

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): October 24, 2013**

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))

**ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

On Thursday, October 24, 2013, First Merchants Corporation will conduct a third quarter earnings conference call and web cast on 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 October 24, 2013, during conference call and web cast by First Merchants Corporation

**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)

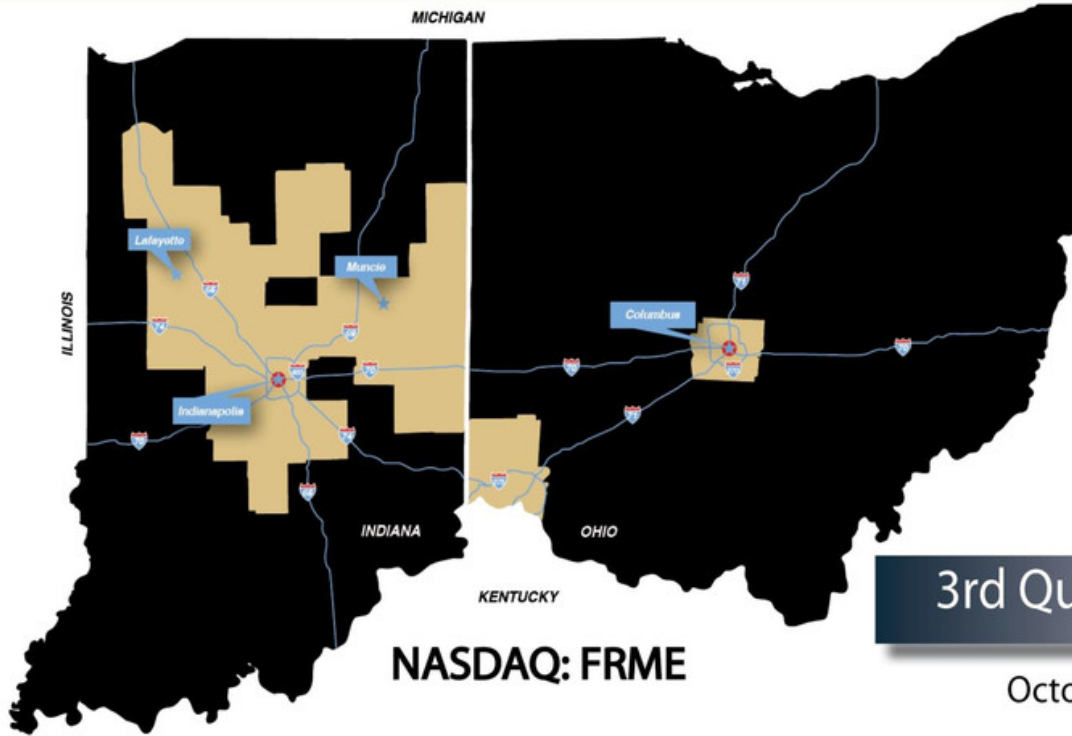
Dated: October 24, 2013

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Slide presentation, utilized October 24, 2013, during conference call and web cast by First Merchants Corporation



# First Merchants Corporation



3rd Quarter 2013

October 24, 2013

NASDAQ: FRME

Michael C. Rechin  
President  
Chief Executive Officer

Mark K. Hardwick  
Executive Vice President  
Chief Financial Officer

John J. Martin  
Executive Vice President  
Chief Credit Officer

## Forward-Looking Statement

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.



# Michael C. Rechin

President  
and Chief Executive Officer



# 2013 Performance Highlights

## Earnings & Growth

- \$10 Million Net Income Available to Common Stockholders
- 3.97% 3<sup>rd</sup> Quarter Net Interest Margin
- \$89.1 Million YOY Loan Growth, Approximately 3.1%
- Credit-Related Costs Decline Reflecting Continued Loan Quality Improvement

## Progressing to Near-Term Completion of CFS Bancorp, Inc. Acquisition

- \$1.1 Billion in Assets
- Operates 20 Banking Centers in Northwest Indiana and Northeast Illinois
- Requires Regulatory and Shareholder Approval
- Accretive to EPS in 2014
- Advanced Look at CFS Asset Quality Consistent with Earlier Evaluations





