants principal office no later than November 25, 2015, for inclusion in First Merchants proxy statement and form of proxy relating to that meeting. Shareholder proposals, if any, intended to be presented at the 2016 annual meeting of First Merchants that are not submitted by November 25, 2015 for inclusion in the proxy statement will be considered untimely.

Ameriana Bancorp

If the Merger occurs, there will be no Ameriana Bancorp annual meeting of shareholders for 2016. In that case, shareholder proposals must be submitted to First Merchants in accordance with the procedures described above.

If the Merger is not completed, Ameriana Bancorp will hold its 2016 annual meeting in accordance with its current governing documents and as required by Indiana law.

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WHERE YOU CAN FIND ADDITIONAL INFORMATION

First Merchants has filed with the SEC a Registration Statement on Form S-4 under the Securities Act, with respect to the common stock of First Merchants being offered in the Merger. This proxy statement and prospectus does not contain all the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information with respect to First Merchants and the securities offered by this proxy statement and prospectus, reference is made to the registration statement. Statements contained in this proxy statement and prospectus concerning the provisions of such documents are necessarily summaries of such documents and each such statement is qualified in its entirety by reference to the copy of the applicable documents filed with the SEC.

First Merchants and Ameriana Bancorp each files annual, quarterly and current reports, proxy statements and other information with the SEC. These filings are available to the public over the Internet at the SEC s website at http://www.sec.gov. You may also read and copy these materials at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain additional information about First Merchants on its website at http://www.firstmerchants.com. You may obtain additional information about the Bank on its website at https://www.ameriana.com. However, the contents of those websites are not incorporated by reference in, or otherwise a part of, this proxy statement and prospectus and are not soliciting material.

First Merchants incorporates by reference into this proxy statement and prospectus the information in documents it files with the SEC, which means that they can disclose important information to you through those documents. The information incorporated by reference is an important part of this proxy statement and prospectus. Some information contained in this proxy statement and prospectus updates the information incorporated by reference and some information filed by First Merchants subsequently with the SEC will automatically update this proxy statement and prospectus.

First Merchants incorporates by reference the documents and information listed below:

First Merchants Annual Report on Form 10-K and Form 10-K/A filed on February 27, 2015 and September 30, 2015, respectively;

First Merchants Quarterly Reports on Form 10-Q filed on May 6, 2015 and August 7, 2015;

First Merchants Current Reports on Form 8-K filed on January 6, 2015 (except with respect to information furnished under Item 7.01); April 3, 2015, April 20, 2015, May 6, 2015, June 15, 2015 (except with respect to information furnished under Item 7.01 therein), and June 29, 2015 (except with respect to information furnished under Item 7.01 therein); and

The description of First Merchants common stock set forth in the registration statement filed by First Merchants pursuant to Section 12 of the Exchange Act, including any amendment or report filed with the SEC for the purpose of updating such description.

First Merchants also incorporates by reference any of its filings with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the initial filing of the registration statement that contains this proxy statement and prospectus.

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You may request, either orally or in writing, a copy of the documents incorporated by reference by First Merchants in this proxy statement and prospectus without charge by requesting them in writing or by telephone from First Merchants at the following addresses and telephone number:

First Merchants Corporation

200 East Jackson Street

Muncie, Indiana 47305

Attention: David L. Ortega,

Corporate Secretary

Telephone: (765) 747-1500

If you would like to request documents, please do so by November 27, 2015, in order to receive them before the Ameriana Bancorp special meeting.

You should rely only on the information incorporated by reference or provided in this proxy statement and prospectus. We have authorized no one to provide you with different information. We are not making an offer of these securities in any state where the offer or sale is not permitted. You should not assume that the information in this proxy statement and prospectus is accurate as of any date other than the date on the front of this document. If any material change occurs during the period that this proxy statement and prospectus is required to be delivered, this proxy statement and prospectus will be supplemented or amended.

All information regarding First Merchants in this proxy statement and prospectus has been provided by First Merchants, and all information in this proxy statement and prospectus regarding Ameriana Bancorp has been provided by Ameriana Bancorp.

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Ameriana Bancorp

Consolidated Condensed Balance Sheets

(In thousands, except share data)

	June 30, 2015 (Unaudited)	December 31, 2014
Assets		
Cash on hand and in other institutions	**$ 6,707**	$ 6,020
Interest-bearing demand deposits	**14,780**	27,122
Cash and cash equivalents	**21,487**	33,142
Interest-bearing time deposits	**3,916**	4,164
Investment securities available for sale, at fair value	**47,820**	48,084
Investment securities held to maturity, at amortized cost	**17,141**	7,082
Loans held for sale	**339**	332
Loans, net of allowance for loan losses of $3,904 and $3,903	**327,422**	316,113
Premises and equipment, net	**15,896**	15,511
Stock in Federal Home Loan Bank, at cost	**2,693**	3,753
Goodwill	**656**	656
Cash value of life insurance	**27,824**	28,446
Other real estate owned	**6,682**	6,639
Other assets	**8,823**	8,896
Total assets	**$ 480,699**	$ 472,818
Liabilities and Shareholders Equity		
Liabilities		
Deposits		
Noninterest-bearing	**$ 67,711**	$ 61,063
Interest-bearing	**321,692**	317,884
Total deposits	**389,403**	378,947
Borrowings	**42,810**	45,810
Drafts payable	**1,179**	1,298
Other liabilities	**5,868**	5,711
Total liabilities	**439,260**	431,766
Commitments and contingencies		
Shareholders equity		
Preferred stock 5,000,000 shares authorized and unissued		
Common stock, $1.00 par value		
Authorized 15,000,000 shares		

Issued 3,254,662 and 3,245,684 shares	**3,254**	3,246
Outstanding 3,029,662 and 3,020,684 shares		
Additional paid-in capital	**1,816**	1,657
Retained earnings	**39,233**	38,785
Accumulated other comprehensive income	**134**	362
Treasury stock at cost 225,000 shares	**(2,998)**	(2,998)
Total shareholders equity	**41,439**	41,052
Total liabilities and shareholders equity	**$ 480,699**	$ 472,818

