

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): July 25, 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, July 25, 2013, First Merchants Corporation will conduct a second 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 July 25, 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: July 25, 2013

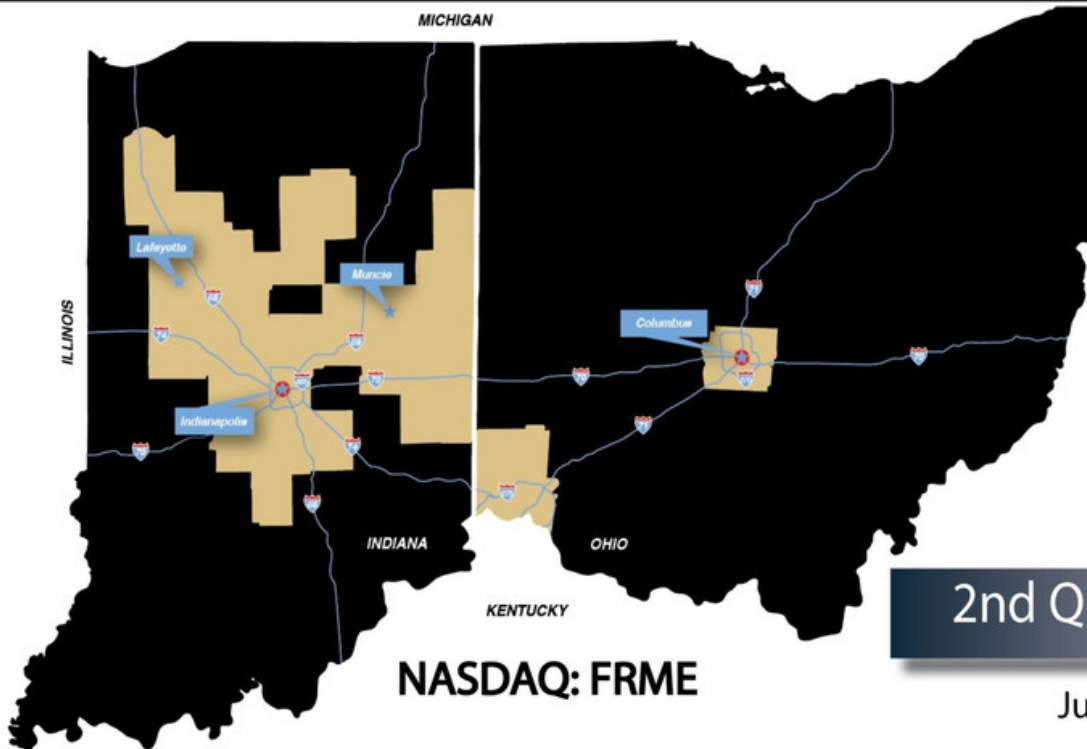
EXHIBIT INDEX

Exhibit No.    Description

99.1                    Slide presentation, utilized July 25, 2013, during conference call and web cast by First Merchants Corporation



# First Merchants Corporation



2nd Quarter 2013

July 25, 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

- \$0.34 Second Quarter EPS, \$0.72 YTD EPS
- 3.88% 2<sup>nd</sup> Quarter Net Interest Margin
- \$122.4 Million YOY Loan Growth, Approximately 4.4%
- Redeemed \$56.7 Million of SBLF Preferred Shares in 2013
- Continued Asset Quality Improvement

### Announced Definitive Agreement to Acquire CFS Bancorp, Inc.

- \$1.1 Billion in Assets
- Operates 20 Banking Centers in Northwest Indiana and Northeast Illinois
- Integration Planning on Target for 4<sup>th</sup> Quarter 2013 Closing
- Requires Regulatory and Shareholder Approval
- Accretive to EPS in 2014





