

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): April 28, 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 April 28, 2010, First Merchants Corporation will conduct a third quarter earnings conference call and web cast on Wednesday, April 28, 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 April 28, 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: April 28, 2010

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EXHIBIT INDEX

Exhibit No.



99.1

Description

Slide presentation, utilized April 28, 2010, during conference call and web cast by First Merchants Corporation

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# First Merchants Corporation

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1st Quarter 2010  
Earnings Call

April 28, 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.





# 1st Quarter 2010 Highlights

- § Return to profitability with \$.01 earnings per share
- § Successful private equity placement augments tangible common equity and regulatory ratios
- § Pre-tax pre-provision run rate remains strong despite smaller loan portfolio balances
- § Operating expense levels declined despite elevated levels of credit-related workout costs
- § Loan loss reserve ample for projected future losses at 2.82% of loan portfolio



# Mark K. Hardwick

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Executive Vice President  
and Chief Financial Officer



## TOTAL ASSETS

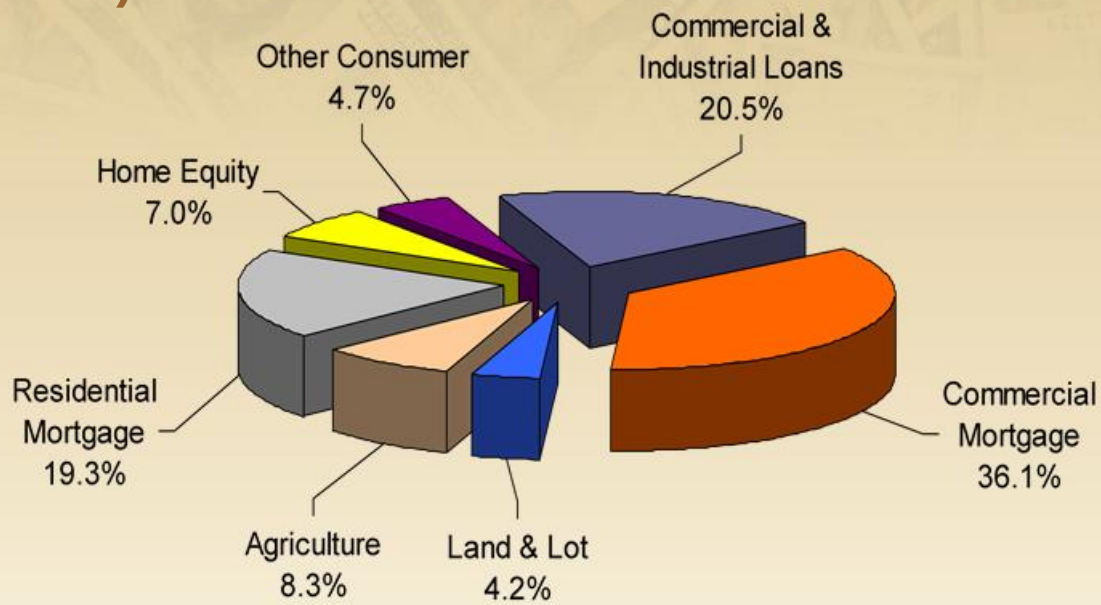
(\$ in Millions)	<u>12-31-08</u>	<u>12-31-09</u>	<u>Q1-'09</u>	<u>Q1-'10</u>
1. Investments	\$ 482	\$ 563	\$ 446	\$ 639
2. Loans	3,722	3,278	3,654	3,138
3. Allowance	(50)	(92)	(59)	(89)
4. CD&I & Goodwill	166	159	163	158
5. BOLI	93	95	94	95
6. Other	<u>371</u>	<u>478</u>	<u>589</u>	<u>435</u>
7. Total Assets	\$4,784	\$4,481	\$4,887	\$4,376



# LOAN AND CREDIT DETAIL

**Loan Composition (as of 3/31/10)**

YTD Yield = 5.74%





## INVESTMENT PORTFOLIO (as of 3/31/10)

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- § \$639 Million Balance
- § Average duration - 4.4 years
- § Tax equivalent yield of 4.71%
- § No private label MBS exposure
- § Trust Preferred Pools with book balance of \$6.6 million and a market value of \$1.4 million
- § Net unrealized gain of the entire portfolio totals \$7.4 million