See notes to consolidated condensed financial statements

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Ameriana Bancorp

Consolidated Condensed Statements of Income

(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30, 2015	2014	*Six Months Ended June 30,* 2015	2014
Interest Income				
Interest and fees on loans	**$ 3,883**	$ 4,008	**$ 7,651**	$ 8,122
Interest on mortgage-backed securities	**269**	257	**537**	479
Interest on investment securities	**64**	43	**127**	87
Other interest and dividend income	**62**	77	**132**	171
Total interest income	**4,278**	4,385	**8,447**	8,859
Interest Expense				
Interest on deposits	**368**	414	**741**	834
Interest on borrowings	**263**	341	**536**	679
Total interest expense	**631**	755	**1,277**	1,513
Net Interest Income	**3,647**	3,630	**7,170**	7,346
Provision for loan losses		150	**105**	300
Net Interest Income After Provision for Loan Losses	**3,647**	3,480	**7,065**	7,046
Other Income				
Other fees and service charges	**697**	698	**1,331**	1,286
Brokerage and insurance commissions	**365**	384	**932**	802
Gains on sales of loans and servicing rights	**125**	25	**180**	41
Net gain (loss) from sales and write-downs of other real estate owned	**(35)**	7	**(3)**	7
Other real estate owned income	**119**	57	**183**	144
Increase in cash value of life insurance	**182**	175	**359**	357
Other	**60**	37	**90**	110
Total other income	**1,513**	1,383	**3,072**	2,747
Other Expense				
Salaries and employee benefits	**2,470**	2,316	**4,826**	4,571
Net occupancy expense	**337**	339	**793**	759
Furniture and equipment expense	**218**	184	**428**	373
Legal and professional fees	**666**	166	**847**	328

FDIC deposit insurance premiums and assessments	**94**	91	**185**	180
Data processing expense	**301**	251	**581**	484
Printing and office supplies	**79**	61	**155**	126
Marketing expense	**113**	109	**205**	218
Other real estate owned expense	**121**	67	**245**	106
Other	**456**	453	**908**	809
Total other expense	**4,855**	4,037	**9,173**	7,954
Income Before Income Taxes	**305**	826	**964**	1,839
Income tax	**117**	223	**274**	507
Net Income	**$ 188**	$ 603	**$ 690**	$ 1,332

See notes to consolidated condensed financial statements

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Ameriana Bancorp

Consolidated Condensed Statements of Income

(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Basic Earnings Per Share	**$ 0.06**	$ 0.20	**$ 0.23**	$ 0.45
Diluted Earnings Per Share	**$ 0.06**	$ 0.20	**$ 0.23**	$ 0.45
Dividends Declared Per Share	**$ 0.04**	$ 0.02	**$ 0.08**	$ 0.04

See notes to consolidated condensed financial statements

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Ameriana Bancorp

Consolidated Condensed Statements of Comprehensive Income (Loss)

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Income	**$ 188**	$ 603	**$ 690**	$ 1,332
Unrealized appreciation (depreciation) on available-for-sale securities, net of tax benefit of $160 and tax expense of $178 for the three months ended June 30, 2015 and June 30, 2014, respectively, and net of tax benefit of $118 and tax expense of $293 for the six months ended June 30, 2015 and June 30, 2014, respectively	**(309)**	349	**(228)**	563
Other comprehensive income (loss)	**(309)**	349	**(228)**	563
Comprehensive Income (Loss)	**$ (121)**	$ 952	**$ 462**	$ 1,895

See notes to consolidated condensed financial statements

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Ameriana Bancorp

Consolidated Condensed Statement of Shareholders Equity

For the Six Months Ended June 30, 2015

(In thousands, except per share data)

(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at December 31, 2014	$ 3,246	$ 1,657	$ 38,785	$ 362	$ (2,998)	$ 41,052
Net Income			**690**			**690**
Other comprehensive loss				**(228)**		**(228)**
Share-based compensation		**42**				**42**
Exercise of stock options	**8**	**106**				**114**
Tax benefit realized from exercise of stock options		**11**				**11**
Dividends declared ($0.08 per share)			**(242)**			**(242)**
Balance at June 30, 2015	**$ 3,254**	**$ 1,816**	**$ 39,233**	**$ 134**	**$ (2,998)**	**$ 41,439**

See notes to consolidated condensed financial statements.

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Ameriana Bancorp

Consolidated Condensed Statements of Cash Flows

(In thousands)

(Unaudited)

	Six Months Ended June 30, 2015	2014
Operating Activities		
Net income	**$ 690**	$ 1,332
Items not requiring (providing) cash		
Provision for losses on loans	**105**	300
Depreciation and amortization	**773**	595
Increase in cash value of life insurance	**(359)**	(357)
Net loss (gain) from sales and write-downs of other real estate owned	**3**	(7)
Share-based compensation	**42**	40
Mortgage loans originated for sale	**(5,625)**	(948)
Proceeds from sales of mortgage loans originated for sale	**5,717**	974
Gains on sales of mortgage loans and servicing rights	**(180)**	(41)
Gain on split-dollar bank-owned life insurance death benefit	**(20)**	
Increase in accrued interest and dividends payable	**55**	26
Other adjustments	**580**	89
Net cash provided by operating activities	**1,781**	2,003
Investing Activities		
Purchase of available for sale securities	**(4,780)**	(16,242)
Purchase of held to maturity securities	**(10,529)**	
Proceeds/principal from the maturity of held to maturity securities	**35**	
Principal collected on available for sale mortgage-backed securities	**4,514**	2,778
Principal collected on held to maturity mortgage-backed securities	**419**	
Net change in loans	**(11,565)**	(1,749)
Proceeds from stock repurchased by Federal Home Loan Bank	**1,060**	
Proceeds from split-dollar bank-owned life insurance death benefit	**998**	
Proceeds from sales of other real estate owned	**105**	74
Net purchases and construction of premises and equipment	**(937)**	(316)
Net cash used in investing activities	**(20,680)**	(15,455)
Financing Activities		
Net change in demand and savings deposits	**13,269**	21,908
Net change in certificates of deposit	**(2,813)**	(7,374)
Decrease in drafts payable	**(119)**	(395)

Repayment of borrowings	**(3,000)**	
Net change in advances by borrowers for taxes and insurance	**(26)**	40
Proceeds from exercise of stock options	**114**	47
Cash dividends paid	**(181)**	(89)
Net cash provided by financing activities	**7,244**	14,137
Change in Cash and Cash Equivalents	**(11,655)**	685
Cash and Cash Equivalents at Beginning of Year	**33,142**	40,867
Cash and Cash Equivalents at End of Quarter	**$ 21,487**	$ 41,552
Supplemental information:		
Interest paid on deposits	**$ 741**	$ 836
Interest paid on borrowings	**$ 542**	$ 682
Income tax paid	**$ 450**	$ 95
Non-cash supplemental information:		
Transfers from loans to other real estate owned	**$ 151**	$ 569

See notes to consolidated condensed financial statements.

