

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): January 28, 2014**

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 Tuesday, January 28, 2014, First Merchants Corporation will conduct a fourth 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 January 28, 2014, 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)

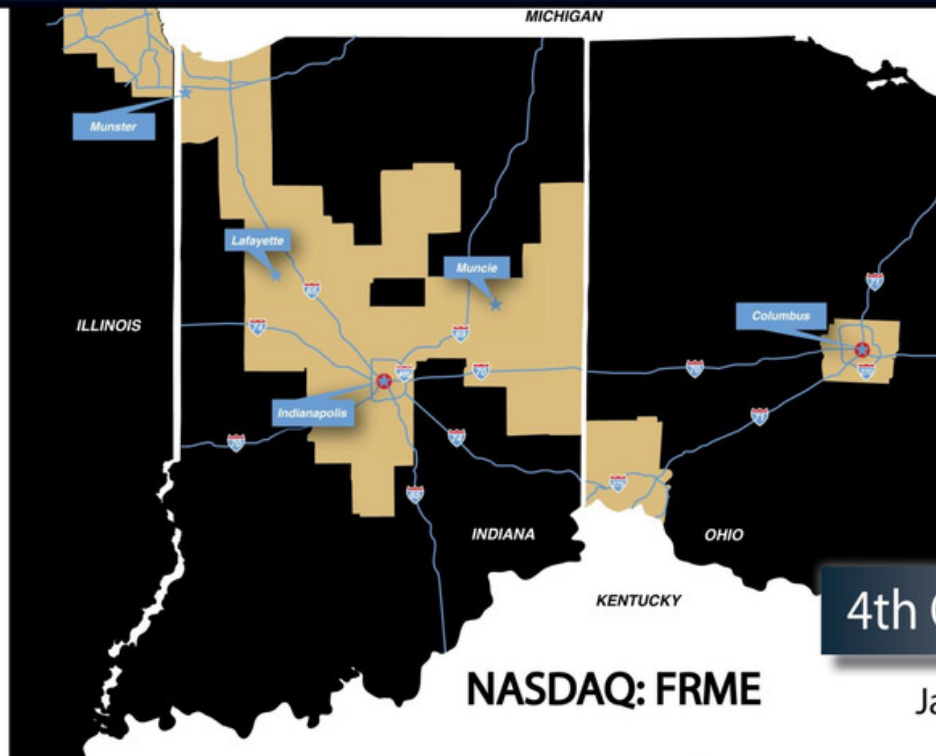
Dated: January 28, 2014

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Slide presentation, utilized January 28, 2014, during conference call and web cast by First Merchants Corporation



# First Merchants Corporation



4th Quarter 2013

**NASDAQ: FRME**

January 28, 2014

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 Statements

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.

# Non-GAAP Financial Measures

These slides contain non-GAAP financial measures. For purposes of Regulation G, a non-GAAP financial measure is a numerical measure of the registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the issuer; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this regard, GAAP refers to generally accepted accounting principles in the United States. Pursuant to the requirements of Regulation G, First Merchants Corporation has provided reconciliations within the slides, as necessary, of the non-GAAP financial measure to the most directly comparable GAAP financial measure.



# Michael C. Rechin

President  
and Chief Executive Officer



# FIRST MERCHANTS 2013 PERFORMANCE

## Full-Year Highlights

- **\$42.2 Million of Record Net Income Available to Common Stockholders**
- **Market Capitalization Grows 92% to \$816 Million**
- **Capital Actions and Credit Metrics Enhanced Balance Sheet Strength**
- **Increased Common Equity Dividends During 2<sup>nd</sup> Quarter**

## 4<sup>th</sup> Quarter Highlights

- **\$11.2 Million of Net Income, or \$0.34 Earnings Per Share**
- **CFS Acquisition Completed on Schedule**
- **CFS Asset Quality Supports Due Diligence and Transaction Pricing**
- **Organic Loan Growth of 3.5%, Excluding CFS Impact**





