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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (Date of earliest event reported): February 1, 2010

Commission File Number 0-17071

**FIRST MERCHANTS CORPORATION**

(Exact name of registrant as specified in its charter)

INDIANA 35-1544218  
(State or other jurisdiction of incorporation) (IRS Employer Identification No.)

200 East Jackson Street  
P.O. Box 792  
Muncie, IN 47305-2814  
(Address of principal executive offices, including zip code)

(765) 747-1500  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## **ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

On February 1, 2010, First Merchants Corporation will conduct a third quarter earnings conference call and web cast on Monday, February 1, 2010 at 2:30 p.m. (ET). A copy of the slide presentation utilized on the conference call is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

### **ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.**

(a) Not applicable.

(b) Not applicable.

(c) Exhibits.

Exhibit 99.1 Slide presentation, utilized February 1, 2010, during conference call and web cast by First Merchants Corporation

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## SIGNATURES

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

First Merchants Corporation  
(Registrant)

By: /s/ Mark K. Hardwick

Mark K. Hardwick

Executive Vice President and Chief Financial Officer

(Principal Financial and Principal Accounting Officer)

Dated: February 1, 2010

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EXHIBIT INDEX

Exhibit No.

99.1

Description

Slide presentation, utilized February 1, 2010, during conference call and web cast by First Merchants Corporation

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First Merchants Corporation

Exhibit No. 99.1

Presentation Slides, utilized February 1, 2010

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# First Merchants Corporation

4<sup>th</sup> Quarter 2009  
Earnings Call

February 1, 2010

THE STRENGTH OF BIG.  
THE SERVICE OF SMALL.



Michael C. Rechin

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President  
and Chief Executive Officer



## Forward-Looking Statement

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The Corporation may make forward-looking statements about its relative business outlook. These forward-looking statements and all other statements made during this meeting that do not concern historical facts are subject to risks and uncertainties that may materially affect actual results.

Specific forward-looking statements include, but are not limited to, any indications regarding the financial services industry, the economy and future growth of the balance sheet or income statement.

Please refer to our press releases, Form 10-Qs and 10-Ks concerning factors that could cause actual results to differ materially from any forward-looking statements.





## Key Points for 4<sup>th</sup> Quarter

- Loss of \$.55 per diluted share for the quarter ended December 31, 2009, reflects continued efforts to build loan loss reserve, maximize net interest margin, and preserve capital.
- Growth in core deposit level produces growing liquidity and reduced wholesale funding use.
- Improvement in the risk profile of the loan portfolio across the continuum of credit measures from delinquency to non-performing status.
- Active balance sheet management maintains regulatory ratios soundly in excess of “well capitalized” thresholds.



## Key Points for Full Year 2009

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- Pre-tax pre-provision run rate captures early benefit of Lincoln Bancorp acquisition.
- Charter combination accelerates adoption of common processes and policies to identify efficiencies.
- Credit profile in loan portfolio and investment portfolio improves at year-end.
- Reduced common dividend to preserve capital.



Mark K. Hardwick

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Executive Vice President  
and Chief Financial Officer



# Financial Performance

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## TOTAL ASSETS

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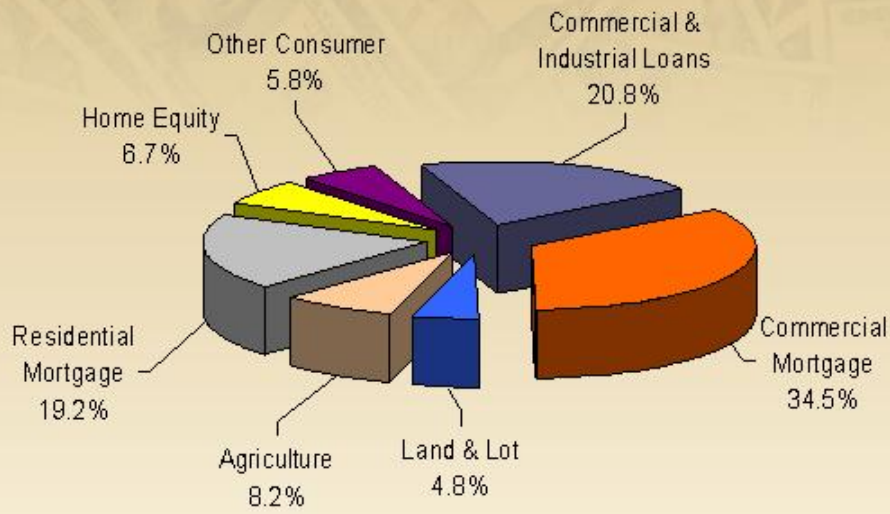
(\$ in Millions)	<u>2007</u>	<u>2008</u>	<u>2009</u>
1. Investments	\$ 451	\$ 482	\$ 563
2. Loans	2,877	3,722	3,278
3. Allowance	(28)	(50)	(92)
4. CD&I & Goodwill	136	166	159
5. BOLI	71	93	95
6. Other	<u>275</u>	<u>371</u>	<u>478</u>
7. Total Assets	\$3,782	\$4,784	\$4,481



