

FIRST MERCHANTS CORP  
Form 8-K  
November 03, 2009  
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

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DATE OF REPORT (Date of earliest event reported): November 3, 2009

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## **FIRST MERCHANTS CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

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INDIANA  
(State or other jurisdiction  
of incorporation)

0-17071  
(Commission File Number)

35-1544218  
(IRS Employer Identification No.)

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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)

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 November 3, 2009, First Merchants Corporation will conduct a third quarter earnings conference call and web cast on Tuesday, November 3, 2009 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 November 3, 2009, 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: November 03, 2009

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EXHIBIT INDEX

Exhibit No.

99.1

Description

Slide presentation, utilized November 3, 2009, during conference call and web cast by First Merchants Corporation

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First Merchants Corporation

Exhibit No. 99.1

Presentation Slides, utilized November 3, 2009

First Merchants Corporation

3rd Quarter 2009

Earnings Call

November 3, 2009

1

Michael C. Rechin

President

and Chief Executive Officer

**F I R S T M E R C H A N T S C O R P O R A T I O N**

2



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.

Key Points for 3rd Quarter

Loss of \$.30 per diluted share for the quarter ended September 30, 2009, reflects the company's focused efforts to build appropriate allowance for loan loss reserve, maximize net interest margin and preserve capital.

Allowance for loan losses increased to 2.54% of loans, "well reserved", with year-to-date provision for loan losses exceeding net charge-offs by \$35MM. Quarter-to-date net loan charge-offs of \$14MM for an annualized net charge offs of 1.64%.

Year-to-date net loan charge-offs totaled \$61 million, or an annualized 2.24%, of average loans. Non-performing loans are up 11% and loan loss reserve coverage of non-accruing loans increased to 70%.

Improved regulatory capital levels soundly in excess of "well capitalized" thresholds.

“Well Positioned”

Charter combination completion to First Merchants Bank, N. A. provides efficiency in capital, liquidity, and risk management.

Net Interest Margin strength provided by active balance sheet management strategies.

Revenue growth and expense control produce pre-tax, pre-provision run-rate averaging ~ \$17 million per quarter.

5

**F I R S T M E R C H A N T S C O R P O R A T I O N**

Mark K. Hardwick

Executive Vice President

and Chief Financial Officer

6

**F I R S T M E R C H A N T S C O R P O R A T I O N**

Financial Performance

7

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Total Assets

	<u>2007</u>	<u>2008</u>	<u>Q1-'09</u>	<u>Q2-'09</u>	<u>Q3-'09</u>		
1.							
Investments	\$ 451	\$ 482	\$ 446	\$ 631	\$ 489		
2.							
Loans			2,877	3,722	3,654	3,554	3,399
3.							
Allowance			(28)	(50)	(59)	(77)	(87)
4.							
CD&I & Goodwill	136	166	163	161	160		
5.							
BOLI	71	93	94	94	94		
6.							
Other	<u>275</u>	<u>371</u>	<u>589</u>	<u>354</u>	<u>421</u>		
7.							
Total Assets	\$3,782	\$4,784	\$4,887	\$4,717	\$4,476		

(Millions \$)

8

Loan Composition as of 9/30/09

Yield = 5.92%

9

\$489 Million Balance

Average duration - 4.3 years

Tax equivalent yield of 5.10%

No private label MBS exposure

Trust Preferred Pools with book balance of \$9.9 million and a market value of \$3.7 million

Net unrealized gain of the entire portfolio totals \$9.0 million

Investment Portfolio

10



## Total Liabilities and Capital

	<u>2007</u>	<u>2008</u>	<u>Q1-'09</u>	<u>Q2-'09</u>	<u>Q3-'09</u>
1.					
Customer Deposits*	\$2,605	\$3,242	\$3,275	\$3,278	\$3,199
2.					
Brokered Deposits	239	477	410	313	313
3.					
Bank-Level Borrowings	483	507	485	483	339
4.					
Other Liabilities	29	51	98	59	38
5.					
Hybrid Capital	86	111	111	111	111
6.					
Preferred Stock (CPP)	0	0	112	112	112
7.					
Common Equity	<u>340</u>	<u>396</u>	<u>396</u>	<u>361</u>	<u>364</u>
8.					
Total Liabilities and Capital	\$3,782	\$4,784	\$4,887	\$4,717	\$4,476

\* Total deposits less brokered deposits

(\$ in Millions)

Deposits as of 9/30/09

\$803M

\$311M

\$1,178M

\$727M

Cost of Funds = 1.95%

12

2007    2008    Q1-'09    Q2-'09    Q3-'09

1.

Total Risk-Based

Capital Ratio	10.55%	10.24%	12.97%	12.56%	13.08%
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2.

Tier 1 Risk-Based

Capital Ratio	8.75%	7.71%	10.47%	10.01%	10.44%
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3.

Leverage Ratio	7.19%	8.16%	9.17%	8.31%	8.47%
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4.

TCE/TCA	5.72%	5.01%	4.89%	4.42%	4.75%
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Capital Ratios

13

Net Interest Margin

\$117

\$133

\$158

\$159

\$3,309

\$3,463

\$4,298

\$4,384

%

%

%

%

\$4,049

%

\$162

14

Costs of Credit

(\$ in Millions)

15

## Non-Interest Income

	<u>2007</u>	<u>2008</u>	<u>Q1-'09</u>	<u>Q2-'09</u>	<u>Q3-'09</u>
1.					
Service Charges on Deposit					
Accounts	\$12.4	\$13.0	\$3.5	\$3.9	\$4.0
2.					
Trust Fees	8.4	8.0	2.1	1.7	1.8
3.					
Insurance Comm. Income	5.1	5.8	2.1	1.7	1.5
4.					
Cash Surrender Value of Life Ins.	3.7	(0.3)	0.3	0.3	0.4
5.					
Gains on Sales Mortgage Loans	2.4	2.5	1.4	1.7	2.0
6.					
Securities Gains/Losses	0	(2.1)	2.3	(0.9)	4.0
7.					
Other	<u>8.6</u>	<u>9.5</u>	<u>2.8</u>	<u>3.1</u>	<u>2.0</u>
8.					
Total	\$40.6	\$36.4	\$14.5	\$11.5	\$15.7

(\$ in Millions)

## Non-Interest Expense

	<u>2007</u>	<u>2008</u>	<u>Q1-'09</u>	<u>Q2-'09</u>	<u>Q3-'09</u>
1.					
Salary & Benefits	\$58.8	\$63.0	\$20.0	\$19.7	\$17.9
2.					
Premises & Equipment	13.4	14.4	4.4	4.4	4.3
3.					
Core Deposit Intangible	3.2	3.2	1.3	1.3	1.3
4.					
Professional Services	2.0	2.6	1.1	.9	.7
5.					
OREO Expense	1.0	2.8	0.5	1.6	3.6
6.					
FDIC Expense	1.5	1.7	0.8	3.7	3.1
7.					
FHLB Prepayment Penalties	0	0	0	0	1.9
8.					
Other	<u>22.3</u>	<u>21.1</u>	<u>6.6</u>	<u>6.6</u>	<u>6.2</u>
Total	\$102.2	\$108.8	\$34.7	\$38.2	\$39.0

(\$ in Millions)

## Earnings

	<u>2007</u>	<u>2008</u>	<u>Q1-'09</u>	<u>Q2-'09</u>	<u>Q3-'09</u>
1.					
Net Interest Income-FTE	\$117.2	\$133.1	\$39.6	\$39.8	\$40.5
2.					
Non Interest Income <sup>1</sup>	40.6	38.5	12.2	12.4	11.3
3.					
Non Interest Expense <sup>2</sup>	101.2	108.6	34.2	33.6	32.8
<b>4.</b>					
<b>Pre-Tax Pre-Provision Earnings</b>	<b>\$52.5</b>	<b>\$61.9</b>	<b>\$16.5</b>	<b>\$17.2</b>	<b>\$19.0</b>
5.					
Provision	8.5	28.2	12.9	59.0	24.2
6.					
Adjustments	1.1	5.0	(1.7)	5.4	1.9
7.					
Taxes - FTE	15.4	11.8	2.3	(16.1)	(2.2)
8.					
CPP Dividend	<u>0</u>	<u>0</u>	<u>.6</u>	<u>1.5</u>	<u>1.5</u>
9.					
Net Income Avail. for Distribution	\$31.6	\$20.6	\$3.5	(\$31.2)	(\$6.4)
10.					
EPS	\$1.73	\$1.14	\$0.17	(\$1.49)	(\$0.30)

<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



(\$ in Millions)

18

**F I R S T M E R C H A N T S C O R P O R A T I O N**

John J. Martin

Senior Vice President

Chief Credit Officer

19

Portfolio Overview

Quarterly Highlights

Non-performing assets increased to \$151 million, or 3.37% of assets for the quarter. This compares to \$137 million as of June 30, 2009 and \$131 million as of March 31, 2009.

Other Real Estate Owned totaled to \$21.8 million compared to \$20.2 million as of June 30, 2009 and \$22.1 million as of March 31, 2009.