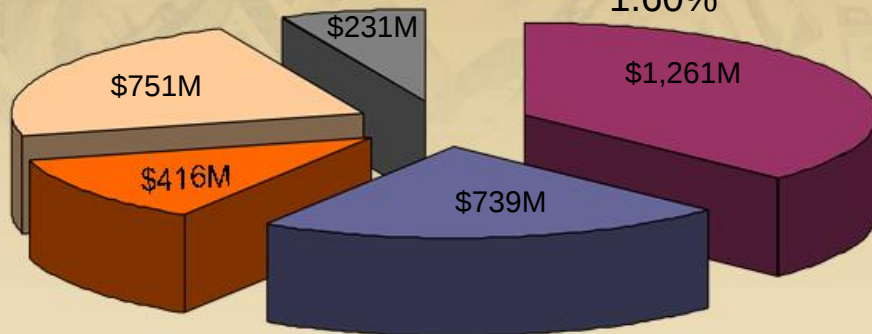
## TOTAL LIABILITIES AND CAPITAL

(\$ in Millions)	<u>2008</u>	<u>2009</u>	<u>Q1-'09</u>	<u>Q1-'10</u>
1. Customer Non-Maturity Deposits	\$1,858	\$2,042	\$1,910	\$2,000
2. Customer Time Deposits	1,384	1,220	1,365	1,167
3. Brokered Deposits	477	275	410	231
4. Borrowings	507	339	485	320
5. Other Liabilities	51	30	98	58
6. Hybrid Capital	111	111	111	111
7. Preferred Stock (CPP)	0	112	112	113
8. Common Equity	<u>396</u>	<u>352</u>	<u>396</u>	<u>376</u>
9. Total Liabilities and Capital	\$4,784	\$4,481	\$4,887	\$4,376



# DEPOSITS (as of 3/31/10)

YTD Cost of Deposits = 1.60%



- Demand Deposits - 37%
- Savings Deposits - 22%
- Certificates & Time Deposits of >\$100,000 - 12%
- Certificates & Time Deposits of <\$100,000 - 22%
- Brokered Deposits - 7%