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AMERIANA BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (unaudited)

NOTE A BASIS OF PRESENTATION

The consolidated condensed financial statements include the accounts of Ameriana Bancorp and its wholly-owned subsidiary, the Bank. The Bank has two wholly-owned subsidiaries, Ameriana Insurance Agency and Ameriana Financial Services, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

The unaudited interim consolidated condensed financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and disclosures required by generally accepted accounting principles (GAAP) for complete financial statements. In the opinion of management, the financial statements reflect all adjustments (comprised only of normal recurring adjustments and accruals) necessary to present fairly Ameriana Bancorp s financial position and results of operations and cash flows. The consolidated condensed balance sheet of Ameriana Bancorp as of December 31, 2014 has been derived from the audited consolidated balance sheet Ameriana Bancorp as of that date. The results of operations for the three and six months ended June 30, 2015 are not necessarily indicative of the results to be expected in the full year or for any other period. These statements should be read in conjunction with the consolidated financial statements and related notes which are included in Ameriana Bancorp s Annual Report on Form 10-K for the year ended December 31, 2014.

NOTE B SHAREHOLDERS EQUITY

On May 14, 2015, the Board of Directors declared a quarterly cash dividend of $0.04 per share. This dividend, totaling approximately $121,000, was accrued for payment to shareholders of record on June 12, 2015 and was paid on July 2, 2015.

Cash received from options exercised under all share-based compensation arrangements for the second quarter of 2015 was $62,000, with a tax benefit realized of $5,000. No stock options were granted during the second quarter of 2015.

NOTE C EARNINGS PER SHARE

Earnings per share were computed as follows:

	(In thousands, except share data)					
	Three Months Ended June 30,					
	2015			2014		
	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
Basic Earnings Per Share: Income available to common shareholders	$ 188	3,026,772	$ 0.06	$ 603	2,992,134	$ 0.20
Effect of dilutive stock options		14,076			5,341	

Diluted Earnings Per Share: Income available to common shareholders and assumed conversions	$ 188	3,040,848	$	0.06	$ 603	2,997,475	$	0.20

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(In thousands, except share data)

	Six Months Ended June 30,					
	2015			2014		
	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
Basic Earnings Per Share: Income available to common shareholders	$ 690	3,023,983	$ 0.23	$ 1,332	2,991,447	$ 0.45
Effect of dilutive stock options		14,721			4,588	
Diluted Earnings Per Share: Income available to common shareholders and assumed conversions	$ 690	3,038,704	$ 0.23	$ 1,332	2,996,035	$ 0.45

All options to purchase common stock outstanding at June 30, 2015 were included in the computation of diluted earnings per share, because the option s exercise price was less than the average market price of the common shares for the period presented.

Options to purchase 15,232 shares of common stock at exercise prices of $15.35 to $15.56 per share were outstanding at June 30, 2014, but were not included in the computation of diluted earnings per share because the options were anti-dilutive, in that the option s exercise price was greater than the average market price of the common shares for the period presented.

NOTE D INVESTMENT SECURITIES

The following tables provide the composition of investment securities at June 30, 2015 and December 31, 2014 (dollars in thousands):

	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Available for sale at June 30, 2015				
Ginnie Mae and GSE mortgage-backed pass-through securities	**$ 43,887**	**$ 304**	**$ 123**	**$ 44,068**
Ginnie Mae collateralized mortgage obligations	**1,901**		**29**	**1,872**
Mutual fund	**1,846**	**34**		**1,880**
	$ 47,634	**$ 338**	**$ 152**	**$ 47,820**

	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**

Held to maturity at June 30, 2015				
GSE mortgage-backed pass-through securities	**$ 11,736**	**$ 4**	**$ 6**	**$ 11,734**
Municipal securities	**5,405**	**14**		**5,419**
	$ 17,141	**$ 18**	**$ 6**	**$ 17,153**

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at December 31, 2014				
Ginnie Mae and GSE mortgage-backed pass-through securities	$ 43,675	$ 566	$ 43	$ 44,198
Ginnie Mae collateralized mortgage obligations	2,053		34	2,019
Mutual fund	1,826	41		1,867
	$ 47,554	$ 607	$ 77	$ 48,084

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	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to maturity at December 31, 2014				
GSE mortgage-backed pass-through securities	$ 4,736	$ 20	$	$ 4,756
Municipal securities	2,346	8		2,354
	$ 7,082	$ 28	$	$ 7,110

The amortized cost and fair value of securities at June 30, 2015 by contractual maturity are shown below (dollars in thousands). Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale	
	Amortized Cost	**Fair Value**
Within one year	**$**	**$**
One to five years		
Five to ten years		
After ten years		
Ginnie Mae and GSE mortgage-backed pass-through securities	**43,887**	**44,068**
Ginnie Mae collateralized mortgage obligations	**1,901**	**1,872**
Mutual fund	**1,846**	**1,880**
	$ 47,634	**$ 47,820**

	Held to Maturity	
	Amortized Cost	**Fair Value**
Within one year	**$ 360**	**$ 361**
One to five years	**1,559**	**1,563**
Five to ten years	**2,262**	**2,268**
After ten years	**1,224**	**1,227**
Municipal securities	**5,405**	**5,419**
GSE mortgage-backed pass-through securities	**11,736**	**11,734**
	$ 17,141	**$ 17,153**

Mortgage-backed pass-through securities: The contractual cash flows of these investments are guaranteed by either Ginnie Mae, a U.S. Government agency, or by Fannie Mae and Freddie Mac, U.S. Government-sponsored entities, institutions which the U.S. Government has affirmed its commitment to support. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of Ameriana Bancorp s investment.

Collateralized mortgage obligations: The contractual cash flows of these investments are guaranteed by Ginnie Mae, a U.S. Government agency. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of Ameriana Bancorp s investment.

Municipal Securities: The municipal securities consisted of non-rated local issue revenue bonds.

Mutual fund: The mutual fund balance consisted of an investment in the CRA Qualified Investment mutual fund, whose portfolio composition is primarily in debt securities with an average credit quality rating of AAA.