# **Mark K. Hardwick**

Executive Vice President  
and Chief Financial Officer



## Total Assets

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



# Loan and Yield Detail

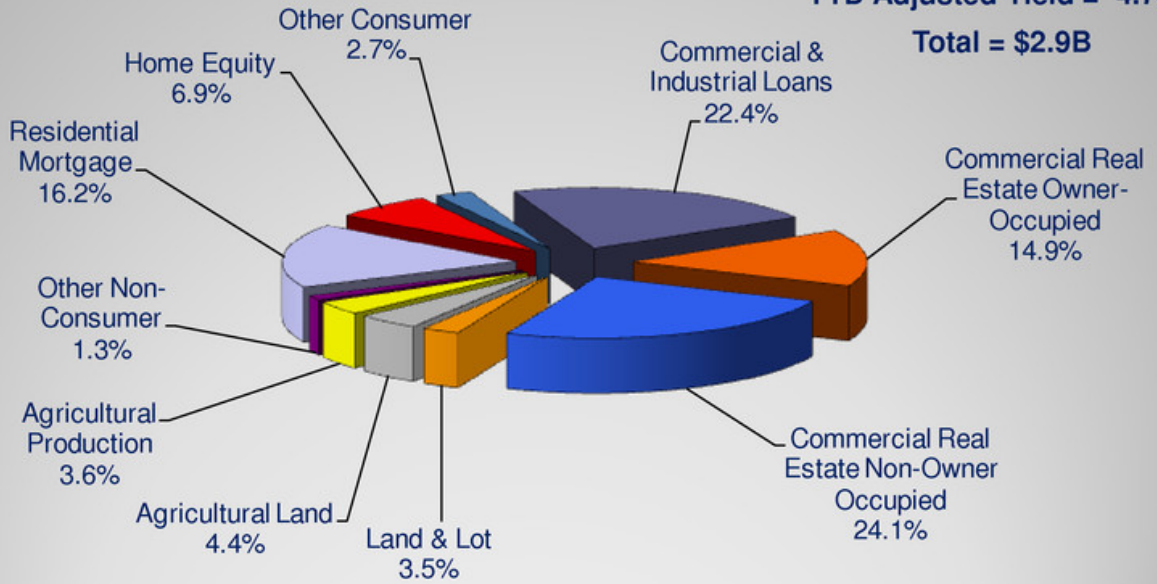
(as of 6/30/2013)

QTD Yield = 4.66%

YTD Yield = 4.90%

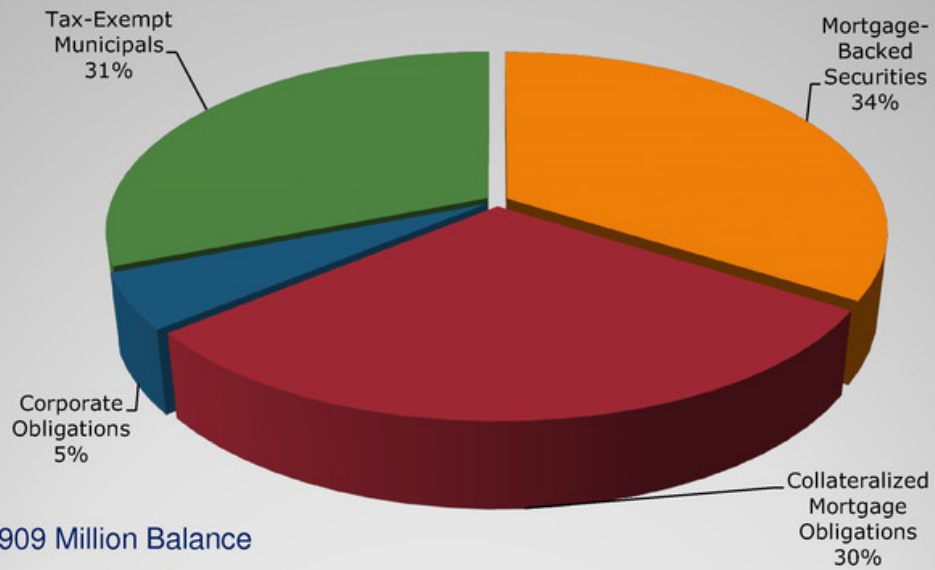
YTD Adjusted Yield = 4.73%

Total = \$2.9B



# Investment Portfolio

(as of 6/30/2013)



- \$909 Million Balance
- Average duration – 4.3 years
- Tax equivalent yield of 3.67%
- Net unrealized gain of \$11.6 million