# **Mark K. Hardwick**

Executive Vice President  
and Chief Financial Officer



## Total Assets

	<u>2011</u>	<u>2012</u>	<u>Q1-'13</u>	<u>Q2-'13</u>	<u>Q3-'13</u>
1. Investments	\$ 946	\$ 874	\$ 870	\$ 909	\$ 914
2. Loans Held for Sale	18	22	27	15	5
3. Loans	2,713	2,902	2,880	2,920	2,926
4. Allowance	(71)	(69)	(69)	(68)	(66)
5. CD&I & Goodwill	150	150	149	149	148
6. BOLI	124	125	126	127	127
7. Other	<u>293</u>	<u>301</u>	<u>270</u>	<u>286</u>	<u>272</u>
8. Total Assets	\$4,173	\$4,305	\$ 4,253	\$4,338	\$4,326



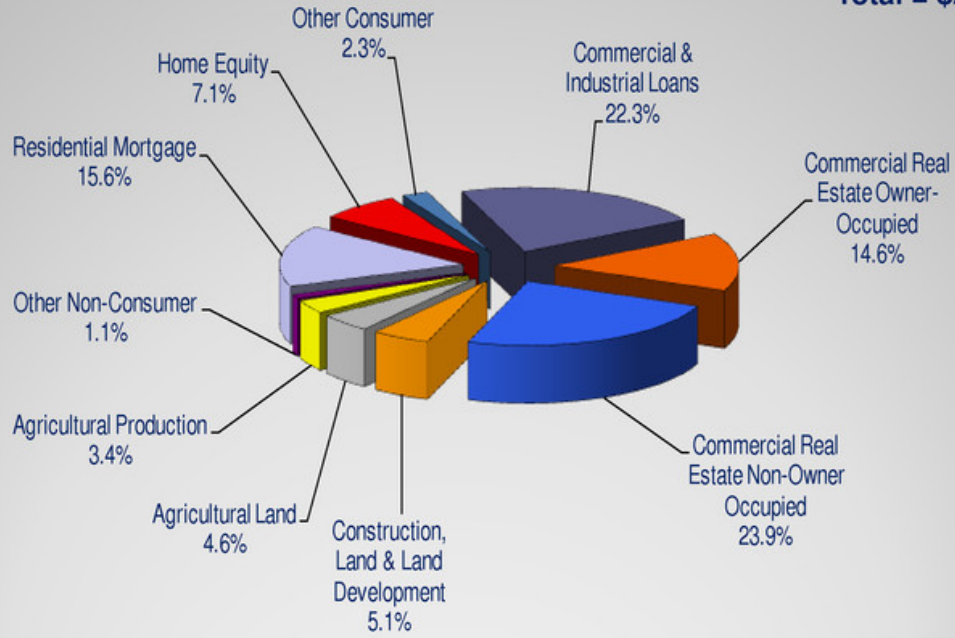
# Loan and Yield Detail

(as of 9/30/2013)

QTD Yield = 4.52%

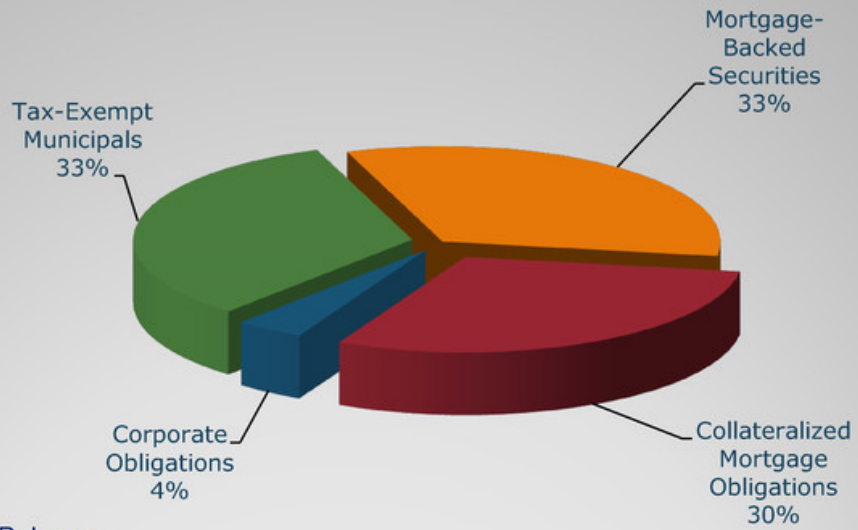
YTD Yield = 4.78%

Total = \$2.9B



# Investment Portfolio

(as of 9/30/2013)



- \$914 Million Balance
- Average duration – 4.5 years
- Tax equivalent yield of 3.81%
- Net unrealized gain of \$9.2 million



## Total Liabilities and Capital

	<u>2011</u>	<u>2012</u>	<u>Q1-'13</u>	<u>Q2-'13</u>	<u>Q3-'13</u>
1. Customer Non-Maturity Deposits	\$2,196	\$2,479	\$2,482	\$2,565	\$2,548
2. Customer Time Deposits	816	739	706	655	613
3. Brokered Deposits	123	128	123	113	95
4. Borrowings	378	260	260	316	417
5. Other Liabilities	34	39	37	43	33
6. Hybrid Capital	111	107	107	107	107
7. Preferred Stock (SBLF)	91	91	68	68	34
8. Common Equity	<u>424</u>	<u>462</u>	<u>470</u>	<u>471</u>	<u>479</u>
9. Total Liabilities and Capital	\$4,173	\$4,305	\$4,253	\$4,338	\$4,326



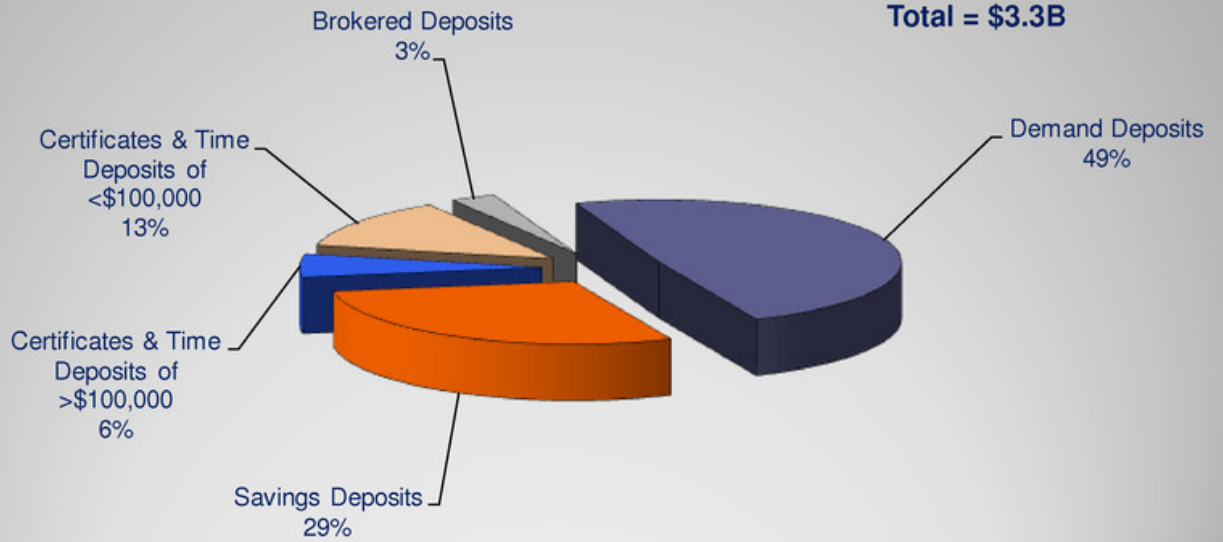
# Deposits and Cost of Funds Detail

(as of 09/30/2013)

QTD Cost = .35%

YTD Cost = .40%

Total = \$3.3B



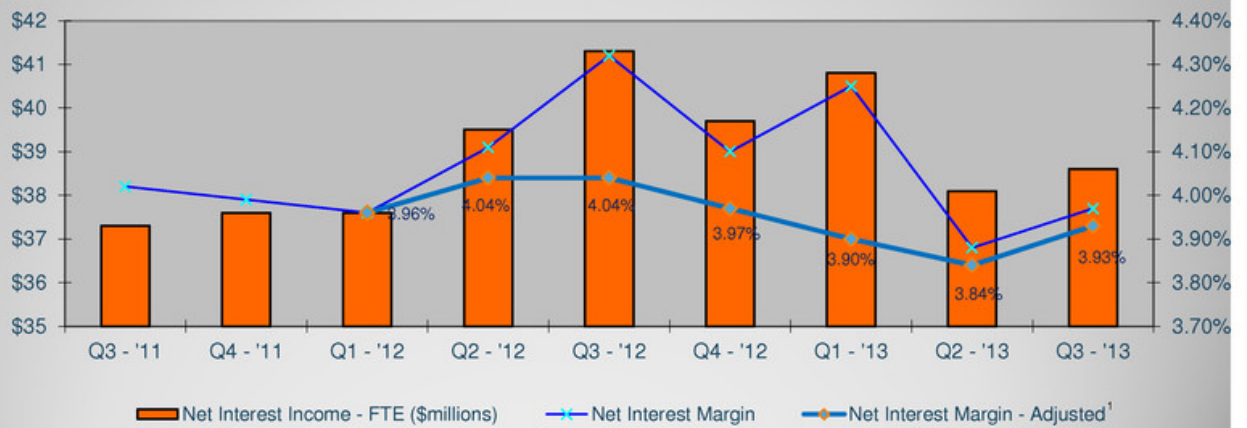
## Capital Ratios

	<u>2011</u>	<u>2012</u>	<u>Q1-'13</u>	<u>Q2-'13</u>	<u>Q3-'13</u>
1. Total Risk-Based Capital Ratio	16.54%	16.34%	15.91%	15.69%	14.96%
2. Tier 1 Risk-Based Capital Ratio	13.92%	14.15%	14.03%	13.83%	13.10%
3. Leverage Ratio	10.17%	11.03%	11.00%	11.02%	10.54%
4. Tier 1 Common Risk-Based Capital Ratio	8.83%	9.62%	10.20%	10.13%	10.42%
5. TCE/TCA	6.84%	7.55%	7.88%	7.74%	7.97%



# Net Interest Margin

	Q3 - '11	Q4 - '11	Q1 - '12	Q2 - '12	Q3 - '12	Q4 - '12	Q1 - '13	Q2 - '13	Q3 - '13
Net Interest Income - FTE (\$millions)	\$ 37.3	\$ 37.6	\$ 37.6	\$ 39.5	\$ 41.3	\$ 39.7	\$ 40.8	\$ 38.1	\$ 38.6
Tax Equivalent Yield on Earning Assets	5.01%	4.83%	4.74%	4.75%	4.89%	4.58%	4.70%	4.29%	4.35%
Cost of Supporting Liabilities	0.99%	0.84%	0.78%	0.64%	0.57%	0.48%	0.45%	0.41%	0.38%
Net Interest Margin	4.02%	3.99%	3.96%	4.11%	4.32%	4.10%	4.25%	3.88%	3.97%



<sup>1</sup>Adjusted for Fair Market Value Accretion





## Non-Interest Income

	<u>2011</u>	<u>2012</u>	<u>Q1-'13</u>	<u>Q2-'13</u>	<u>Q3-'13</u>
1. Service Charges on Deposit Accounts	\$12.0	\$11.6	\$ 2.7	\$ 2.9	\$ 3.1
2. Trust Fees	7.7	7.9	2.1	2.3	2.0
3. Insurance Commission Income	5.7	6.2	2.2	1.7	1.6
4. Electronic Card Fees	6.5	7.3	1.8	1.8	1.8
5. Cash Surrender Value of Life Ins	2.6	3.4	0.7	0.6	0.6
6. Gains on Sales Mortgage Loans	7.4	10.6	2.4	2.5	1.7
7. Securities Gains/Losses	2.0	2.4	0.2	0.2	–
8. Gain on FDIC Transaction	–	9.1	–	–	–
9. Other	<u>5.2</u>	<u>5.8</u>	<u>1.8</u>	<u>2.1</u>	<u>1.0</u>
10. Total	\$49.1	\$64.3	\$13.9	\$14.1	\$11.8
11. Adjusted Non-Interest Income <sup>1</sup>	\$47.1	\$52.8	\$13.7	\$13.9	\$11.8

<sup>1</sup>Adjusted for Bond Gains & Losses and Gain on FDIC-Modified Whole-Bank Transaction

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## Non-Interest Expense

	<u>2011</u>	<u>2012</u>	<u>Q1-'13</u>	<u>Q2-'13</u>	<u>Q3-'13</u>
1. Salary & Benefits	\$ 74.7	\$ 79.4	\$20.8	\$20.5	\$20.6
2. Premises & Equipment	16.9	17.4	4.4	4.0	4.3
3. Core Deposit Intangible	3.5	1.9	0.4	0.4	0.4
4. Professional Services	2.2	2.3	0.6	0.6	0.7
5. OREO/Credit-Related Expense	10.6	8.2	1.9	1.5	1.6
6. FDIC Expense	5.5	3.5	0.7	0.7	0.7
7. Outside Data Processing	5.7	5.7	1.5	1.4	1.5
8. Marketing	2.0	2.2	0.5	0.5	0.6
9. Other	<u>14.8</u>	<u>16.5</u>	<u>3.9</u>	<u>4.1</u>	<u>3.8</u>
10. Non-Interest Expense	\$135.9	\$137.1	\$34.7	\$33.7	\$34.2



## Earnings

	<u>2011</u>	<u>2012</u>	<u>Q1-'13</u>	<u>Q2-'13</u>	<u>Q3-'13</u>
1. Net Interest Income-FTE <sup>1</sup>	\$149.1	\$153.5	\$ 40.0	\$ 37.7	\$ 38.2
2. Non Interest Income <sup>2</sup>	47.1	52.8	13.7	13.9	11.8
3. Non Interest Expense	(135.9)	(137.1)	(34.7)	(33.7)	(34.2)
<b>4. Pre-Tax Pre-Provision Earnings</b>	<b>\$ 60.3</b>	<b>\$ 69.2</b>	<b>\$ 19.0</b>	<b>\$17.9</b>	<b>\$15.8</b>
5. Provision	( 22.6)	( 18.5)	( 2.1)	( 2.0)	(1.5)
6. Adjustments <sup>1, 2</sup>	2.0	16.1	1.0	0.6	0.4
7. Taxes – FTE	( 14.4)	( 21.7)	( 6.0)	( 5.6)	(4.3)
8. Gain/(Loss) on CPP/Trust Preferred	( 12.3)	–	–	–	–
9. Preferred Stock Dividend	( 4.0)	( 4.5)	( 0.9)	( 0.9)	(0.4)
<b>10. Net Income Avail. for Distribution</b>	<b>\$ 9.0</b>	<b>\$ 40.6</b>	<b>\$ 11.0</b>	<b>\$ 10.0</b>	<b>\$ 10.0</b>
<b>11. EPS</b>	<b>\$ 0.34</b>	<b>\$ 1.41</b>	<b>\$ 0.38</b>	<b>\$ 0.34</b>	<b>\$ 0.35</b>

<sup>1</sup>Adjusted for Fair Market Value Accretion

<sup>2</sup>Adjusted for Bond Gains & Losses and Gain on FDIC-Modified Whole-Bank Transaction

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## Earnings Per Share

<u>2011</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
1. Reported	\$ .17	\$ .18	(\$ .25)	\$ .24	\$ .34
2. Adjusted	\$ .17	\$ .18	\$ .21 <sup>1</sup>	\$ .24	\$ .80
<u>2012</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
1. Reported	\$ .46	\$ .28	\$ .35	\$ .32	\$1.41
2. Adjusted <sup>2</sup>	\$ .25	\$ .26	\$ .29	\$ .29	\$1.09
<u>2013</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
1. Reported	\$ .38	\$ .34	\$ .35	\$ –	\$ 1.07
2. Adjusted <sup>2</sup>	\$ .36	\$ .33	\$ .34	\$ –	\$ 1.03

<sup>1</sup>Adjusted for gains and losses on CPP/Trust Preferred refinance and repayment net of taxes (Line 8 on slide 15)

<sup>2</sup>Adjusted for gain on FDIC-Modified Whole-Bank Transaction and Fair Market Value Accretion

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# John J. Martin

Executive Vice President  
and Chief Credit Officer



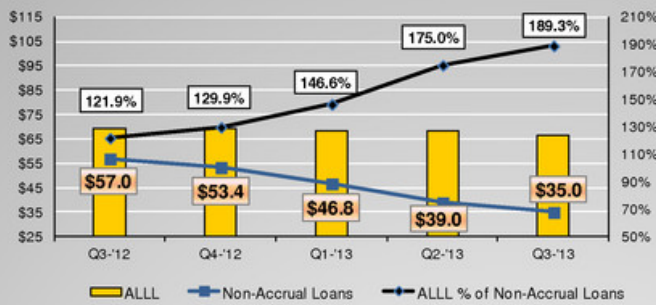
# Asset Quality Summary

(\$ in Millions)

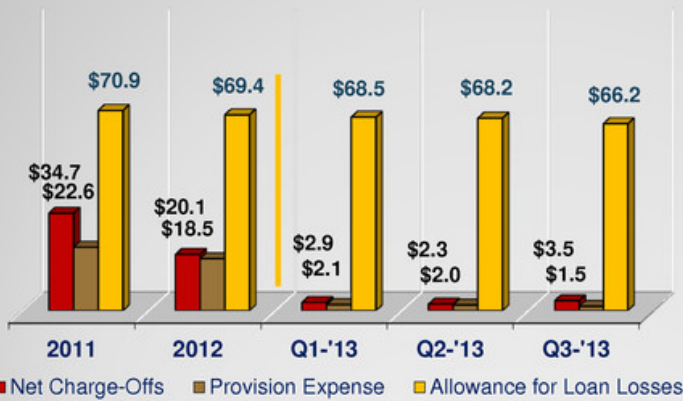
	<u>2011</u>	<u>2012</u>	<u>Q1-'13</u>	<u>Q2-'13</u>	<u>Q3-'13</u>	<u>% Change Linked Qtr.</u>
1. <b>Non-Accrual Loans</b>	\$ 69.6	\$ 53.4	\$ 46.8	\$ 39.0	\$ 35.0	(10.3%)
2. Other Real Estate	\$ 16.3	\$ 13.3	\$ 13.1	\$ 11.8	\$ 12.1	2.5%
3. Renegotiated Loans	\$ 14.3	\$ 12.7	\$ 5.4	\$ 4.4	\$ 3.3	(25.0%)
4. 90+ Days Delinquent Loans	\$ 0.6	\$ 2.0	\$ 1.0	\$ 1.1	\$ 0.8	(27.3%)
5. Specific Reserves	\$ 7.6	\$ 4.2	\$ 3.6	\$ 4.5	\$ 1.5	(66.7%)
6. Allowance for Loan and Lease Losses	\$ 70.9	\$ 69.4	\$ 68.5	\$ 68.2	\$ 66.2	(2.9%)
7. <b>ALLL/Non-Accrual Loans</b>	<b>101.9%</b>	<b>129.9%</b>	<b>146.6%</b>	<b>175.0%</b>	<b>189.3%</b>	
8. <b>Classified Assets</b>	<b>\$ 227.2</b>	<b>\$ 184.4</b>	<b>\$ 172.7</b>	<b>\$ 148.5</b>	<b>\$ 134.7</b>	<b>(9.3%)</b>
9. <b>Criticized Assets (includes Classified)</b>	<b>\$ 319.2</b>	<b>\$ 250.2</b>	<b>\$ 242.7</b>	<b>\$ 225.9</b>	<b>\$ 198.1</b>	<b>(12.3%)</b>



# Net Charge-Offs, Provision & Allowance



Decline in Non-Accrual Loans continues. Non-accruals at 1.2% of Total Loans.



Allowance to loans at 2.26%

YTD Net Charge-offs of \$8.77 Million and YTD Provision Expense of \$5.63 Million



# Non-Performing Asset Reconciliation

(\$ in Millions)	Q4-'12	Q1-'13	Q2-'13	Q3-'13
1. <b>Beginning Balance NPA's &amp; 90+ Days Delinquent</b>	<u>\$79.6</u>	\$81.4	\$66.3	\$56.2
Non-Accrual				
2. Add: New Non-Accruals	6.8	6.9	4.2	7.7
3. Less: To Accrual/Payoff/Renegotiated	(3.2)	(3.7)	(5.7)	(4.0)
4. Less: To OREO	(1.6)	(3.2)	(1.4)	(2.0)
5. Less: Charge-offs	<u>(5.6)</u>	<u>(6.6)</u>	<u>(4.9)</u>	<u>(5.7)</u>
6. <b>Increase / (Decrease): Non-Accrual Loans</b>	(3.6)	(6.6)	(7.8)	(4.0)
Other Real Estate Owned (ORE)				
7. Add: New ORE Properties	1.6	3.2	1.4	2.0
8. Less: ORE Sold	(1.4)	(2.3)	(2.3)	(0.9)
9. Less: ORE Losses (write-downs)	<u>(0.7)</u>	<u>(1.0)</u>	<u>(0.5)</u>	<u>(0.8)</u>
10. <b>Increase / (Decrease): ORE</b>	(0.5)	(0.1)	(1.4)	0.3
11. <b>Increase / (Decrease): 90+ Days Delinquent</b>	0.1	(1.1)	0.1	(0.2)
12. <b>Increase / (Decrease): Restructured Loans</b>	<u>5.8</u>	<u>(7.3)</u>	<u>(1.0)</u>	<u>(1.1)</u>
13. <b>Total NPA Change</b>	<u>1.8</u>	<u>(15.1)</u>	<u>(10.1)</u>	<u>(5.0)</u>
14. <b>Ending Balance NPA's &amp; 90+ Days Delinquent</b>	\$81.4	\$66.3	\$56.2	<u>\$51.2</u>

35.7%  
decline





## Loan Portfolio Trends

(\$ in Millions)

	<u>2011</u>	<u>2012</u>	<u>Q1-'13</u>	<u>Q2-'13</u>	<u>Q3-'13</u>	Change	
						<u>\$</u>	<u>%</u>
1. Commercial & Industrial	\$532.5	\$622.6	\$638.0	\$657.8	\$652.3	\$(5.5)	(0.8%)
2. Construction, land and land development	81.8	98.6	75.9	101.9	149.9	48.0	47.1%
3. CRE Non-Owner Occupied	598.1	706.3	722.1	707.3	701.3	(6.0)	(0.8%)
4. CRE Owner Occupied	464.7	434.2	434.5	436.3	429.3	(7.0)	(1.6%)
5. Agricultural Production	104.5	112.5	104.3	105.2	98.5	(6.7)	(6.4%)
6. Agricultural Land	131.4	126.2	123.9	129.2	133.6	4.4	3.4%
7. Residential Mortgage	481.5	473.5	467.6	460.1	452.3	(7.8)	(1.7%)
8. Home Equity	191.6	203.5	201.8	203.8	206.8	3.0	1.5%
9. Other Non-Consumer	39.5	46.5	38.1	39.2	31.1	(8.1)	(20.7%)
10. Other Consumer	<u>87.8</u>	<u>78.3</u>	<u>73.3</u>	<u>79.3</u>	<u>70.4</u>	(8.9)	(11.2%)
11. Loans	\$2,713.4	\$2,902.2	\$2,879.5	\$2,920.1	\$2,925.5	\$ 5.4	0.2%



# Michael C. Rechin

President  
and Chief Executive Officer



## FMC Priority Overview

- Close and Integrate CFS Bancorp Acquisition
- Completion of Hybrid Capital Re-Structure Plan
- Reshape/Refine Post CFS Acquisition Balance Sheet for Earnings and Asset Quality
- Attain Expense Targets Developed within CFS Planning
- Achieve Efficiency Gains Throughout FMC



***“The Strength of Big. The Service of Small.”***

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## 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:**

**David L. Ortega**

**Investor Relations**

**Telephone: 765.378.8937**

**[dortega@firstmerchants.com](mailto:dortega@firstmerchants.com)**