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Certain investment securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at June 30, 2015 and December 31, 2014 was $19,775,000 and $12,122,000, respectively, which was approximately 30.4% and 22.0%, respectively, of Ameriana Bancorp s investment portfolio at these dates.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

The following table shows Ameriana Bancorp s investments gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2015 and December 31, 2014 (dollars in thousands):

	Less Than 12 Months		**12 Months or Longer**		**Total**	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Available for sale at June 30, 2015						
Ginnie Mae and GSE mortgage-backed pass-through securities	**$ 17,859**	**$ 122**	**$ 44**	**$ 1**	**$ 17,903**	**$ 123**
Ginnie Mae collateralized mortgage obligations			**1,872**	**29**	**1,872**	**29**
	$ 17,859	**$ 122**	**$ 1,916**	**$ 30**	**$ 19,775**	**$ 152**

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale at December 31, 2014						
Ginnie Mae and GSE mortgage-backed pass-through securities	$ 5,540	$ 5	$ 4,563	$ 38	$ 10,103	$ 43
Ginnie Mae collateralized mortgage obligations			2,019	34	2,019	34
	$ 5,540	$ 5	$ 6,582	$ 72	$ 12,122	$ 77

Investment securities with a total market value of $8,508,000 and $8,499,000 were pledged at June 30, 2015 and December 31, 2014, respectively, to secure a repurchase agreement.

There were no sales of available for sale securities during the three-month and six-month periods ended June 30, 2015 and June 30, 2014.

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NOTE E LOANS AND ALLOWANCE FOR LOAN AND LEASE LOSSES

(Dollars in Thousands)

	At June 30, 2015	*At December 31,* 2014
Real estate loans:		
Commercial	**$ 116,472**	$ 111,455
Residential	**163,467**	163,839
Construction	**18,637**	13,570
Commercial loans and leases	**30,196**	29,358
Municipal loans	**1,895**	785
Consumer loans	**1,875**	2,018
Total loans	**332,542**	321,025
Less:		
Undisbursed loan proceeds	**594**	302
Deferred loan fees, net	**622**	707
Allowance for loan losses	**3,904**	3,903
	5,120	4,912
Total loans net	**$ 327,422**	$ 316,113

The risk characteristics of each loan portfolio segment are as follows:

Commercial Real Estate: These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Bank s commercial real estate portfolio are diverse in terms of type and geographic location. Management monitors and evaluates commercial real estate loans based on collateral and risk grade criteria. As a general rule, the Bank avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, management tracks the level of owner-occupied commercial real estate loans versus non-owner occupied loans.

Construction Real Estate: Construction loans are underwritten utilizing feasibility studies, independent appraisal reviews, sensitivity analysis of absorption and lease rates and financial analysis of the developers and property owners. Construction loans are generally based on estimates of costs and value associated with the completed project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Bank until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, timely completion and sale of the property, sale of the property at a price commensurate with the initial estimate, governmental regulation of real property, general economic conditions and the availability of long-term financing.

Commercial Loans and Leases: Commercial loans and leases are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee; however, some short-term loans may be made on an

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unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Residential and Consumer: With respect to residential loans that are secured by one-to four-family residences and are generally owner occupied, the Bank generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in one-to four-family residences, and consumer loans are secured by consumer assets such as automobiles or recreational vehicles. Some consumer loans are unsecured such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Municipal: Municipal loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Most municipal loans are secured by the full faith and credit of the municipality. The availability of funds for the repayment of these loans may be substantially dependent on the ability of the municipality to collect taxes or other revenue.

Allowance for Loan and Lease Losses Methodology:

Bank policy is designed to ensure that an adequate allowance for loan and lease losses (ALLL) will be maintained. Primary responsibility for ensuring that the Bank has processes in place to consistently assess the adequacy of the ALLL rests with the Board. The Board has charged the Chief Credit Officer with responsibility for establishing the methodology to be used and to assess the adequacy of the ALLL quarterly. The methodology will be reviewed and affirmed by the Loan Review Officer. Quarterly, the Board will review recommendations from the Chief Credit Officer to adjust the allowance as appropriate.

The methodology employed by the Bank for each portfolio segment will at a minimum contain the following:

1. Loans will be segmented by type of loan.

2. Loans will be further segmented by risk grades.

3. The required ALLL for types of performing homogeneous loans which do not have a specific reserve will be determined by applying a factor based on historical losses averaged over the twelve quarters prior to the most recent quarter. In those instances where the Bank s historical experience is not available, management will develop factors based on industry experience and best practices.

4. All criticized and classified loans will be tested for impairment by applying one of three methodologies:

    a. Present value of future cash flows;

b. Fair value of collateral less cost to sell; or

c. The loan s observable market price.

5. All troubled debt restructurings (TDR) are considered impaired loans.

6. Loans tested for impairment will be removed from other pools to prevent layering (double-counting).

7. The required ALLL for each group of loans will be added together to determine the total required ALLL for the Bank. The required ALLL will be compared to the current ALLL to determine the required provision to increase the ALLL or credit to decrease the ALLL.

The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Bank over the twelve quarters prior to the most recent quarter. Management believes the

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historical loss experience methodology is appropriate in the current economic environment, as it captures loss rates that are comparable to the current period being analyzed.

Management also factors in the following qualitative considerations:

1. Changes in policies and procedures;
2. Changes in national, regional and local economic and business conditions;
3. Changes in the composition and size of the portfolio and in the terms of loans;
4. Changes in the experience, ability and depth of lending management and other relevant staff;
5. Changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans;
6. Changes in the quality of the Bank s loan review system;
7. Changes in the value of underlying collateral for collateral-dependent loans;
8. The existence and effect of any concentration of credit, and changes in the level of such concentrations; and
9. The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

The following table presents the balance and activity in allowance for loan losses as of June 30, 2015 (dollars in thousands):

Allowance for Loan Losses

For Three Months Ended June 30, 2015

	Commercial Real Estate Loans	Residential Real Estate Loans	Construction Real Estate Loans	Commercial Loans and Leases	Municipal Loans	Consumer Loans	**Total**
	$ 1,133	$ 1,983	$ 225	$ 512	$	$ 131	**$ 3,984**

Balance at beginning of quarter							
Provision (credit) for losses	(46)	70	(23)			(1)	
Charge-offs (1)		(58)		(48)		(15)	**(121)**
Recoveries		26		5		10	**41**
Balance at end of quarter	$ 1,087	$ 2,021	$ 202	$ 469	$	$ 125	**$ 3,904**

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The following table presents the balance and activity in allowance for loan losses and the recorded investment in loans and impairment methods as of June 30, 2015 (dollars in thousands):