## Total Liabilities and Capital

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



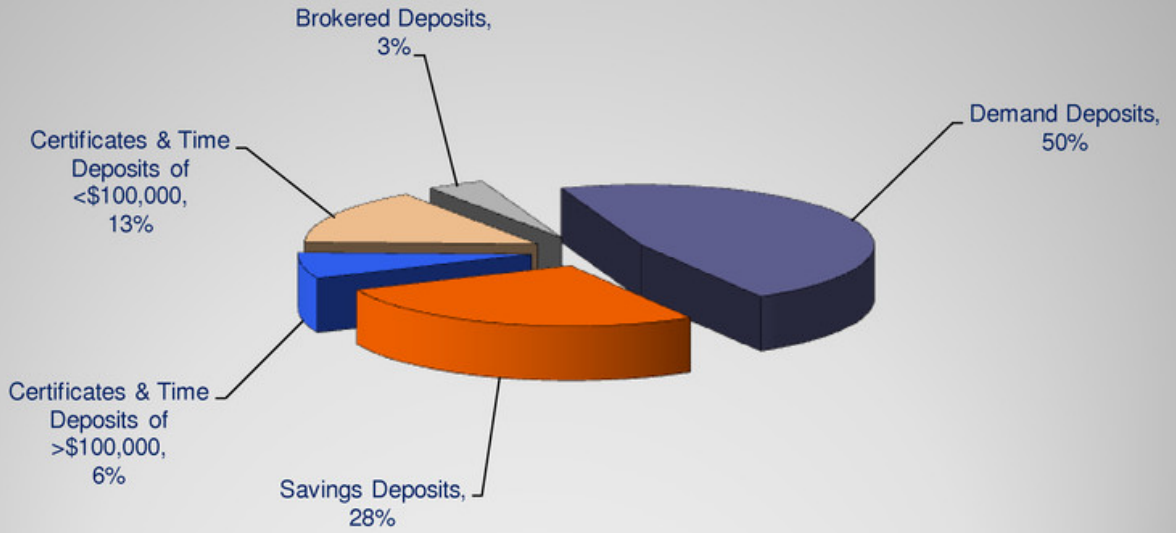
# Deposits and Cost of Funds Detail

(as of 06/30/2013)

QTD Cost = .40%

YTD Cost = .43%

Total = \$3.3B



## Capital Ratios

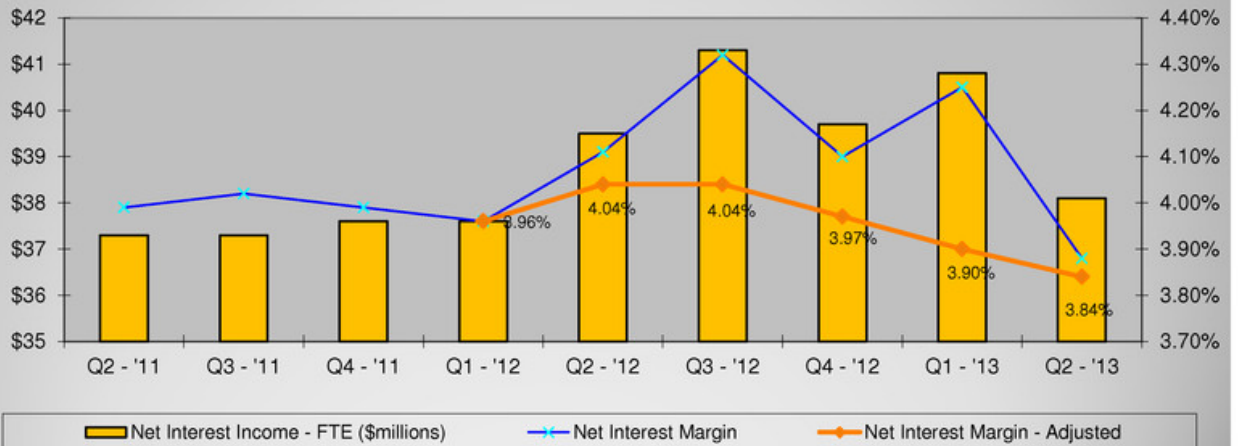
	<u>2011</u>	<u>2012</u>	<u>Q1-'13</u>	<u>Q2-'13</u>
1. Total Risk-Based Capital Ratio	16.54%	16.34%	15.91%	15.69%
2. Tier 1 Risk-Based Capital Ratio	13.92%	14.15%	14.03%	13.83%
3. Leverage Ratio	10.17%	11.03%	11.00%	11.02%
4. Tier 1 Common Risk-Based Capital Ratio	8.83%	9.62%	10.20%	10.13%
5. TCE/TCA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





# Net Interest Margin

	Q2 - '11	Q3 - '11	Q4 - '11	Q1 - '12	Q2 - '12	Q3 - '12	Q4 - '12	Q1 - '13	Q2 - '13
Net Interest Income - FTE (\$millions)	\$ 37.3	\$ 37.3	\$ 37.6	\$ 37.6	\$ 39.5	\$ 41.3	\$ 39.7	\$ 40.8	\$ 38.1
Tax Equivalent Yield on Earning Assets	5.04%	5.01%	4.83%	4.74%	4.75%	4.89%	4.58%	4.70%	4.29%
Cost of Supporting Liabilities	1.05%	0.99%	0.84%	0.78%	0.64%	0.57%	0.48%	0.45%	0.41%
Net Interest Margin	3.99%	4.02%	3.99%	3.96%	4.11%	4.32%	4.10%	4.25%	3.88%