# **Mark K. Hardwick**

Executive Vice President  
and Chief Financial Officer



## Total Assets

(\$ in Millions)	<u>2011</u>	<u>2012</u>	<u>2013</u>
1. Investments	\$ 946	\$ 874	\$ 1,096
2. Loans Held for Sale	18	22	5
3. Loans	2,713	2,902	3,633
4. Allowance	(71)	(69)	(68)
5. CD&I & Goodwill	150	150	203
6. BOLI	124	125	165
7. Other	<u>293</u>	<u>301</u>	<u>403</u>
8. Total Assets	\$4,173	\$4,305	\$5,437



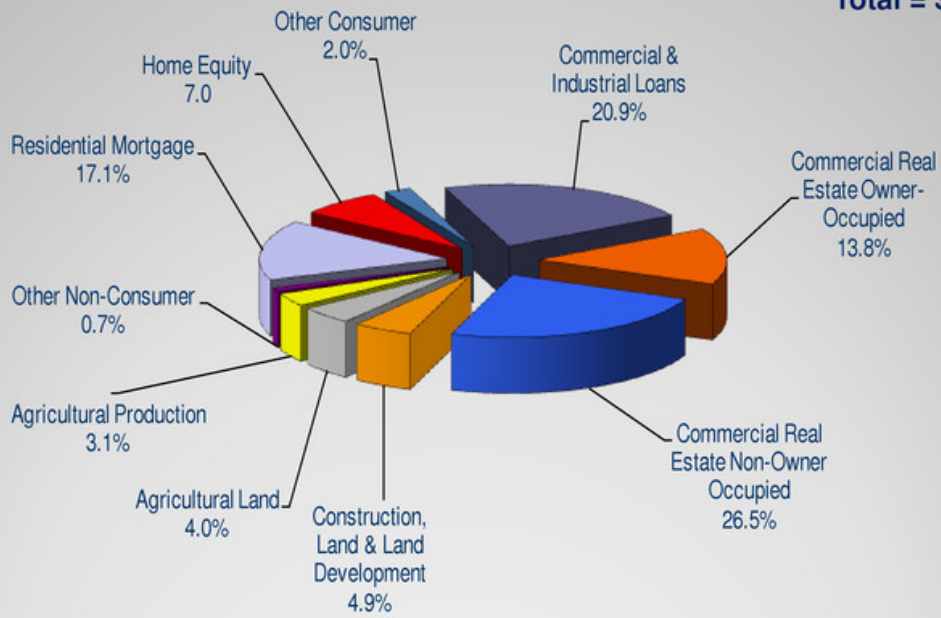
# Loan and Yield Detail

(as of 12/31/2013)