Allowance for Loan Losses and Recorded Investment in Loans

For Six Months Ended June 30, 2015

	Commercial Real Estate Loans	Residential Real Estate Loans	Construction Real Estate Loans	Commercial Loans and Leases	Municipal Loans	Consumer Loans	**Total**
Balance at beginning of year	$ 1,059	$ 1,934	$ 156	$ 637	$	$ 117	**$ 3,903**
Provision (credit) for losses	28	139	45	(128)		21	**105**
Charge-offs (1)		(83)		(48)		(28)	**(159)**
Recoveries		31	1	8		15	**55**
Balance at end of period	$ 1,087	$ 2,021	$ 202	$ 469	$	$ 125	**$ 3,904**
Ending allowance balance:							
Individually evaluated for impairment	$ 70	$ 649	$	$ 139	$	$ 28	**$ 886**
Collectively evaluated for impairment	1,017	1,372	202	330		97	**3,018**
Total	$ 1,087	$ 2,021	$ 202	$ 469	$	$ 125	**$ 3,904**
Ending loan balance:							
Individually evaluated for impairment	$ 4,263	$ 7,275	$ 1,948	$ 435	$	$ 88	**$ 14,009**
Collectively evaluated for impairment	112,209	156,192	16,689	29,761	1,895	1,787	**318,533**
Total	$ 116,472	$ 163,467	$ 18,637	$ 30,196	$ 1,895	$ 1,875	**$ 332,542**

The following tables present the balance and activity in allowance for loan losses as of June 30, 2014 (dollars in thousands):

Allowance for Loan Losses

For Three Months Ended June 30, 2014

	Commercial Real Estate Loans	Residential Real Estate Loans	Construction Real Estate Loans	Commercial Loans and Leases	Municipal Loans	Consumer Loans	**Total**
Balance at beginning of quarter	$ 1,273	$ 1,747	$ 332	$ 629	$	$ 119	**$ 4,100**
Provision for losses	73	13	65	(19)		18	**150**
Charge-offs (1)	(101)	(80)	(6)	(58)		(18)	**(263)**
Recoveries	3	3	1	6		4	**17**
Balance at end of quarter	$ 1,248	$ 1,683	$ 392	$ 558	$	$ 123	**$ 4,004**

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Allowance for Loan Losses

For Six Months Ended June 30, 2014

	Commercial Real Estate Loans	Residential Real Estate Loans	Construction Real Estate Loans	Commercial Loans and Leases	Municipal Loans	Consumer Loans	**Total**
Balance at beginning of year	$ 1,165	$ 1,743	$ 356	$ 623	$	$ 106	**$ 3,993**
Provision for losses	181	14	80	(17)		42	**300**
Charge-offs (1)	(101)	(80)	(46)	(59)		(34)	**(320)**
Recoveries	3	6	2	11		9	**31**
Balance at end of period	$ 1,248	$ 1,683	$ 392	$ 558	$	$ 123	**$ 4,004**

The following table presents the balance in allowance for loan losses and recorded investment in loans and impairment methods as of December 31, 2014 (dollars in thousands):

Allowance for Loan Losses and Recorded Investment in Loans

For Year Ended December 31, 2014

	Commercial Real Estate Loans	Residential Real Estate Loans	Construction Real Estate Loans	Commercial Loans and Leases	Municipal Loans	Consumer Loans	**Total**
Ending allowance balance:							
Individually evaluated for impairment	$	$ 319	$	$ 166	$	$ 12	**$ 497**
Collectively evaluated for impairment	1,059	1,615	156	471		105	**3,406**
Total	$ 1,059	$ 1,934	$ 156	$ 637	$	$ 117	**$ 3,903**
Ending loan balance:							
Individually evaluated for impairment	$ 4,263	$ 3,967	$ 2,004	$ 516	$	$ 89	**$ 10,839**
Collectively evaluated for impairment	107,192	159,872	11,566	28,842	785	1,929	**310,186**
Total	$ 111,455	$ 163,839	$ 13,570	$ 29,358	$ 785	$ 2,018	**$ 321,025**

(1) Policy for Charging Off Loans:

A loan should be charged off at any point in time when it no longer can be considered a bankable asset, meaning collectable within the parameters of policy. The Bank shall not renew any loan, or put a loan on a demand basis, only to defer a problem, nor is it appropriate to attempt long-term recoveries while reporting loans as assets.

An unsecured loan generally should be charged off no later than when it is 120 days past due as to principal or interest. For loans in the legal process of foreclosure against collateral of real and/or liquid value, the 120-day rule does not apply. Such charge-offs can be deferred until the foreclosure process progresses to the point where the Bank can adequately determine whether or not any ultimate loss will result. In similar instances where other legal actions will cause extraordinary delays, such as the settlement of an estate, if the loan is well collateralized, the 120-day period may be extended. On loans where the Bank is unsecured or not fully collateralized, the loan should be charged off or written down to the documented collateral value rather than merely being placed on non-accrual status.

All charge-offs and forgiveness of debt equal to or greater than $100,000 must be approved by the Loan Committee upon recommendation by the Chief Credit Officer. The Loan Committee consists of the Bank s Chief

Executive Officer, Chief Credit Officer, Chief Banking Officer and Loan Review Officer. Charge-offs less than $100,000 and greater than $10,000 and decisions to defer the charge-off of a loan must be approved by the Chief Credit Officer.

Narrative Description of Borrower Rating:

Grade 1 Highest Quality (Pass)

This loan represents a credit extension of the highest quality. The borrower s historic (at least five years) cash flows manifest extremely large and stable margins of coverage. Balance sheets are conservative, well capitalized, and liquid. After considering debt service for proposed and existing debt, projected cash flows continue to be strong and provide ample coverage. The borrower typically reflects broad geographic and product diversification and has broad access to alternative financial markets. Also included in this category may be loans secured by U.S. government securities, U.S. government agencies, highly rated municipal bonds, insured savings accounts, and insured certificates of deposit drawn on high quality banks.

Grade 2 Excellent Quality (Pass)

This loan has a sound primary and secondary source of repayment. The borrower has proven access to alternative sources of financing. This loan carries a low level of risk, with minimal loss exposure. The borrower has the ability to perform according to the terms of the credit facility. The margins of cash flow coverage are strong. This category also includes loans secured by high quality traded stocks and lower grade municipal bonds (must still be investment grade).

Grade 3 Good Quality (Pass)

This loan has a sound primary source of repayment. The borrower may have access to alternative sources of financing, but sources are not as widely available as they are to a higher graded borrower. This loan carries a normal level of risk, with minimal loss exposure. The borrower has the ability to perform according to the terms of the credit facility. The margins of cash flow coverage are satisfactory but vulnerable to more rapid deterioration than the higher quality loans. Real estate loans in this category display advance rates below the suggested maximum, debt coverage well in excess of the suggested level, or are leased beyond the loan term by a credit tenant.