## Non-Interest Income

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

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

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## Non-Interest Expense

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



## Earnings

(\$ in Millions)	<u>2011</u>	<u>2012</u>	<u>Q1-'13</u>	<u>Q2-'13</u>
1. Net Interest Income-FTE <sup>1</sup>	\$149.1	\$153.5	\$ 40.0	\$ 37.7
2. Non Interest Income <sup>2</sup>	47.1	52.8	13.7	13.9
3. Non Interest Expense	(135.9)	(137.1)	(34.7)	(33.7)
<b>4. Pre-Tax Pre-Provision Earnings</b>	<b>\$ 60.3</b>	<b>\$ 69.2</b>	<b>\$ 19.0</b>	<b>\$17.9</b>
5. Provision	( 22.6)	( 18.5)	( 2.1)	( 2.0)
6. Adjustments <sup>1, 2</sup>	2.0	16.1	1.0	0.6
7. Taxes – FTE	( 14.4)	( 21.7)	( 6.0)	( 5.6)
8. Gain/(Loss) on CPP/Trust Preferred	( 12.3)	–	–	–
9. Preferred Stock Dividend	( 4.0)	( 4.5)	( 0.9)	( 0.9)
<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>11. EPS</b>	<b>\$ 0.34</b>	<b>\$ 1.41</b>	<b>\$ 0.38</b>	<b>\$ 0.34</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	—	—	\$ .72
2. Adjusted <sup>2</sup>	\$ .36	\$ .33	—	—	\$ .69

<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

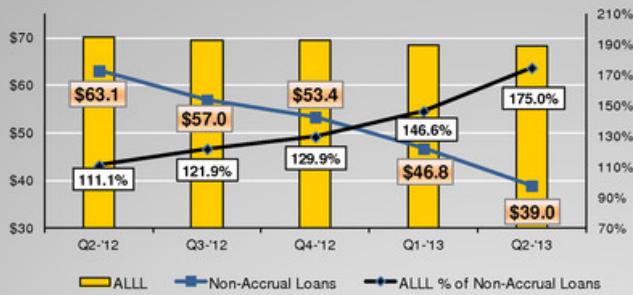
(\$ in Millions)

	<u>2011</u>	<u>2012</u>	<u>Q1-'13</u>	<u>Q2-'13</u>	<u>% Change Linked Qtr.</u>
1. <b>Non-Accrual Loans</b>	\$ 69.6	\$ 53.4	\$ 46.8	\$ 39.0	(16.7%)
2. Other Real Estate	\$ 16.3	\$ 13.3	\$ 13.1	\$ 11.8	(9.9%)
3. Renegotiated Loans	\$ 14.3	\$ 12.7	\$ 5.4	\$ 4.4	(18.5%)
4. 90+ Days Delinquent Loans	\$ 0.6	\$ 2.0	\$ 1.0	\$ 1.1	10.0%
5. Specific Reserves	\$ 7.6	\$ 4.2	\$ 3.6	\$ 4.5	25.0%
6. Allowance for Loan and Lease Losses	\$ 70.9	\$ 69.4	\$ 68.5	\$ 68.2	(0.4%)
7. <b>ALLL/Non-Accrual Loans</b>	<b>101.9%</b>	<b>129.9%</b>	<b>146.6%</b>	<b>175.0%</b>	
8. <b>Classified Assets</b>	\$ 227.2	\$ 184.4	\$ 172.7	\$ 148.5	(14.0%)
9. <b>Criticized Assets (includes Classified)</b>	\$ 319.2	\$ 250.2	\$ 242.7	\$ 225.9	(6.9%)

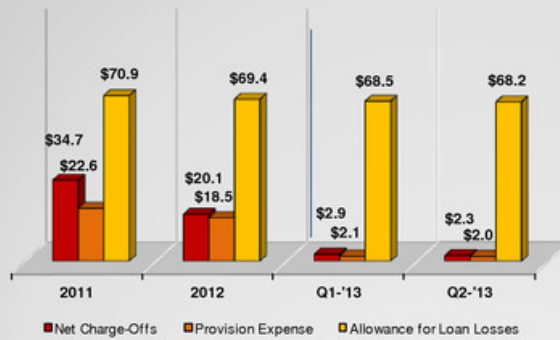




# Net Charge-Offs, Provision & Allowance



Non-accrual decline continues. Allowance coverage of non-accrual loans increases to 175.0%



Allowance to loans at 2.32%  
Q2 Gross charge-offs \$4.86 million offset by recoveries of \$2.53 million



# Non-Performing Asset Reconciliation

(\$ in Millions)	Q3-'12	Q4-'12	Q1-'13	Q2-'13
1. <b>Beginning Balance NPA's &amp; 90+ Days Delinquent</b>	<b>\$81.9</b>	\$79.6	\$81.4	\$66.3
Non-Accrual				
2. Add: New Non-Accruals	8.3	6.8	6.9	4.2
3. Less: To Accrual/Payoff/Renegotiated	(5.1)	(3.2)	(3.7)	(5.7)
4. Less: To OREO	(1.5)	(1.6)	(3.2)	(1.4)
5. Less: Charge-offs	<u>(7.8)</u>	<u>(5.6)</u>	<u>(6.6)</u>	<u>(4.9)</u>
6. <b>Increase / (Decrease): Non-Accrual Loans</b>	(6.1)	(3.6)	(6.6)	(7.8)
Other Real Estate Owned (ORE)				
7. Add: New ORE Properties	1.5	1.6	3.2	1.4
8. Less: ORE Sold	(1.1)	(1.4)	(2.3)	(2.3)
9. Less: ORE Losses (write-downs)	<u>(0.8)</u>	<u>(0.7)</u>	<u>(1.0)</u>	<u>(0.5)</u>
10. <b>Increase / (Decrease): ORE</b>	(0.4)	(0.5)	(0.1)	(1.4)
11. <b>Increase / (Decrease): 90+ Days Delinquent</b>	1.3	0.1	(1.1)	0.1
12. <b>Increase / (Decrease): Restructured Loans</b>	<u>2.9</u>	<u>5.8</u>	<u>(7.3)</u>	<u>(1.0)</u>
13. <b>Total NPA Change</b>	<u>(2.3)</u>	<u>1.8</u>	<u>(15.1)</u>	<u>(10.1)</u>
14. <b>Ending Balance NPA's &amp; 90+ Days Delinquent</b>	\$79.6	\$81.4	\$66.3	<b>\$56.2</b>

31.4%  
decline





## Loan Portfolio Trends

(\$ in Millions)

	<u>2011</u>	<u>2012</u>	<u>Q1-'13</u>	<u>Q2-'13</u>	Change	
					Linked Qtr	
					\$	%
1. Commercial & Industrial	\$532.5	\$622.6	\$638.0	\$657.8	19.8	3.1%
2. Construction, land and land development	81.8	98.6	75.9	101.9	26.0	34.3%
3. CRE Non-Owner Occupied	598.1	706.3	722.1	707.3	(14.8)	(2.0%)
4. CRE Owner Occupied	464.7	434.2	434.5	436.3	1.8	0.4%
5. Agricultural Production	104.5	112.5	104.3	105.2	0.9	0.9%
6. Agricultural Land	131.4	126.2	123.9	129.2	5.3	4.3%
7. Residential Mortgage	481.5	473.5	467.6	460.1	(7.5)	(1.6%)
8. Home Equity	191.6	203.5	201.8	203.8	2.0	1.0%
9. Other Non-Consumer	39.5	46.5	38.1	39.2	1.1	2.9%
10. Other Consumer	<u>87.8</u>	<u>78.3</u>	<u>73.3</u>	<u>79.3</u>	<u>6.0</u>	<u>8.2%</u>
11. Loans	\$2,713.4	\$2,902.2	\$2,879.5	\$2,920.1	\$40.6	1.4%



# Michael C. Rechin

President  
and Chief Executive Officer



## FMC Strategy

“Service-driven alternative to super-regional bank competitors.  
Deliver superior service with presence close to the customer for . . .”

- Retail Banking
- Commercial Banking
  - Middle Market
  - Agriculture
  - Healthcare Services
  - Real Estate
- Business Banking
- Cash Management
- Mortgage Banking
- Trust Services (Fiduciary, Custody)
- Insurance Products

***“We specialize in our communities”***

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## 2013 Tactics Overview

- Continue to Execute on 2013 Performance Drivers
- Complete Strategic Projects in:
  - Compliance
  - Revenue
  - Customer Experience
  - Efficiency
- Close and Integrate CFS Bancorp Acquisition
- Evaluate Hybrid Capital Structure Alternatives



***“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)**