# LOAN AND CREDIT DETAIL

## Loan Composition (as of 12/31/09)

Yield = 5.78%





## INVESTMENT PORTFOLIO (as of 12/31/09)

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- \$563 Million Balance
- Average duration - 4.5 years
- Tax equivalent yield of 4.86%
- No private label MBS exposure
- Trust Preferred Pools with book balance of \$7.0 million and a market value of \$2.4 million
- Net unrealized gain of the entire portfolio totals \$8.4 million



## TOTAL LIABILITIES AND CAPITAL

(\$ in Millions)	<u>2007</u>	<u>2008</u>	<u>2009</u>
1. Customer Deposits*	\$2,605	\$3,242	\$3,262
2. Brokered Deposits	239	477	275
3. Bank-Level Borrowings	483	507	339
4. Other Liabilities	29	51	30
5. Hybrid Capital	86	111	111
6. Preferred Stock (CPP)	0	0	112
7. Common Equity	<u>340</u>	<u>396</u>	<u>352</u>
8. Total Liabilities and Cap	\$3,782	\$4,784	\$4,481

\* Total deposits less brokered deposits





## DEPOSITS (as of 12/31/09)

Cost of Funds = 1.87%



- Demand Deposits - 37%
- Savings Deposits - 21%
- Certificates & Time Deposits of >\$100,000 - 12%
- Certificates & Time Deposits of <\$100,000 - 22%
- Brokered Deposits - 8%



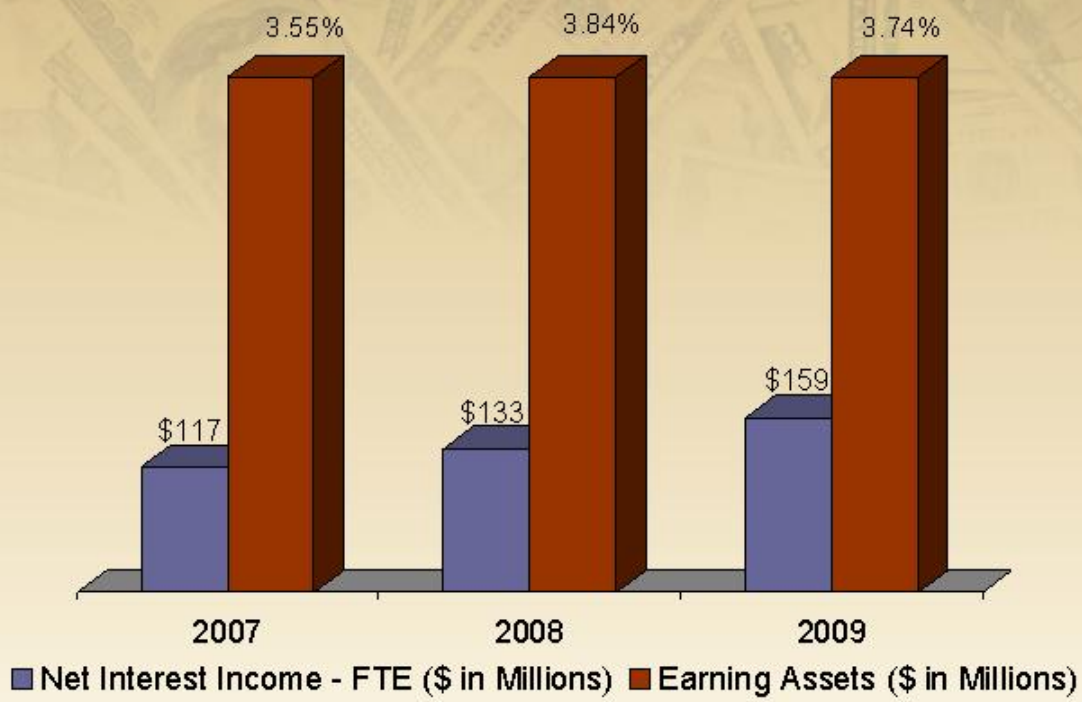
## CAPITAL RATIOS

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	<u>2007</u>	<u>2008</u>	<u>2009</u>
1. Total Risk-Based Capital Ratio	10.55%	10.24%	13.04%
2. Tier 1 Risk-Based Capital Ratio	8.75%	7.71%	10.32%
3. Leverage Ratio	7.19%	8.16%	8.20%
4. TCE/TCA	5.72%	5.01%	4.54%

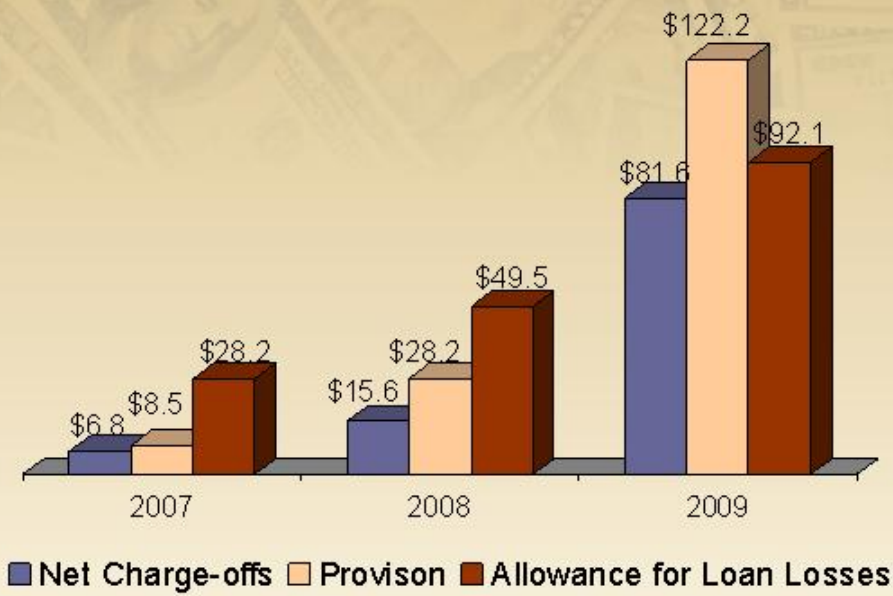


## NET INTEREST MARGIN





# CREDIT COSTS OVER TIME





## NON-INTEREST INCOME

(\$ in Millions)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
1. Service Charges on Deposit Accounts	\$12.4	\$13.0	\$15.1
2. Trust Fees	8.4	8.0	7.4
3. Insurance Comm. Income	5.1	5.8	6.4
4. Cash Surrender Value of Life Ins.	3.7	(0.3)	1.6
5. Gains on Sales Mortgage Loans	2.4	2.5	6.8
6. Securities Gains/Losses	0	(2.1)	4.4
7. Other	<u>8.6</u>	<u>9.5</u>	<u>9.5</u>
8. Total	\$40.6	\$36.4	\$51.2



## NON-INTEREST EXPENSE

(\$ in Millions)	<u>2007</u>	<u>2008</u>	<u>2009</u>
1. Salary & Benefits	\$58.8	\$63.0	\$76.3
2. Premises & Equipment	13.4	14.4	17.9
3. Core Deposit Intangible	3.2	3.2	5.1
4. Professional Services	2.0	2.6	4.4
5. OREO Expense	1.0	2.8	9.8
6. FDIC Expense	1.5	1.7	10.4
7. FHLB Prepayment Penalties	0	0	1.9
8. Outside Data Processing	3.8	4.1	6.2
9. Marketing	2.2	2.3	2.1
10. Other	<u>16.3</u>	<u>14.7</u>	<u>17.5</u>
Total	\$102.2	\$108.8	\$151.6



## EARNINGS

(\$ in Millions)	<u>2007</u>	<u>2008</u>	<u>2009</u>
1. Net Interest Income-FTE	\$117.2	\$133.1	\$159.1
2. Non Interest Income <sup>1</sup>	40.6	38.5	46.5
3. Non Interest Expense <sup>2</sup>	101.2	106.0	134.7
<b>4. Pre-Tax Pre-Provision Earnings</b>	<b>\$ 56.6</b>	<b>\$ 65.6</b>	<b>\$ 70.9</b>
5. Provision	8.5	28.2	122.2
6. Adjustments	1.1	5.0	12.1
7. Taxes - FTE	15.4	11.8	(22.7)
8. CPP Dividend	<u>0</u>	<u>0</u>	<u>5.0</u>
9. Net Income Avail. for Distribution	\$31.6	\$20.6	(\$45.7)
10. EPS	\$1.73	\$1.14	(\$2.17)

<sup>1</sup>Adjusted for Bond Gains & Losses and one-time mortgage sale

<sup>2</sup>Adjusted for the FDIC Special Assessment, FHLB Prepayment Penalties & OREO Expense & Credit-Related Professional Services



# John J. Martin

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Senior Vice President  
and Chief Credit Officer



## PORTFOLIO OVERVIEW



### 4th Quarter Highlights

**The quarter exhibited positive trends in multiple asset quality measurements\*.**

- **30+ days delinquent loans declined from \$59.5 to \$40.5 million, the lowest in the last 6 quarters.**
- **90+ days delinquent loans declined from \$5.4 to \$4 million.**
- **Non-accrual loans declined from \$123.3 to \$118.4 million.**
- **Other real estate owned declined from \$21.8 to \$14.9 million.**
- **Non-performing assets declined from \$150.7 to \$142 million.**
- **The allowance for loan loss increased to 78% of non-accrual loans.**

\* Linked quarters

## CHARGE-OFF OVERVIEW



### 4<sup>th</sup> Quarter Charge-Off Analysis

(\$000)	Commercial & Industrial	Commercial Mortgage	Land and Lot
# of Loan	1	4	5
(\$000)	\$5,164	\$3,352	\$3,975

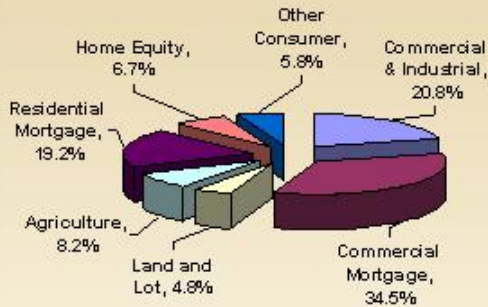
- The 10 largest charge-offs totaled \$12.5 million and comprised 60% of 4<sup>th</sup> quarter net charge-offs.
- 4th quarter net charge-offs totaled \$20.8 million and provision expense totaled \$26 million.
- The largest charge-off is related to a troubled debt restructure of a fuel distributor.
- Other real estate owned write-down was \$2.7 million.



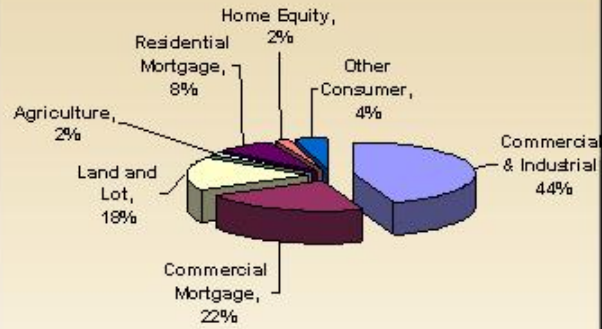
# YTD CHARGE-OFF COMPOSITION AS OF 12/31/09

(\$000)	Commercial & Industrial	Commercial Mortgage	Land and Lot	Agriculture	Total Commercial	Residential Mortgage	Home Equity	Other Consumer	Total Consumer	Total Consumer and Commercial
<b>Loan Balances</b>	\$682,996	\$1,129,921	\$158,725	\$267,274	\$2,238,916	\$629,478	\$220,142	\$189,289	\$1,038,909	\$3,277,825
<b>% of total</b>	20.84%	34.47%	4.84%	8.15%	68.30%	19.20%	6.72%	5.77%	31.70%	
<b>Net Charge-offs Q4</b>	\$5,701	\$5,315	\$5,087	\$894	\$16,997	\$2,300	\$429	\$1,081	\$3,810	\$20,807
<b>Net Charge-offs YTD</b>	\$36,432	\$18,165	\$14,329	\$1,287	\$70,213	\$6,180	\$1,610	\$3,625	\$11,415	\$81,628
<b>Net Charge-off ratio</b>	5.33%	1.61%	9.03%	0.48%	3.14%	0.98%	0.73%	1.92%	1.10%	2.49%

Loan Portfolio Composition



YTD Net Charge-Offs by Loan Type (% of total Net Charge-Offs)

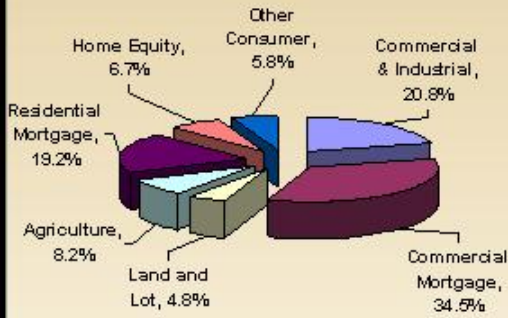




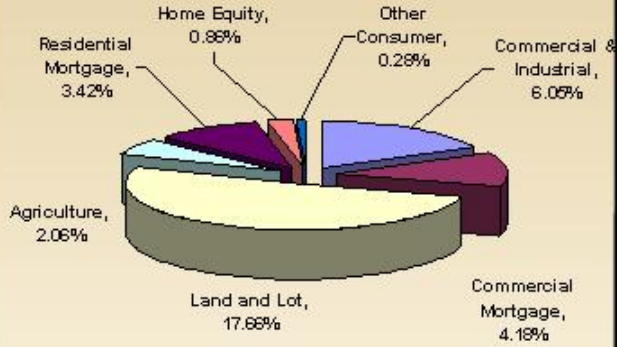
# NON-ACCRUAL LOAN COMPOSITION AS OF 12/31/09

(\$000)	Commercial & Industrial	Commercial Mortgage	Land and Lot	Agriculture	Total Commercial	Residential Mortgage	Home Equity	Other Consumer	Total Consumer	Total Consumer and Commercial
<b>Loan Balances</b>	\$682,996	\$1,129,921	\$158,725	\$267,274	\$2,238,916	\$629,478	\$220,142	\$189,289	\$1,038,909	\$3,277,825
<b>% of total</b>	20.84%	34.47%	4.84%	8.15%	68.30%	19.20%	6.72%	5.77%	31.70%	
<b>NPAs (including 90+ DPD)</b>	\$41,337	\$47,284	\$28,023	\$5,512	\$122,155	\$21,505	\$1,899	\$528	\$23,932	\$146,087
<b>NPA Ratio</b>	6.05%	4.18%	17.66%	2.06%	5.46%	3.42%	0.86%	0.28%	2.30%	4.46%

Loan Portfolio Composition



NPA (% of Total Loans)





## TOP NEW NON-ACCRUAL LOANS

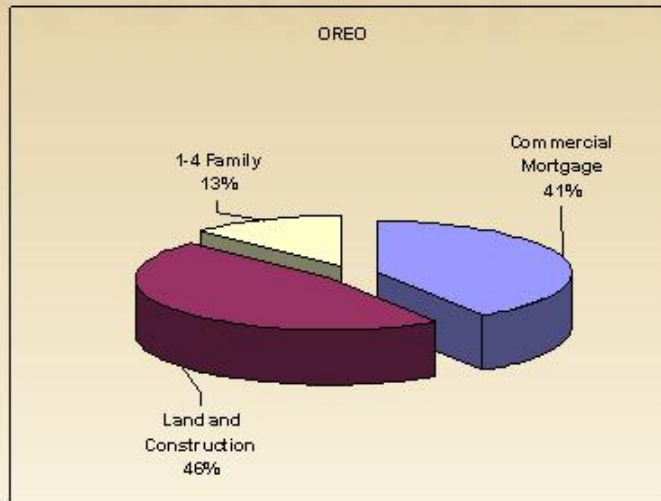
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<b>Balance</b>	<b>Type</b>	<b>Industry</b>
21,032	CL	Tool & die - automotive industry
6,788	CL	Commercial investment real estate
1,350	CL	Campground
1,183	CL	Car dealer
1,075	CL	Residential rentals
826	CL	Trailer and towable manufacturer
724	CL	Residential real estate development
661	CL	Motorcycle sales and service
<b>33,640</b>		



## OTHER REAL ESTATE OWNED COMPOSITION AS OF 12/31/09

(\$000)	Commercial Mortgage	Land and Construction	1-4 Family	Total
Book Balance	\$6,063	\$6,899	\$1,916	\$14,879
% of ORE	41%	46%	13%	100%





## NON-PERFORMING ASSETS RECONCILIATION

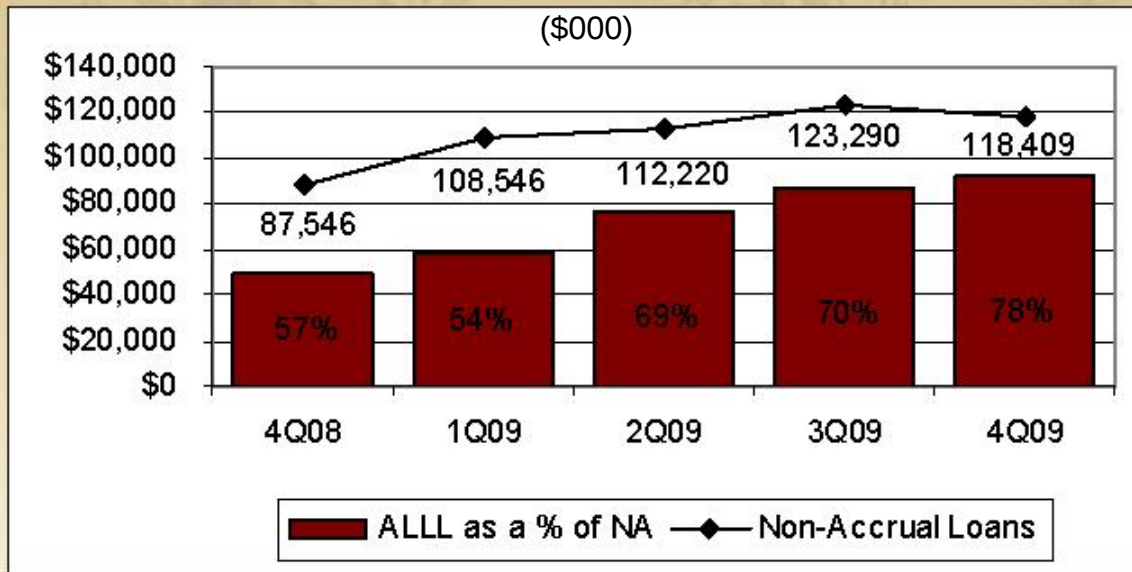
	(\$000)
<b>Beginning NPAs &amp; 90+ Days Past Due (9/30/2009)</b>	\$156,086
<b>Non-accrual</b>	
Add: New NPL*s (From Call report)	\$40,234
Less: To Accrual/Pay-off	(\$18,059)
Less: Restructure/OREO	(\$5,755)
Less: Charge-offs	(\$21,301)
<b>Δ in Non-accrual loans</b>	<b>(\$4,881)</b>
<b>Other Real Estate Owned (ORE)</b>	
Add: New ORE Properties	\$2,517
Less: ORE Sold	(\$6,749)
Less: ORE write-downs	(\$2,668)
<b>Δ in ORE</b>	<b>(\$6,900)</b>
<b>Δ 90 days past due</b>	<b>(\$1,455)</b>
<b>Δ Restructured/Renegotiated Loans</b>	<b>\$3,238</b>
<b>Total NPA Change</b>	<b>(\$9,998)</b>
<b>Ending NPAs &amp; 90+ Days Past Due (12/31/2009)</b>	\$146,088





## ALLOWANCE COVERAGE TO NON-ACCRUAL LOANS

Allowance as a % of Non-Accrual Loans







Michael C. Rechin

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President  
and Chief Executive Officer



# “Protect and Strengthen”

## Strategic and Tactical Direction for 2010

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- Continue to improve asset quality
  - Establish a trend in lower credit costs
  - Reduction in need to build loan loss reserve
  - Execute on common growth objectives
  
- Improve capital levels for credit adequacy and growth opportunities.



# “Protect and Strengthen”

## Strategic and Tactical Direction for 2010

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- Drive Revenue with simpler, faster structure
  - Deploy liquidity in growth markets
  - Greater investment in brand building
- Reduced provision with pre-tax pre-provision foundation provides a return to profitability



## Contact Information

First Merchants Corporation common stock is traded on the NASDAQ Global Select Market under the symbol FRME.

Additional information can be found at

[www.firstmerchants.com](http://www.firstmerchants.com)

Investor inquiries:

Mark K. Hardwick

Executive Vice President-Chief Financial Officer

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[mhardwick@firstmerchants.com](mailto:mhardwick@firstmerchants.com)

THE STRENGTH OF BIG.  
THE SERVICE OF SMALL.