Grade 4 Acceptable Quality (Pass)

The borrower is a reasonable credit risk and demonstrates the ability to repay the debt from normal business operations. Risk factors may include reliability of margins and cash flows, liquidity, dependence on a single product or industry, cyclical trends, depth of management, or limited access to alternative financing sources. Historic financial information may indicate erratic performance, but current trends are positive. Quality of financial information is adequate, but is not as detailed and sophisticated as information found on higher graded loans. If adverse circumstances arise, the impact on the borrower may be significant. All small business loans extended based upon credit scoring should be classified in this category unless deterioration occurs, in which case they should bear one of the below mentioned grades.

Grade 5 Marginal Quality (Pass)

The borrower is an acceptable credit risk and while it can demonstrate it has the ability to repay the debt from normal business operations, the coverage is not as strong as an Acceptable Quality loan. Weakness in one or more areas are defined. Risk factors would typically include a higher leverage position than desirable, low liquidity, weak or sporadic cash flow, the lack of reasonably current and complete financial information, and/or overall financial trends are erratic.

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Grade 6 Elevated Risk, Management Attention (Watch)

While the borrower at origination was not considered a high risk potential, there are characteristics related to the financial condition, and/or a level of concern regarding either or both the primary and secondary source of repayment, that may preclude this from being a pass credit. These credit facilities are considered pass credits but exhibit the potential of developing a more serious weakness in their operation going forward. Usually, a credit in this category will be upgraded or downgraded on further analysis within a short period of time.

Grade 7 Special Mention

These credit facilities have developing weaknesses that deserve extra attention from the loan officer and other management personnel. If the developing weakness is not corrected or mitigated, there may be deterioration in the ability of the borrower to repay the Bank s debt in the future. This grade should not be assigned to loans which bear certain peculiar risks normally associated with the type of financing involved, unless circumstances have caused the risk to increase to a level higher than would have been acceptable when the credit was originally approved. Loans where actual, not potential, weaknesses or problems are clearly evident and significant should generally be graded in one of the grade categories below.

Grade 8 Substandard

Loans and other credit extensions bearing this grade are considered to be inadequately protected by the current sound worth and debt service capacity of the borrower or of any pledged collateral. These obligations, even if apparently protected by collateral value, have well-defined weaknesses related to adverse financial, managerial, economic, market, or political conditions which have clearly jeopardized repayment of principal and interest as originally intended. Furthermore, there is the possibility that some future loss will be sustained by the Bank if such weaknesses are not corrected. Clear loss potential, however, does not have to exist in any individual assets classified as substandard.

Grade 9 Doubtful

Loans and other credit extensions graded 9 have all the weaknesses inherent in those graded 8, with the added characteristic that the severity of the weaknesses make collection or liquidation in full highly questionable or improbable based upon currently existing facts, conditions, and values. The probability of some loss is extremely high, but because of certain important and reasonably specific factors, the amount of loss cannot be determined. Such pending factors could include merger or liquidation, additional capital injection, refinancing plans, or perfection of liens on additional collateral. Loans in this classification should be placed in nonaccrual status, with collections applied to principal on the Bank s books.

Grade 10 Loss

Loans in this classification are considered uncollectible and cannot be justified as a viable asset of the Bank. This classification does not mean the loan has absolutely no recovery value, but that it is neither practical nor desirable to defer writing off this loan even though partial recovery may be obtained in the future.

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The following tables present the credit risk profile of Ameriana Bancorp s loan portfolio based on rating category and payment activity as of June 30, 2015 and December 31, 2014 (dollars in thousands):

Loan Portfolio Quality Indicators

At June 30, 2015

	Commercial Real Estate Loans	Residential Real Estate Loans	Construction Real Estate Loans	Commercial Loans and Leases	Municipal Loans	Consumer Loans	Total
Rating:							
Pass (Grades 1-5)	$ 108,312	$ 153,754	$ 15,874	$ 29,513	$ 1,895	$ 1,788	$ 311,136
Watch (Grade 6)	3,897	3,633	1,703	248			9,481
Special Mention (Grade 7)							
Substandard (Grade 8)	3,451	423	224				4,098
Doubtful (Grade 9)	812	5,657	836	435		87	7,827
Loss (Grade 10)							
Total	$ 116,472	$ 163,467	$ 18,637	$ 30,196	$ 1,895	$ 1,875	**$ 332,542**

Loan Portfolio Quality Indicators

At December 31, 2014

	Commercial Real Estate Loans	Residential Real Estate Loans	Construction Real Estate Loans	Commercial Loans and Leases	Municipal Loans	Consumer Loans	Total
Rating:							
Pass (Grades 1-5)	$ 100,095	$ 157,518	$ 10,786	$ 28,516	$ 785	$ 1,929	$ 299,629
Watch (Grade 6)	7,097	327	1,721	325			9,470
Special Mention (Grade 7)		3,355					3,355
Substandard (Grade 8)	3,451	427	228				4,106
Doubtful (Grade 9)	812	2,212	835	517		89	4,465
Loss (Grade 10)							
Total	$ 111,455	$ 163,839	$ 13,570	$ 29,358	$ 785	$ 2,018	**$ 321,025**

For all loan classes, the entire balance of a loan is considered delinquent if the minimum payment contractually required to be made is not received by the specified due date.

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The following tables present Ameriana Bancorp s loan portfolio aging analysis as of June 30, 2015 and December 31, 2014 (dollars in thousands):

Loan Portfolio Aging Analysis

At June 30, 2015

	30-59 Days Past Due (A)	60-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 days & Accruing
Real estate loans:							
Commercial	$ 200	$	$ 812	$ 1,012	$ 115,460	$ 116,472	$
Residential	4,189	175	1,852	6,216	157,251	163,467	110
Construction		888	836	1,724	16,913	18,637	
Commercial loans and leases	368		67	435	29,761	30,196	
Municipal loans					1,895	1,895	
Consumer loans	1	1	4	6	1,869	1,875	5
Total	$ 4,758	$ 1,064	$ 3,571	$ 9,393	$ 323,149	**$ 332,542**	$ 115

(A) Includes $924,000 in loans classified as nonaccrual that are less than 30 days past due, of which $556,000 are residential real estate loans and $368,000 are commercial loans.

Loan Portfolio Aging Analysis

At December 31, 2014

	30-59 Days Past Due (A)	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 days & Accruing
Real estate loans:							
Commercial	$	$	$ 812	$ 812	$ 110,643	$ 111,455	$
Residential	1,346	212	1,598	3,156	160,683	163,839	14
Construction			836	836	12,734	13,570	
Commercial loans and leases	80	320	117	517	28,841	29,358	
Municipal loans					785	785	
Consumer loans	10	4	1	15	2,003	2,018	1

Total	$ 1,436	$ 536	$ 3,364	$ 5,336	$ 315,689	**$ 321,025**	$ 15

(A) Includes $667,000 in loans classified as nonaccrual that are less than 30 days past due, of which $587,000 are residential real estate loans and $80,000 are commercial loans.