QTD Yield = 4.55%

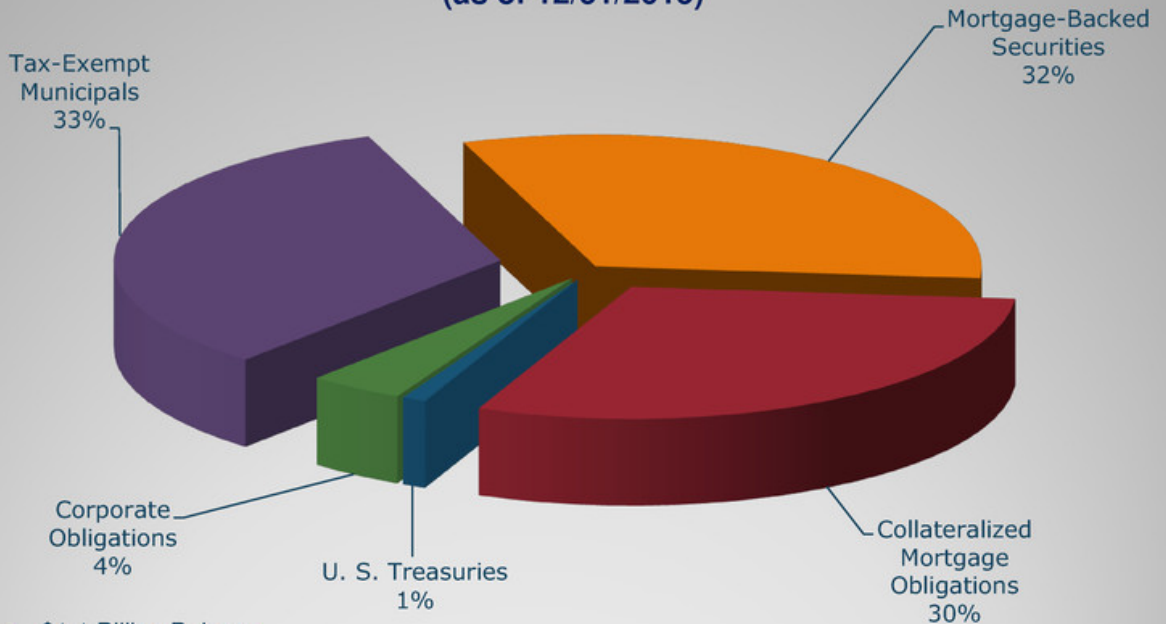
YTD Yield = 4.71%

Total = \$3.6B



# Investment Portfolio

(as of 12/31/2013)



- \$1.1 Billion Balance
- Average duration – 4.3 years
- Tax equivalent yield of 3.82%
- Net unrealized gain of \$6.1 million



## Total Liabilities and Capital

(\$ in Millions)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
1. Customer Non-Maturity Deposits	\$2,196	\$2,479	\$3,276
2. Customer Time Deposits	816	739	868
3. Brokered Deposits	123	128	87
4. Borrowings	378	260	401
5. Other Liabilities	34	39	48
6. Hybrid Capital	111	107	122
7. Preferred Stock (SBLF)	91	91	—
8. Common Equity	<u>424</u>	<u>462</u>	<u>635</u>
9. Total Liabilities and Capital	\$4,173	\$4,305	\$5,437
10. Tangible Book Value Per Share	\$9.64	\$10.95	\$12.17



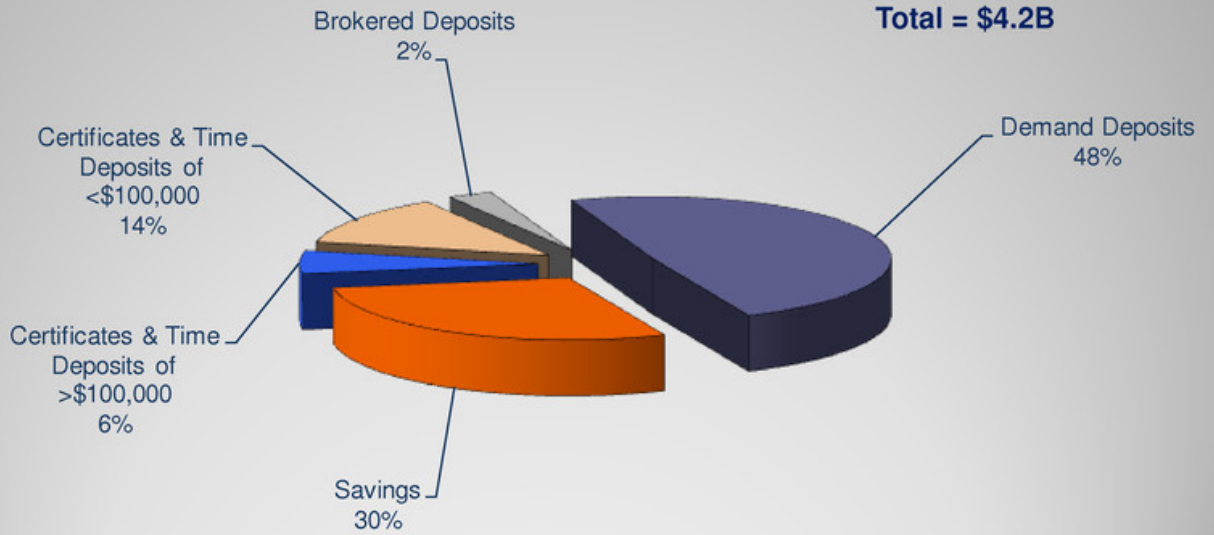
# Deposits and Cost of Funds Detail

(as of 12/31/2013)

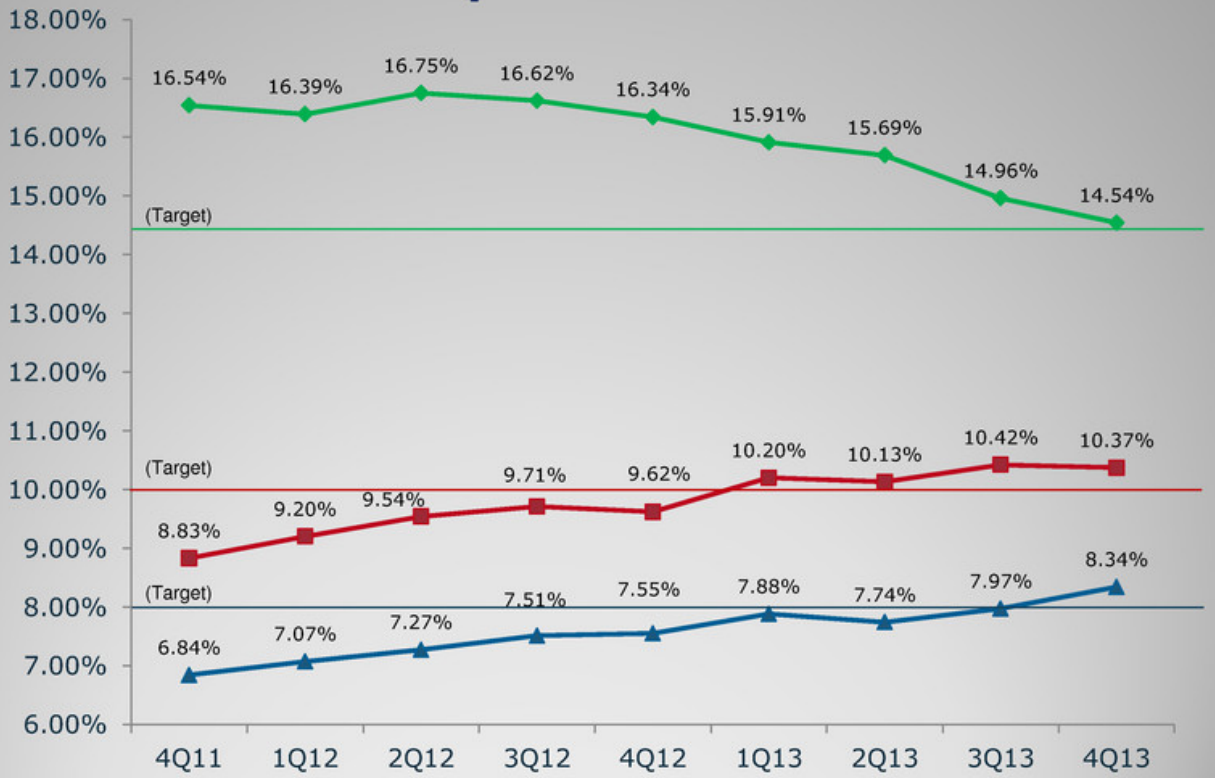
QTD Cost = .31%

YTD Cost = .38%

Total = \$4.2B



# Capital Ratios

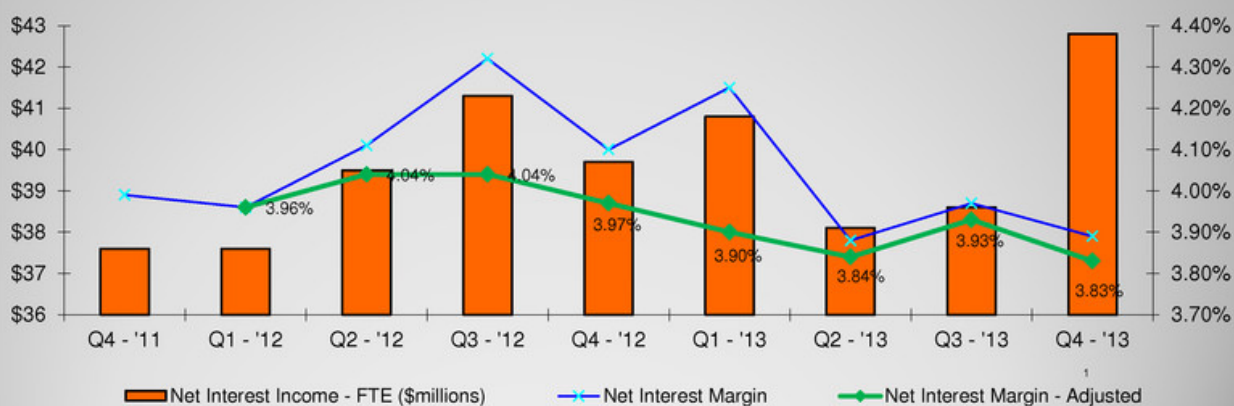


- Total Risk-Based Capital Ratio (Target = 14.50%)
- Tier 1 Common Risk-Based Capital Ratio (Target = 10.00%)
- Tangible Common Equity/Tangible Assets (TCE) (Target = 8.00%)



# Net Interest Margin

	Q4 - '11	Q1 - '12	Q2 - '12	Q3 - '12	Q4 - '12	Q1 - '13	Q2 - '13	Q3 - '13	Q4 - '13
Net Interest Income - FTE (\$millions) \$	37.6 \$	37.6 \$	39.5 \$	41.3 \$	39.7 \$	40.8 \$	38.1 \$	38.6 \$	42.8
Fair Value Accretion			\$ 0.7	\$ 2.6	\$ 1.3	\$ 0.8	\$ 0.4	\$ 0.4	\$ 0.6
Tax Equivalent Yield on Earning Assets	4.83%	4.74%	4.75%	4.89%	4.58%	4.70%	4.29%	4.35%	4.30%
Cost of Supporting Liabilities	0.84%	0.78%	0.64%	0.57%	0.48%	0.45%	0.41%	0.38%	0.41%
Net Interest Margin	3.99%	3.96%	4.11%	4.32%	4.10%	4.25%	3.88%	3.97%	3.89%



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