## CAPITAL RATIOS

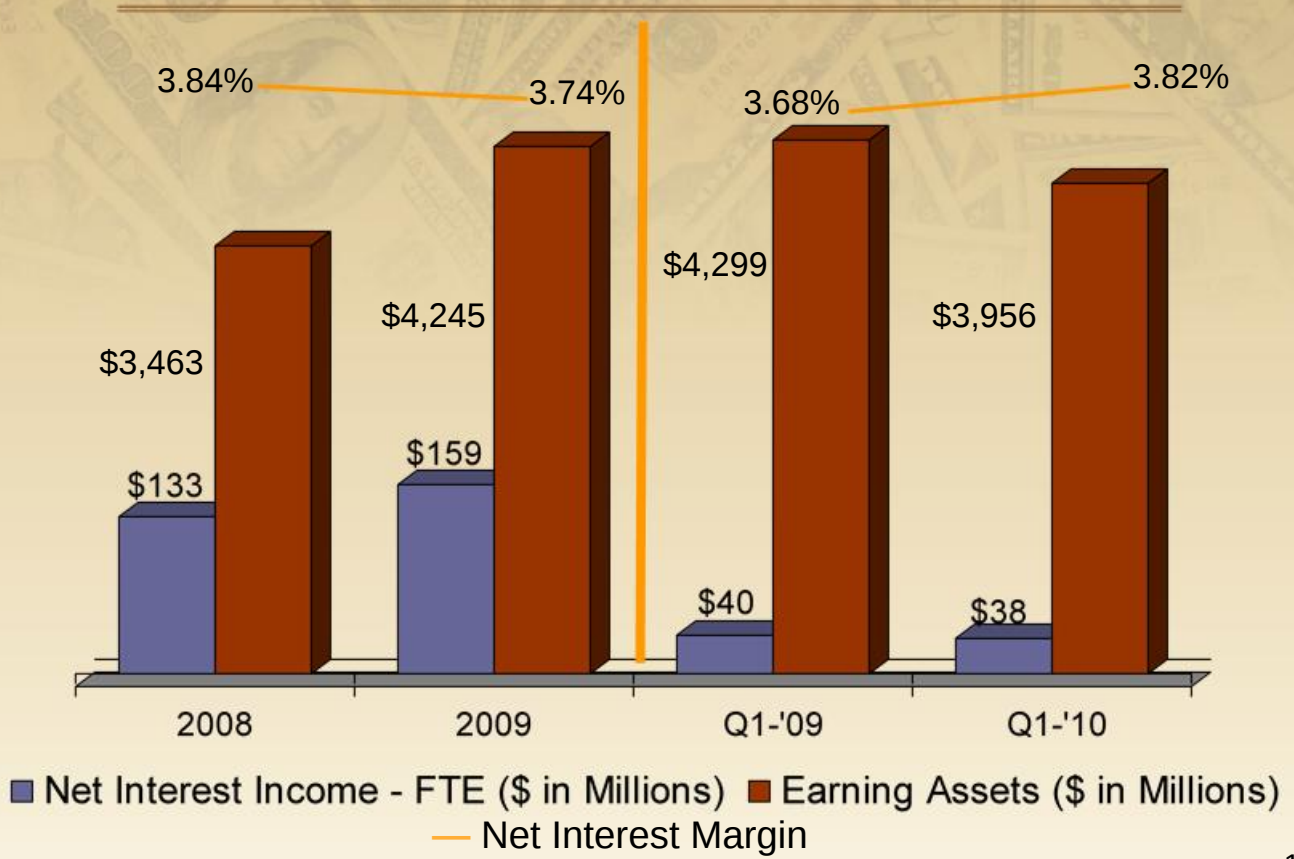
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	<u>2008</u>	<u>2009</u>	<u>Q1-'09</u>	<u>Q1-'10</u>
1. Total Risk-Based Capital Ratio	10.24%	13.04%	12.97%	14.44%
2. Tier 1 Risk-Based Capital Ratio	7.71%	10.32%	10.47%	11.65%
3. Leverage Ratio	8.16%	8.20%	9.17%	9.13%
4. TCE/TCA	5.01%	4.54%	4.89%	5.27%



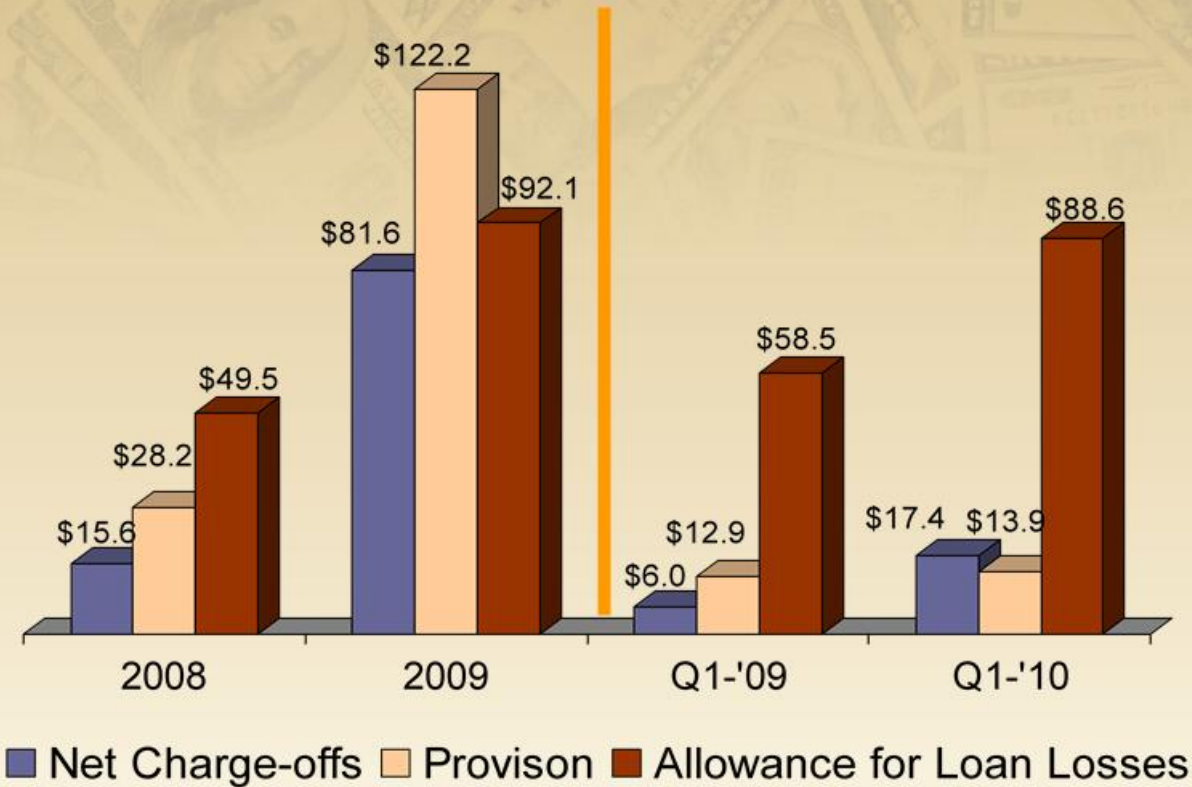


# NET INTEREST MARGIN





# CREDIT COSTS OVER TIME





## NON-INTEREST INCOME

(\$ in Millions)	<u>2008</u>	<u>2009</u>	<u>Q1-'09</u>	<u>Q1-'10</u>
1. Service Charges on Deposit Accounts	\$13.0	\$15.1	\$3.5	\$ 3.3
2. Trust Fees	8.0	7.4	2.1	2.1
3. Insurance Commission Income	5.8	6.4	2.1	2.0
4. Cash Surrender Value of Life Ins	(0.3)	1.6	0.3	0.5
5. Gains on Sales Mortgage Loans	2.5	6.8	1.4	1.1
6. Securities Gains/Losses	(2.1)	4.4	2.3	1.3
7. Other	<u>9.5</u>	<u>9.52.8</u>	<u>2.7</u>	
8. Total	\$36.4	\$51.2	\$14.5	\$13.0
9. Adjusted Non-Interest Income <sup>1</sup>	\$38.5	\$46.5	\$12.2	\$11.7

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



## NON-INTEREST EXPENSE

(\$ in Millions)	<u>2008</u>	<u>2009</u>	<u>Q1-'09</u>	<u>Q1-'10</u>
1. Salaries & Benefits	\$63.0	\$76.3	\$20.0	\$17.6
2. Premises & Equipment	14.4	17.9	4.4	4.7
3. Core Deposit Intangible	3.2	5.1	1.3	1.2
4. Professional Services	2.6	4.4	1.1	1.5
5. OREO/Credit-Related Expense	2.8	9.8	0.5	2.7
6. FDIC Expense	1.7	10.4	0.8	1.7
7. FHLB Prepayment Penalties	0	1.9	0	0
8. Outside Data Processing	4.1	6.2	1.9	1.3
9. Marketing	2.3	2.1	0.5	0.4
10. Other	<u>14.7</u>	<u>17.5</u>	<u>4.2</u>	<u>3.6</u>
11. Total	\$108.8	\$151.6	\$34.7	\$34.7
12. Adjust Non-Interest Expense <sup>2</sup>	\$106.0	\$134.7	\$34.2	\$31.0

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



# EARNINGS

	<u>2008</u>	<u>2009</u>	<u>Q1-'09</u>	<u>Q1-'10</u>
(\$ in Millions)				
1. Net Interest Income-FTE	\$133.1	\$159.1	\$39.6	\$ 37.8
2. Non Interest Income <sup>1</sup>	38.5	46.5	12.2	11.7
3. Non Interest Expense <sup>2</sup>	106.0	134.7	34.2	31.0
<b>4. Pre-Tax Pre-Provision Earnings</b>	<b>\$ 65.6</b>	<b>\$ 70.9</b>	<b>\$17.6</b>	<b>\$ 18.5</b>
5. Provision	28.2	122.2	12.9	13.9
6. Adjustments	5.0	12.1	(1.7)	2.3
7. Taxes - FTE	11.8	(22.7)	2.3	0.7
8. CPP Dividend	<u>0</u>	<u>5.0</u>	<u>0.6</u>	<u>1.5</u>
9. Net Income Avail. for Distribution	\$20.6	(\$45.7)	\$3.5	\$ .1
10. EPS	\$1.14	(\$2.17)	\$0.17	\$ .01

<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

## 1st Quarter Highlights

- **30+ day delinquent loans declined from \$40.5 to \$34.2 million, the third consecutive quarterly decline.**
- **90+ day delinquent loans declined from \$4.0 to \$2.6 million, the third consecutive quarterly decline.**
- **Non-accrual loans increased from \$118.4 to \$122.9 million for the quarter while remaining lower than the peak non-accrual level of \$123.3 million at 9/30/09.**
- **Non-performing assets plus 90 days past due declined from \$146.0 to \$144.6 million for the quarter.**
- **The allowance increased to 2.82% of total assets while covering non-accrual loans at 72%.**



# NON-ACCRUAL LOANS

(\$ in millions)

Non-Accrual Loans







# NEW NON-ACCRUAL LOANS

(\$ in  
millions)

<b>Balance</b>	<b>Type</b>	<b>Description</b>
10.1	CL	Lodging
4.4	CL	Multi-family and residential real estate
4.3	CL	Medical office
2.4	CL	Residential lot development
1.9	CL	Gaming and racing facilities
1.3	CL	Church
1.2	CL	Tax credit multi-family housing
1.1	CL	Retail strip center
1.0	CL	Retail and mail-order pharmacological services
0.8	CL	Convenience stores
<b>28.4</b>		



# OTHER REAL ESTATE OWNED

(\$ in millions)	Commercial Mortgage	Land and Construction	1-4 Family	Agriculture	Total
Book Balance	\$3.3	\$12.8	\$2.1	\$0.1	\$18.3
% of ORE	18.1%	70.0%	11.5%	0.4%	100%

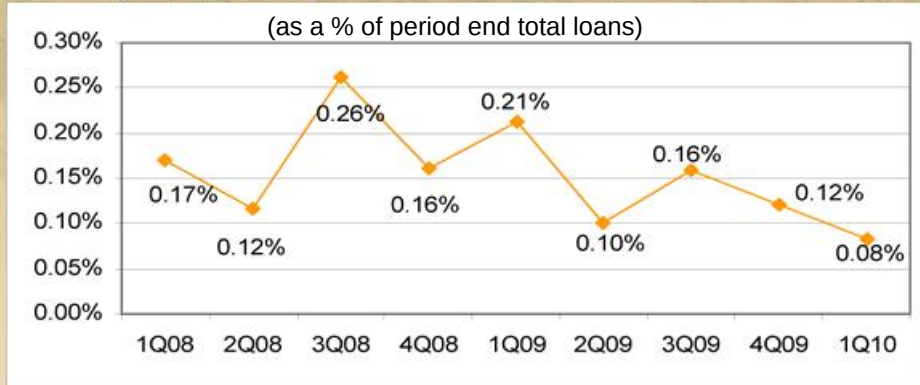
(\$ in millions)



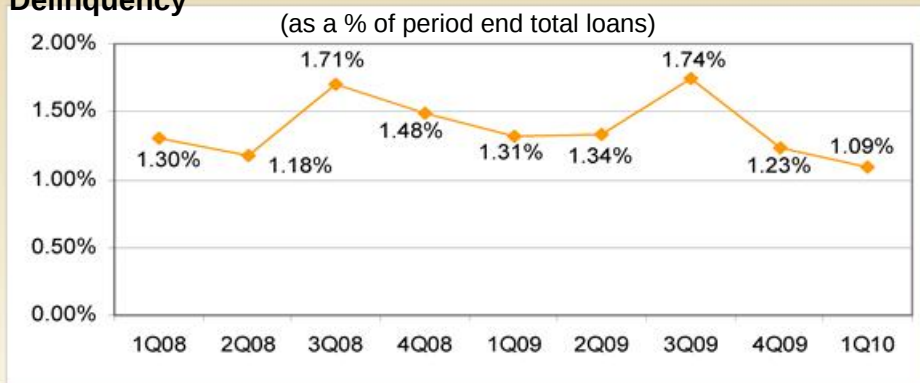


# LOAN DELINQUENCY TRENDS

## 90+ Day Delinquency



## 30+ Day Delinquency





# NON-PERFORMING ASSET RECONCILIATION

	(\$ in millions)
-	
<b>Beginning NPAs &amp; 90+ Days Past Due (12/31/2009)</b>	<b>\$146.1</b>
<b>Non-accrual</b>	
Add: New NPLs	\$38.6
Less: To Accrual/Pay-off/Restructured	(\$7.5)
Less: To OREO and Charge-off	(\$9.5)
Less: Charge-offs (includes write-downs for transfer to OREO)	(\$17.1)
<b>Δ in Non-accrual loans</b>	<b>\$4.5</b>
<b>Other Real Estate Owned (ORE)</b>	
Add: New ORE Properties	\$8.4
Less: ORE Sold	(\$3.8)
Less: ORE Losses (write-downs)	(\$1.2)
<b>Δ in ORE</b>	<b>\$3.4</b>
<b>Δ 90 days past due</b>	<b>(\$1.4)</b>
<b>Δ Restructured/Renegotiated Loans</b>	<b>(\$8.0)</b>
<b>Total NPA Change</b>	<b>(\$1.5)</b>
<b>Ending NPAs &amp; 90+ Days Past Due (03/31/2010)</b>	<b>\$144.6</b>



# CREDIT METRIC TREND

(\$ in millions)	Commercial & Industrial	Land and Lot	Commercial Mortgage	Agriculture	Total Commercial	Residential Mortgage	Home Equity	Other Consumer	Total Consumer	Total Consumer and Commercial
Loan Balances	\$642.3	\$131.5	\$1,132.1	\$260.0	\$2,165.9	\$604.6	\$220.0	\$147.6	\$972.3	\$3,138.2
% of Total	20.5%	4.2%	36.0%	8.3%	69.0%	19.3%	7.0%	4.7%	31.0%	

## % of Period End Total Loans

**NET CHARGE-OFFS (annualized)**

	06/30/09	09/30/09	12/31/09	03/31/10
Commercial & Industrial	5.65%	4.91%	5.12%	7.60%
Land and Lot	8.93%	8.36%	9.03%	0.19%
Commercial Mortgage	1.48%	1.55%	1.61%	1.00%
Agriculture	0.20%	0.30%	0.81%	1.38%
<b>Total Commercial</b>	<b>3.38%</b>	<b>3.02%</b>	<b>3.13%</b>	<b>2.95%</b>
Residential Mortgage	0.58%	0.61%	0.82%	0.55%
Home Equity	1.11%	1.26%	1.21%	0.43%
Other Consumer	1.88%	1.69%	1.72%	1.03%
<b>Total Consumer and Other</b>	<b>0.90%</b>	<b>0.93%</b>	<b>1.04%</b>	<b>0.59%</b>
<b>Total Consumer and Commercial</b>	<b>2.59%</b>	<b>2.37%</b>	<b>2.49%</b>	<b>2.22%</b>

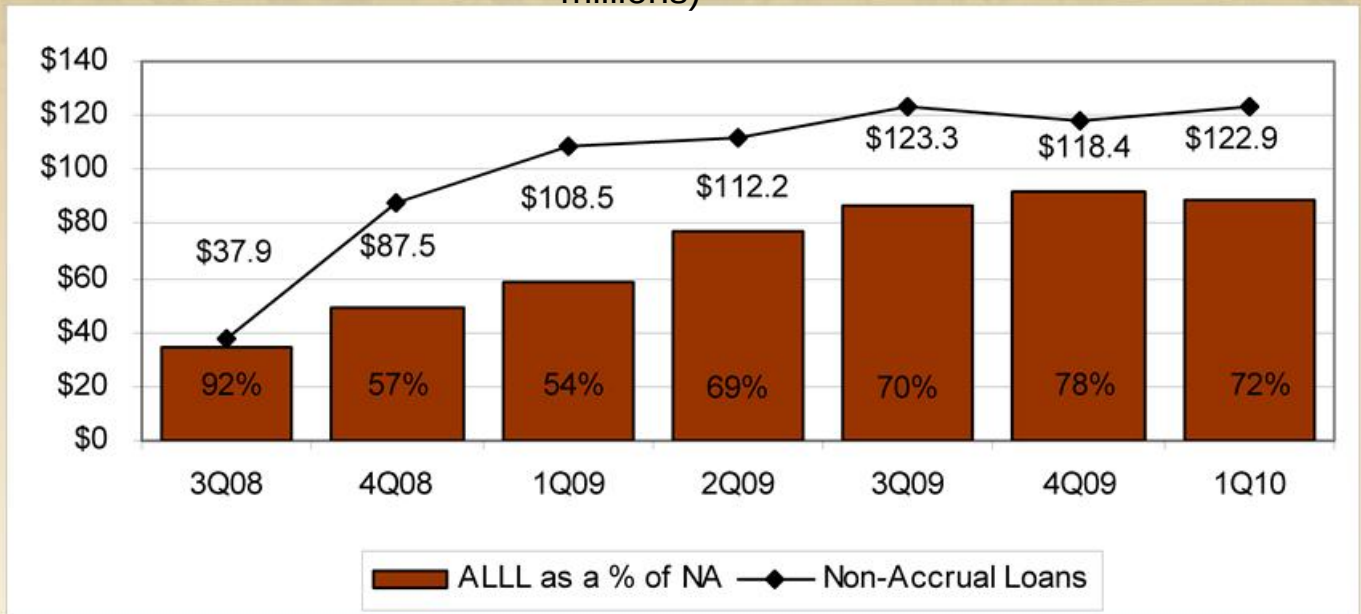
## NON-ACCRUAL LOANS

	06/30/09	09/30/09	12/31/09	03/31/10
Commercial & Industrial	2.56%	3.37%	5.16%	3.68%
Land and Lot	15.90%	16.73%	12.60%	10.25%
Commercial Mortgage	3.41%	3.88%	3.10%	4.80%
Agriculture	3.04%	2.80%	2.06%	2.38%
<b>Total Commercial</b>	<b>3.89%</b>	<b>4.38%</b>	<b>4.29%</b>	<b>4.51%</b>
Residential Mortgage	2.27%	2.82%	3.01%	3.86%
Home Equity	0.31%	0.58%	0.76%	0.79%
Other Consumer	0.08%	0.04%	0.28%	0.06%
<b>Total Consumer</b>	<b>1.52%</b>	<b>1.88%</b>	<b>2.08%</b>	<b>2.59%</b>
<b>Total Consumer and Commercial</b>	<b>3.14%</b>	<b>3.60%</b>	<b>3.61%</b>	<b>3.92%</b>



# ALLOWANCE COVERAGE TO NON-ACCRUAL LOANS

Allowance as a % of Non-Accrual  
Loans  
(\$ in  
millions)





## PORTFOLIO SUMMARY

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- Classified loans declined for the quarter from \$305 to \$286 million.
- Non-accrual coverage is in line with 3rd quarter of 2009. Non-accrual loans are up for quarter but in line with 3<sup>rd</sup> quarter.
- Five largest Classified accruing relationships average \$6.3 million with none exceeding \$10 million.
- The ten largest overall bank commitments and outstanding balances average \$15.0 million and \$11.8 million, respectively.
- Provision expense is model dependent absent impact of specific reserves associated with any new impaired loans.
- 30-89 and 90+ day past due improving and stable.
- Most significant “watch list” credits are handled by a dedicated workout team.



# Michael C. Rechin

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President  
and Chief Executive Officer





# Overview of 2010 Strategy and Tactics

## “Protect and Strengthen”

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- § Complete CPP exchange transaction with Treasury Department in second quarter
- § Continue to improve asset quality and reduce all-in credit costs
- § Intensify revenue activity using common platforms and market coverage tactics
- § Solidify brand position as community bank competing primarily in consumer, small business and middle market
- § Implement opt-in Reg E strategy around education and choice



## 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

Telephone: 765.751.1857

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

THE STRENGTH OF BIG.  
THE SERVICE OF SMALL.