Impaired Loans: For all loan classes, a loan is designated as impaired when, based on current information or events, it is probable that the Bank will be unable to collect all amounts due (principal and interest) according to the contractual terms of the loan agreement. Payments with insignificant delays not exceeding 90 days outstanding are not considered impaired. Certain non-accrual and substantially delinquent loans may be considered to be impaired. Generally, loans are placed on non-accrual status at 90 days past due and accrued interest is reversed against earnings, unless the loan is well-secured and in the process of collection. The accrual of interest on impaired and non-accrual loans is discontinued when, in management s opinion, the borrower may be unable to meet payments as they become due.

For all loan classes, when interest accrual is discontinued all unpaid accrued interest is reversed when considered uncollectible. When a loan is in a non-accrual status, all cash payments of interest are applied to loan principal. Should the loan be reinstated to accrual status, all cash payments of interest received while in non-accrual status will be taken into income over the remaining life of the loan using the level yield accounting method.

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The following table presents impaired loans as of June 30, 2015 (dollars in thousands):

Impaired Loans

At June 30, 2015

	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Three Months Ended June 30, 2015 Average Investment in Impaired Loans (1)	Three Months Ended June 30, 2015 Interest Income Recognized (2)	Six Months Ended June 30, 2015 Average Investment in Impaired Loans (1)	Six Months Ended June 30, 2015 Interest Income Recognized (2)
Loans without a specific valuation allowance:							
Real estate loans:							
Commercial	$ 3,451	$ 3,929	N/A	$ 3,451	$ 43	$ 3,451	$ 86
Residential	2,819	3,120	N/A	2,706	14	2,684	28
Construction	1,948	1,948	N/A	1,962	17	1,976	33
Commercial loans and leases	67	95	N/A	69		70	
Municipal loans			N/A				
Consumer loans			N/A				
Total	$ 8,285	$ 9,092	N/A	$ 8,188	$ 74	$ 8,181	$ 147
Loans with a specific valuation allowance:							
Real estate loans:							
Commercial	$ 812	$ 812	$ 70	$ 812	$	$ 812	$
Residential	4,456	4,467	649	1,180	4	1,161	8
Construction							
Commercial loans and leases	368	431	139	396		415	
Municipal loans							
Consumer loans	88	88	28	71		72	
Total	$ 5,724	$ 5,798	$ 886	$ 2,459	$ 4	$ 2,460	$ 8
All Impaired Loans	$ 14,009	$ 14,890	$ 886	$ 10,647	$ 78	$ 10,641	$ 155

(1) Includes all loans that were classified as impaired at any time during the three-month and six-month periods (not just impaired loans at June 30, 2015), and their average balance for only the period during which they were classified as impaired.

(2)

Interest recorded in income during only the period the loans were classified as impaired, for all loans that were classified as impaired at any time during the three months and six months ended June 30, 2015.

For all loan classes, interest income on loans individually classified as impaired is recognized on a cash basis after all past due and current principal payments have been made.

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The following table presents impaired loans as of June 30, 2014 (dollars in thousands):

Impaired Loans

At June 30, 2014

				Three Months Ended June 30, 2014		Six Months Ended June 30, 2014	
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans (1)	Interest Income Recognized (2)	Average Investment in Impaired Loans (1)	Interest Income Recognized (2)
Loans without a specific valuation allowance:							
Real estate loans:							
Commercial	$ 4,339	$ 4,817	N/A	$ 4,471	$ 59	$ 4,435	$ 110
Residential	2,655	2,920	N/A	3,273	17	3,014	35
Construction	1,222	2,057	N/A	1,389	18	1,329	36
Commercial loans and leases	70	98	N/A	564		399	
Municipal loans			N/A				
Consumer loans			N/A				
Total	$ 8,286	$ 9,892	N/A	$ 9,697	$ 94	$ 9,177	$ 181
Loans with a specific valuation allowance:							
Real estate loans:							
Commercial	$	$	$	$	$	$	$
Residential	2,589	2,662	381	2,609	21	2,602	42
Construction	3,149	3,149	245	2,901	25	3,025	51
Commercial loans and leases	148	192	109	163		161	
Municipal loans							
Consumer loans	95	95	8	66		78	
Total	$ 5,981	$ 6,098	$ 743	$ 5,739	$ 46	$ 5,866	$ 93
All Impaired Loans	$ 14,267	$ 15,990	$ 743	$ 15,436	$ 140	$ 15,043	$ 274

(1) Includes all loans that were classified as impaired at any time during the three-month and six-month periods (not just impaired loans at June 30, 2014), and their average balance for only the period during which they were classified as impaired.

(2)

Interest recorded in income during only the period the loans were classified as impaired, for all loans that were classified as impaired at any time during the three months and six months ended June 30, 2014.

For all loan classes, interest income on loans individually classified as impaired is recognized on a cash basis after all past due and current principal payments have been made.

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The following table presents impaired loans as of December 31, 2014 (dollars in thousands):

Impaired Loans

At December 31, 2014

	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Year Ended December 31, 2014 Average Investment in Impaired Loans (1)	Interest Income Recognized (2)
Loans without a specific valuation allowance:					
Real estate loans:					
Commercial	$ 4,263	$ 4,742	N/A	$ 4,025	$ 176
Residential	2,686	2,923	N/A	2,342	58
Construction	2,004	2,004	N/A	1,744	72
Commercial loans and leases	70	99	N/A	221	
Municipal loans			N/A		
Consumer loans			N/A		
Total	$ 9,023	$ 9,768	N/A	$ 8,332	$ 306
Loans with a specific valuation allowance:					
Real estate loans:					
Commercial	$	$	$	$ 481	$ 22
Residential	1,281	1,340	319	2,806	78
Construction				2,368	55
Commercial loans and leases	446	495	166	222	
Municipal loans					
Consumer loans	89	89	12	81	
Total	$ 1,816	$ 1,924	$ 497	$ 5,958	$ 155
All Impaired Loans	$ 10,839	$ 11,692	$ 497	$ 14,290	$ 461

(1) Includes all loans that were classified as impaired at any time during 2014 (not just impaired loans at December 31, 2014), and their average balance for only the period during which they were classified as impaired.

(2) Interest recorded in income during only the period the loans were classified as impaired, for all loans that were classified as impaired at any time during 2014.

For all loan classes, interest income on loans individually classified as impaired is recognized on a cash basis after all past due and current principal payments have been made.