## Non-Interest Income

(\$ in Millions)	<u>2011</u>	<u>2012</u>	<u>2013</u>
1. Service Charges on Deposit Accounts	\$12.0	\$11.6	\$12.4
2. Trust Fees	7.7	7.9	8.6
3. Insurance Commission Income	5.7	6.2	7.1
4. Electronic Card Fees	6.5	7.3	7.5
5. Cash Surrender Value of Life Ins	2.6	3.4	2.6
6. Gains on Sales Mortgage Loans	7.4	10.6	7.5
7. Securities Gains/Losses	2.0	2.4	0.5
8. Gain on FDIC Transaction	—	9.1	—
9. Other	<u>5.2</u>	<u>5.8</u>	<u>8.6</u>
10. Total	\$49.1	\$64.3	\$54.8
11. Adjusted Non-Interest Income <sup>1</sup>	\$47.1	\$52.8	\$54.3

<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>2013</u>
1. Salary & Benefits	\$ 74.7	\$ 79.4	\$ 85.4
2. Premises & Equipment	16.9	17.4	18.0
3. Core Deposit Intangible	3.5	1.9	1.6
4. Professional Services	2.2	2.3	2.6
5. OREO/Credit-Related Expense	10.6	8.2	6.7
6. FDIC Expense	5.5	3.5	2.9
7. Outside Data Processing	5.7	5.7	5.6
8. Marketing	2.0	2.2	2.2
9. Other	<u>14.8</u>	<u>16.5</u>	<u>18.2</u>
10. Non-Interest Expense	\$135.9	\$137.1	\$143.2



## Earnings

(\$ in Millions)	<u>2011</u>	<u>2012</u>	<u>2013</u>
1. Net Interest Income	\$143.3	\$152.3	\$154.3
2. Provision for Loan Losses	<u>(22.6)</u>	<u>(18.5)</u>	<u>(6.6)</u>
3. <b>Net Interest Income after Provision</b>	<b>120.7</b>	<b>133.8</b>	<b>147.7</b>
4. Non-Interest Income	49.1	64.3	54.8
5. Non-Interest Expense	<u>(135.9)</u>	<u>(137.1)</u>	<u>(143.2)</u>
6. <b>Income before Income Taxes</b>	<b>33.9</b>	<b>61.0</b>	<b>59.3</b>
7. Income Tax Expense	(8.6)	(15.9)	(14.7)
8. Gain/(Loss) on CPP/Trust Preferred	(12.3)	-	-
9. Preferred Stock Dividend	<u>(4.0)</u>	<u>(4.5)</u>	<u>(2.4)</u>
10. <b>Net Income Avail. for Distribution</b>	<b>\$ 9.0</b>	<b>\$ 40.6</b>	<b>\$ 42.2</b>
11. <b>EPS</b>	<b>\$ 0.34</b>	<b>\$ 1.41</b>	<b>\$ 1.41</b>



## 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	\$ .34	\$ 1.41
2. Adjusted <sup>2</sup>	\$ .36	\$ .33	\$ .34	\$ .33	\$ 1.36

<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



## Loan Portfolio Trends

(\$ in Millions)	<u>2011</u>	<u>2012</u>	<u>2013</u>	Change Year Over Year	
				<u>\$</u>	<u>%</u>
1. Commercial & Industrial	\$ 532.5	\$ 622.6	\$ 761.7	\$ 139.1	22.3%
2. Construction, Land and Land Development	81.8	98.6	177.1	78.5	79.6%
3. CRE Non-Owner Occupied	598.1	706.3	963.4	257.1	36.4%
4. CRE Owner Occupied	464.7	434.2	501.1	66.9	15.4%
5. Agricultural Production	104.5	112.5	114.3	1.8	1.6%
6. Agricultural Land	131.4	126.2	147.3	21.1	16.7%
7. Residential Mortgage	481.5	473.5	616.4	142.9	30.2%
8. Home Equity	191.6	203.5	255.2	51.7	25.4%
9. Other Non-Consumer	39.5	46.5	26.1	(20.4)	(43.9%)
10. Other Consumer	<u>87.8</u>	<u>78.3</u>	<u>69.8</u>	<u>(8.5)</u>	(10.9%)
11. Loans	\$ 2,713.4	\$ 2,902.2	\$ 3,632.4	\$ 730.2	25.2%



## Quarterly Loan Portfolio Trends

(\$ in Millions)	Q3-'13	FMB		2013	Change Linked Qtr	
		2013 <sup>1</sup>	CFS		\$	%
1. Commercial & Industrial	\$ 652.3	\$ 679.5	\$ 82.2	\$ 761.7	\$ 109.4	16.8%
2. Construction, Land and Land Development	149.9	162.4	14.7	177.1	27.2	18.2%
3. CRE Non-Owner Occupied	701.3	759.8	203.6	963.4	262.1	37.4%
4. CRE Owner Occupied	429.3	413.9	87.2	501.1	71.8	16.7%
5. Agricultural Production	98.5	114.3	-	114.3	15.8	16.0%
6. Agricultural Land	133.6	146.4	0.9	147.3	13.7	10.3%
7. Residential Mortgage	452.3	457.1	159.3	616.4	164.1	36.3%
8. Home Equity	206.8	209.2	46.0	255.2	48.4	23.4%
9. Other Non-Consumer	31.1	25.7	0.4	26.1	(5.0)	(16.1%)
10. Other Consumer	70.4	67.4	2.4	69.8	(0.6)	(0.9%)
11. Loans	\$2,925.5	\$3,035.7	\$ 596.7	\$3,632.4	\$ 706.9	24.2%

<sup>1</sup> excluding loans acquired from CFS

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## Asset Quality Summary

(\$ in Millions)

	<u>2011</u>	<u>2012</u>	<u>FMB</u> <u>2013<sup>1</sup></u>	<u>CFS</u>	<u>2013</u>	<u>Year</u> <u>over</u> <u>Year</u>
1. Non-Accrual Loans	\$ 69.6	\$ 53.4	\$ 33.7	\$ 22.7	\$ 56.4	5.6%
2. Other Real Estate	\$ 16.3	\$ 13.3	\$ 9.3	\$ 12.9	\$ 22.2	66.9%
3. Renegotiated Loans	\$ 14.3	\$ 12.7	\$ 3.0	\$ -	\$ 3.0	(76.4%)
4. 90+ Days Delinquent Loans	\$ 0.6	\$ 2.0	\$ 1.4	\$ -	\$ 1.4	(30.0%)
5. NPAs/Loans and ORE	3.65%	2.70%	1.51%	5.84%	2.23%	
6. Classified Assets	\$ 227.2	\$ 184.4	\$ 116.8	\$ 75.1	\$ 191.9	4.1%
7. Criticized Assets (includes Classified)	\$ 319.2	\$ 250.2	\$ 168.1	\$ 95.4	\$ 263.5	5.3%
8. Specific Reserves	\$ 7.6	\$ 4.2	\$ 1.6	\$ -	\$ 1.6	(61.9%)
9. Allowance for Loan and Lease Losses	\$ 70.9	\$ 69.4	\$ 67.9	\$ -	\$ 67.9	(2.2%)
10. ALLL/Non-Accrual Loans	101.9%	129.9%	201.5%		120.4%	

<sup>1</sup> excluding loans acquired from CFS

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## Non-Performing Asset Reconciliation

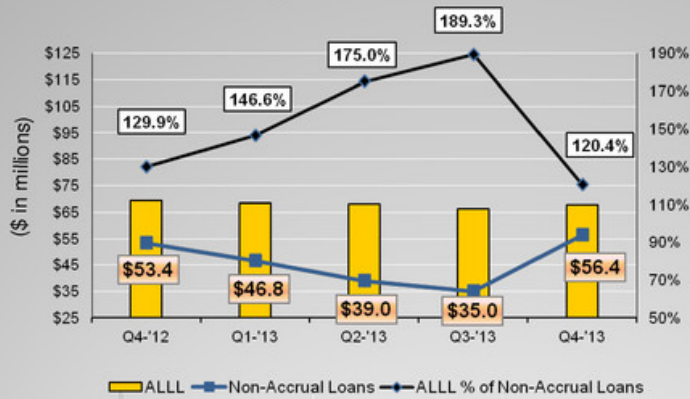
(\$ in Millions)	2012	FMB 2013 <sup>1</sup>	CFS	2013
1. <b>Beginning Balance NPA's &amp; 90+ Days Delinquent</b>	\$100.8	\$81.4		\$81.4
Non-Accrual				
2. Add: New Non-Accruals	38.1	23.0	22.7	45.7
3. Less: To Accrual/Payoff/Renegotiated	(20.2)	(17.0)		(17.0)
4. Less: To OREO	(6.7)	(7.6)		(7.6)
5. Less: Charge-offs	<u>(27.3)</u>	<u>(18.1)</u>	—	<u>(18.1)</u>
6. <b>Increase / (Decrease): Non-Accrual Loans</b>	<b>(16.1)</b>	<b>(19.7)</b>	<b>22.7</b>	<b>3.0</b>
Other Real Estate Owned (ORE)				
7. Add: New ORE Properties	6.7	7.6	12.9	20.5
8. Less: ORE Sold	(5.9)	(8.6)		(8.6)
9. Less: ORE Losses (write-downs)	<u>(3.8)</u>	<u>(2.9)</u>	—	<u>(2.9)</u>
10. <b>Increase / (Decrease): ORE</b>	<b>(3.0)</b>	<b>(3.9)</b>	<b>12.9</b>	<b>9.0</b>
11. <b>Increase / (Decrease): 90+ Days Delinquent</b>	<b>1.4</b>	<b>(0.8)</b>		<b>(0.8)</b>
12. <b>Increase / (Decrease): Restructured Loans</b>	<b><u>(1.7)</u></b>	<b><u>(9.6)</u></b>	—	<b><u>(9.6)</u></b>
13. <b>Total NPA Change</b>	<b><u>(19.4)</u></b>	<b><u>(34.0)</u></b>	<b><u>35.6</u></b>	<b><u>1.6</u></b>
14. <b>Ending Balance NPA's &amp; 90+ Days Delinquent</b>	<b>\$81.4</b>	<b>\$47.4</b>	<b>\$35.6</b>	<b>\$83.0</b>

<sup>1</sup> excluding loans acquired from CFS

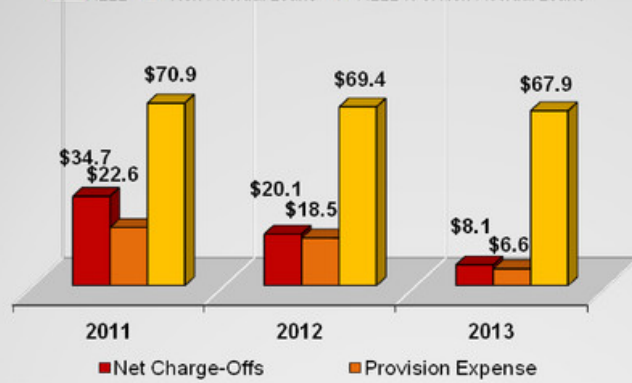
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# Net Charge-Offs, Provision & Allowance



- With the addition of \$22.7MM in Non-accrual loans from CFS, non-accruals increased \$21.4MM for the quarter



- Q4 net recoveries of \$630,000
- YTD charge-offs down to \$8.1MM



## ALLL and Fair Value Summary

As of 12/31/2013 (\$ in Millions)	<u>FMB</u> <sup>1</sup>	<u>SCB</u> <sup>2</sup>	<u>CFS</u> <sup>2</sup>	<u>Total</u>
1. Allowance for Loan Losses (ALLL)	\$ 67.7	\$ 0.2	\$ -	\$ 67.9
2. Fair Value Adjustment		<u>9.8</u>	<u>39.6</u>	<u>49.4</u>
3. <b>Total ALLL plus FV Adjustments</b>	<b>\$ 67.7</b>	<b>\$ 10.0</b>	<b>\$ 39.6</b>	<b>\$ 117.3</b>
4. Gross Loan Balances	\$2,985.4	\$ 60.1	\$636.3	\$3,681.8
5. Net Loan Balances	\$2,985.4	\$ 50.3	\$596.7	\$3,632.4
6. <b>ALLL/Loans</b>				<b>1.87%</b>
7. <b>ALLL &amp; FV Adj/Gross Loan Balances</b> <sup>3</sup>	<b>2.27%</b>	<b>16.64%</b>	<b>6.22%</b>	<b>3.19%</b>

<sup>1</sup> Loans originated by FMB

<sup>2</sup> Loans purchased from Shelby County Bank and Citizens Financial Services. ALLL represents an impairment reserve.

<sup>3</sup> Management uses this Non-GAAP measure to demonstrate coverage and credit risk



# Michael C. Rechin

President  
and Chief Executive Officer



## 2014 Overview

- Complete CFS Integration During 1<sup>st</sup> Quarter
- Position CFS (Lakeshore Region) for Client Retention and Growth Tactics
- Achieve Expense Targets Associated with Acquisition Plan
- Maintain Organic Growth Initiatives Throughout Entire Franchise
- Continue Assessment of Our Retail Franchise
- Evaluate Expansion of FMC Footprint with Accretive Partnerships



## 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)**