Non-Accrual Loans: Any loan which becomes 90 days delinquent, the full collection of principal and interest is in doubt, or a portion of principal has been charged off, should be placed on non-accrual status. The loan does not have to be placed on non-accrual if the charge-off is part of a Chapter 13 reaffirmation. At the time a loan is placed on non-accrual, all accrued but unpaid interest will be reversed from interest income. Placing the loan on non-accrual does not relieve the borrower of the obligation to repay interest.

For all loan classes, when a loan is on non-accrual status all payments are applied to loan principal.

A loan placed on non-accrual may be restored to accrual status when all delinquent principal and interest has been brought current, and the Bank expects full payment of the remaining contractual principal and interest including any previous charge-offs. Should the loan be reinstated to accrual status, all payments of interest received while in non-accrual status will be taken into income over the remaining life of the loan using the level yield accounting method. Restoring a non-accrual loan to accrual status requires the approval of the CCO. All loans placed on non-accrual status require the approval of the CCO and must be documented on the loan system and in the file.

The following table presents Ameriana Bancorp s non-accrual loans at June 30, 2015 and December 31, 2014 (dollars in thousands):

Loans Accounted for on a Non-Accrual Basis

	At June 30, 2015	*At December 31, 2014*
Real estate loans:		
Commercial	$ 812	$ 812
Residential	2,344	2,212
Construction	836	836
Commercial loans and leases	435	516
Municipal loans		
Consumer loans		
Total	$ 4,427	$ 4,376

Total non-accrual loans at June 30, 2015 and December 31, 2014 included $1,411,000 and $1,082,000 of TDRs, respectively.

Troubled Debt Restructurings: Our loan and lease portfolio includes certain loans that have been modified as a TDR, where concessions have been granted to borrowers who have experienced financial difficulties. These concessions typically result from loss mitigation efforts and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructuring and typically are returned to performing status after considering the borrower s sustained repayment performance for a reasonable period of at least six consecutive months.

When we modify loans and leases as a TDR, we evaluate any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan or lease agreement, or use the current fair value of the collateral, less selling costs for collateral dependent loans. If we determine that the value of the modified loan is less than the recorded balance of the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through a specific allowance or charge-off to the allowance. In periods subsequent to modification, we evaluate all TDRs, including those that have payment defaults, for possible impairment and recognize impairment through the allowance.

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There were two loans classified as a TDR during the three-month and six month periods ended June 30, 2015, and they are shown in the table below identified by class (dollars in thousands). The modifications were both payment concessions, one extending the amortization period to reduce the monthly payment amount and the other allowing the borrower to make interest only payments for a period of time.

	Three Months Ended June 30, 2015 Modifications			Six Months Ended June 30, 2015 Modifications		
	Number	Recorded Balance Before	Recorded Balance After	Number	Recorded Balance Before	Recorded Balance After
Real estate loans:						
Commercial		$	$		$	$
Residential	1	3,311	3,311	1	3,311	3,311
Construction						
Commercial loans and leases	1	308	308	1	308	308
Municipal loans						
Consumer loans						
Total	2	$ 3,619	$ 3,619	2	$ 3,619	$ 3,619

There were no loans classified as a TDR during either the three-month period or the six-month period ended June 30, 2014.

There were no TDRs that had payment defaults during the three-month and six-month periods ended June 30, 2015 and June 30, 2014, respectively. Default occurs when a loan or lease is 90 days or more past due or transferred to nonaccrual and is within 12 months of restructuring.

NOTE F ACCOUNTING DEVELOPMENTS

Financial Accounting Standards Board (FASB)

The FASB has issued ***ASU No. 2015-05, Intangibles Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer s Accounting for Fees Paid in a Cloud Computing Arrangement***. Existing GAAP does not include explicit guidance about a customer s accounting for fees paid in a cloud computing arrangement. Examples of cloud computing arrangements include: *(a)* software as a service; *(b)* platform as a service; *(c)* infrastructure as a service; and *(d)* other similar hosting arrangements. The amendments add guidance to Subtopic 350-40, *Intangibles Goodwill and Other Internal-Use Software,* which will help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The guidance already exists in the *FASB Accounting Standards Codification* in paragraphs 985-605-55-121 through 55-123, but it is included in a Subtopic applied by cloud service providers to determine whether an arrangement includes the sale or license of software. The amendments provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments do not change the accounting for a customer s accounting for service contracts. As a result of the amendments, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. For public business entities, the amendments will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted for all entities. An entity can elect to adopt the amendments either: (*1*) prospectively to all arrangements entered into or materially modified after the effective date; or (*2*) retrospectively. For prospective transition, the only disclosure requirements at transition are the nature of and reason for the change in accounting principle, the transition method, and a qualitative description of the financial statement line items affected by the change. For retrospective transition, the disclosure requirements at transition include the requirements for prospective transition and quantitative information about the effects of the accounting change. Ameriana Bancorp will adopt the methodologies prescribed by this ASU by the date required, and is still evaluating the impact the ASU will have on its financial position or results of operation.

The FASB has issued an ***ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis,*** which is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The ASU focuses on the consolidation evaluation for reporting organizations (public and private companies and not-for-profit organizations) that are required to evaluate whether they should consolidate certain legal entities. In addition to reducing the number of consolidation models from four to two, the new standard simplifies the *FASB Accounting Standards Codification* (Codification) and improves current GAAP by:

- Placing more emphasis on risk of loss when determining a controlling financial interest. A reporting organization may no longer have to consolidate a legal entity in certain circumstances based solely on its fee arrangement, when certain criteria are met.

- Reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a variable interest entity (VIE).

- Changing consolidation conclusions for public and private companies in several industries that typically make use of limited partnerships or VIEs.

The ASU will be effective for periods beginning after December 15, 2015, for public companies. Early adoption is permitted, including adoption in an interim period. Ameriana Bancorp will adopt the methodologies prescribed by this ASU by the date required, and is still evaluating the impact the ASU will have on its financial position or results of operation.

NOTE G RETIREMENT PLAN

Ameriana Bancorp entered into separate agreements with certain officers and directors that provide retirement benefits. Ameriana Bancorp records an expense equal to the projected present value of the payment due at the full eligibility date. The liability for the plan at June 30, 2015 and December 31, 2014 was $2,099,000 and $2,102,000, respectively. The expense for the plan was $31,000 and $55,000 for the three-month periods ended June 30, 2015 and June 30, 2014, respectively. The expense for the plan was $61,000 and $109,000 for the six-month periods ended June 30, 2015 and June 30, 2014, respectively.

NOTE H DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

ASC Topic 820, Fair Value Measurements, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy has been established that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value: