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FIRST MERCHANTS CORP
Form 8-K
July 18, 2005

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 18, 2005

FIRST MERCHANTS CORPORATION
(Exact name of registrant as specified in its charter)

INDIANA	0-17071	35-1544218
(State or other jurisdiction of incorporation)	(Commission file number)	(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))

Page 1 of 10

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On July 18, 2005, First Merchants Corporation issued a press release to report its financial results for the second quarter ended June 30, 2005. A

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copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Current Report on Form 8-K, including Exhibit No. 99.1 hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section. The information in this Current Report shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

- (a) Not applicable.
- (b) Not applicable.
- (c) Exhibits.

Exhibit 99.1	Press Release, dated July 18, 2005, issued by First Merchants Corporation
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Page 2 of 10

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
 Senior Vice President and
 Chief Financial Officer
 (Principal Financial and Chief
 Accounting Officer)

Dated: July 18, 2005

Page 3 of 10

EXHIBIT INDEX

Exhibit No.

99.1

Description

Press Release, dated July 18, 2005, issued by
First Merchants Corporation.

Page 4 of 10

First Merchants Corporation

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Exhibit No. 99.1

Press Release, dated July 18, 2005

N / E / W / S R / E / L / E / A / S / E

July 18, 2005

FOR IMMEDIATE RELEASE

For more information, contact:

Mark K. Hardwick, Senior Vice President/Chief Financial Officer, 765-751-1857

<http://firstmerchants.com>

SOURCE: First Merchants Corporation, Muncie, Indiana

FIRST MERCHANTS CORPORATION ANNOUNCES 7.5% INCREASE IN SECOND QUARTER EARNINGS PER SHARE

First Merchants Corporation (NASDAQ - FRME) has reported second quarter diluted earnings per share of \$.43, a 7.5 percent increase over \$.40 recorded in the second quarter of 2004. Net income during the quarter totaled \$7.9 million compared to \$7.4 million in 2004.

Year-to-date diluted earnings per share totaled \$.78, a 1.3 percent increase over \$.77 recorded in 2004. Net income for the six months ended June 30, 2005 totaled \$14.5 million compared to \$14.3 million in 2004.

Year-to-date net-interest income improved by \$3.4 million, or 6.6 percent, as net-interest margin improved to 3.93 percent. Non-interest income also increased by \$336,000, or 1.9 percent. Mitigating costs include increased provisions for loan losses of \$1.5 million and increased operating expenses of \$2.2 million, or 5.0 percent. However, as reported in the Corporation's 8-K filing of February 16, 2005, a \$1.6 million charge related to the curtailment of the Corporation's defined benefit pension plan is included in the 5.0 percent increase.

As of June 30, 2005, non-performing loans totaled 70 basis points of average total loans and the allowance for loan losses as a percent of total loans equaled 1.03 percent.

Total assets equaled \$3.2 billion at quarter-end, an increase of \$73 million, or 2.3 percent from June 30, 2004. Loans, investments and bank-owned life insurance, the Corporation's three primary earning assets, totaled \$2.9 billion, an increase of \$84 million over the prior year.

Michael L. Cox, President and Chief Executive Officer, stated that, "Core revenue growth remains positive as operating income on a fully taxable equivalent basis improved by 6.1%. Absent the curtailment expense, our operating expenses are up just 1.4%. The Corporation's financial results continue to show steady improvement."

CONFERENCE CALL

First Merchants Corporation will conduct a conference call at 2:30 p.m. (CT)/3:30 p.m. (ET) on Wednesday, July 20, 2005. To participate dial (Toll Free) 877-407-9210 and reference First Merchants Corporation's second quarter earnings release. A replay will be available until July 27, 2005. To access, US/Canada participants should dial (Toll Free) 877-660-6853 or for International participants, dial 201-612-7415. The replay will require the Account # 286 and

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Conference ID # 160762.

During the call we may make Forward Looking statements about our relative business outlook. These Forward Looking statements and all other statements made during the call 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.

Detailed financial results are reported on the attached pages.

First Merchants Corporation is a financial holding company headquartered in Muncie, Indiana. Subsidiaries of the Corporation include First Merchants Bank, Madison Community Bank, First United Bank, United Communities National Bank, First National Bank, Decatur Bank & Trust Company, Frances Slocum Bank, Lafayette Bank & Trust Company, Commerce National Bank and Merchants Trust Company. The Corporation also operates First Merchants Insurance Services, a full-service property casualty, personal lines, and healthcare insurance agency, headquartered in Muncie, Indiana, and is a majority member of Indiana Title Insurance Company, LLC, a title insurance agency.

First Merchants Corporation's common stock is traded over-the-counter on the NASDAQ National Market System under the symbol FRME. Quotations are carried in daily newspapers and can be found on the company's Internet web page (<http://www.firstmerchants.com>).

* * * *

CONSOLIDATED BALANCE SHEETS

(in thousands)

	June 30,	
	2005	2004
Assets		
Cash and due from banks	\$ 71,498	\$ 72,432
Federal funds sold	0	0
Cash and cash equivalents	71,498	72,432
Interest-bearing time deposits	9,255	20,424
Investment securities	420,685	411,140
Mortgage loans held for sale	1,356	4,001
Loans	2,440,906	2,365,380
Less: Allowance for loan losses	(25,091)	(25,510)
Net Loans	2,415,815	2,339,870
Premises and equipment	37,240	38,437
Federal Reserve and Federal Home Loan Bank stock	23,054	22,494
Interest receivable	16,950	14,943
Core deposit intangibles and goodwill	139,799	141,014
Cash surrender value of life insurance	42,827	41,288
Other assets	22,819	22,247
Total assets	\$ 3,201,298	\$ 3,128,290
Liabilities		
Deposits		

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Noninterest-bearing	\$ 363,654	\$ 334,018
Interest-bearing	2,040,624	2,038,092
	-----	-----
Total deposits	2,404,278	2,372,110
Borrowings	454,400	422,885
Interest payable	5,068	4,216
Other liabilities	24,194	24,811
	-----	-----
Total liabilities	2,887,940	2,824,022
Stockholders' equity		
Preferred stock, no-par value		
Authorized and unissued -- 500,000 shares		
Common stock, \$.125 stated value		
Authorized -- 50,000,000 shares		
Issued and outstanding - 18,415,725 and 18,483,936	2,302	2,310
Additional paid-in capital	146,057	149,194
Retained earnings	167,452	154,876
Accumulated other comprehensive income	(2,453)	(2,112)
	-----	-----
Total stockholders' equity	313,358	304,268
	-----	-----
Total liabilities and stockholders' equity	\$ 3,201,298	\$ 3,128,290
	=====	=====

FINANCIAL HIGHLIGHTS

(In thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
NET CHARGE OFF'S	\$ 1,345	\$ 2,669	\$ 2,072	\$ 3,075
AVERAGE BALANCES				
Total Assets	\$3,191,275	\$3,077,161	\$3,177,488	\$3,059,499
Total Loans	2,430,081	2,343,270	2,422,110	2,341,175
Total Deposits	2,422,688	2,320,546	2,420,810	2,316,627
Total Stockholders' Equity	312,611	307,750	313,961	307,171
FINANCIAL RATIOS				
Return on Average Assets	.99%	.96%	.91%	.93%
Return on Avg. Stockholders' Equity	10.13	9.56	9.23	9.30
Avg. Earning Assets to Avg. Assets	90.81	89.64	90.71	89.85
Allowance for Loan Losses as % Of Total Loans	1.03	1.08	1.03	1.08
Net Charge Off's as % Of Avg. Loans (Annualized)	.22	.46	.17	.26
Dividend Payout Ratio	53.49	57.50	58.98	59.74
Avg. Stockholders' Equity to Avg. Assets	9.80	10.00	9.88	10.04
Tax Equivalent Yield on Earning Assets	6.14	5.65	6.01	5.68
Cost of Supporting Liabilities	2.15	1.78	2.08	1.81
Net Int. Margin (FTE) on Earning Assets	3.99	3.87	3.93	3.87

CONSOLIDATED STATEMENTS OF INCOME

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(in thousands, except share data)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Interest Income				
Loans receivable				
Taxable	\$ 38,831	\$ 34,021	\$ 75,653	\$ 68,831
Tax exempt	189	137	323	250
Investment securities				
Taxable	2,376	2,052	4,705	4,705
Tax exempt	1,554	1,420	3,107	2,987
Federal funds sold	112	37	139	139
Deposits with financial institutions	166	125	308	308
Federal Reserve and Federal Home Loan Bank stock	285	307	593	593
	-----	-----	-----	-----
Total interest income	43,513	38,099	84,828	76,882
	-----	-----	-----	-----
Interest expense				
Deposits	10,729	7,879	20,535	16,729
Securities sold under repurchase agreements	193	98	442	442
Federal Home Loan Bank advances	2,443	2,433	4,818	4,818
Subordinated debentures, revolving credit and term loans	1,839	1,635	3,628	3,628
Other borrowings	388	207	542	542
	-----	-----	-----	-----
Total interest expense	15,592	12,252	29,965	24,169
	-----	-----	-----	-----
Net interest income	27,921	25,847	54,863	51,713
Provision for loan losses	1,948	1,720	4,615	3,380
	-----	-----	-----	-----
Net interest income after provision for loan losses	25,973	24,127	50,248	48,333
	-----	-----	-----	-----
Other income				
Fiduciary activities	1,963	2,002	3,925	3,925
Service charges on deposit accounts	3,048	2,996	5,771	5,771
Other customer fees	1,188	966	2,273	2,273
Net realized gains on sales of available-for-sale securities	6	363	6	6
Commission income	757	777	2,261	1,984
Earnings on cash surrender value of Life insurance	439	482	840	840
Net gains and fees on sales of loans	779	1,352	1,456	2,000
Other income	582	318	1,276	1,276
	-----	-----	-----	-----
Total other income	8,762	9,256	17,808	17,808
	-----	-----	-----	-----
Other expenses				
Salaries and employee benefits	13,258	13,059	28,079	26,858
Net occupancy expenses	1,422	1,335	2,798	2,798
Equipment expenses	1,852	1,954	3,709	3,709
Marketing expense	526	385	941	941
Outside data processing fees	1,033	1,211	2,042	2,042
Printing and office supplies	304	388	641	641
Goodwill and core deposit amortization	778	852	1,565	1,565
Other expenses	4,026	3,438	7,655	6,858
	-----	-----	-----	-----
Total other expenses	23,199	22,622	47,430	45,568
	-----	-----	-----	-----

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Income before income tax	11,536	10,761	20,626	20,
Income tax expense	3,615	3,406	6,138	6,
	-----	-----	-----	-----
Net income	\$ 7,921	\$ 7,355	\$ 14,488	\$ 14,
	=====	=====	=====	=====

Per Share Data

Basic Net Income	.43	.40	.78	
Diluted Net Income	.43	.40	.78	
Cash Dividends Paid	.23	.23	.46	
Average Diluted Shares				
Outstanding (in thousands)	18,536	18,633	18,614	18,

CONSOLIDATED BALANCE SHEETS

(in thousands)	June 30, 2005	March 31, 2005	December 31, 2004	Sept 20
Assets				
Cash and due from banks	\$ 71,498	\$ 67,904	\$ 69,960	\$ 7
Federal funds sold		22,075		2
	-----	-----	-----	-----
Cash and cash equivalents	71,498	89,979	69,960	9
Interest-bearing time deposits	9,255	10,737	9,343	1
Investment securities	420,685	409,820	421,535	42
Mortgage loans held for sale	1,356	3,084	3,367	
Loans	2,440,906	2,414,099	2,428,051	2,39
Less: Allowance for loan losses	(25,091)	(24,488)	(22,548)	(2
	-----	-----	-----	-----
Net loans	2,415,815	2,389,611	2,405,503	2,37
Premises and equipment	37,240	37,525	38,254	3
Federal Reserve and Federal Home Loan Bank stock	23,054	22,883	22,858	2
Interest receivable	16,950	16,606	17,318	1
Core deposit intangibles and goodwill	139,799	140,578	141,284	14
Cash surrender value of life insurance	42,827	42,426	42,061	4
Other assets	22,819	24,337	20,185	1
	-----	-----	-----	-----
Total assets	\$ 3,201,298	\$ 3,187,586	\$ 3,191,668	\$ 3,18
	=====	=====	=====	=====
Liabilities				
Deposits				
Noninterest-bearing	\$ 363,654	\$ 333,614	\$ 330,685	\$ 37
Interest-bearing	2,040,624	2,118,605	2,077,465	2,08
	-----	-----	-----	-----
Total deposits	2,404,278	2,452,219	2,408,150	2,45
Borrowings	454,400	391,193	440,891	37
Interest payable	5,068	6,562	4,411	
Other liabilities	24,194	27,014	23,613	2
	-----	-----	-----	-----
Total liabilities	2,887,940	2,876,988	2,877,065	2,86
Stockholders' equity				
Preferred stock, no-par value				
Authorized and unissued -- 500,000 shares				
Common stock, \$.125 stated value				
Authorized -- 50,000,000 shares				

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Issued and outstanding	2,302	2,312	2,322	
Additional paid-in capital	146,057	148,347	150,862	14
Retained earnings	167,452	163,761	161,459	16
Accumulated other comprehensive income (loss)	(2,453)	(3,822)	(40)	
	-----	-----	-----	-----
Total stockholders' equity	313,358	310,598	314,603	31
	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$ 3,201,298	\$ 3,187,586	\$ 3,191,668	\$ 3,18
	=====	=====	=====	=====

NON-PERFORMING ASSETS

(in thousands)	June 30, 2005	March 31, 2005	December 31, 2004	September 30, 2004
90 days past due	\$ 3,696	\$ 1,948	\$ 1,907	\$ 6,664
Non-accrual loans	11,626	13,272	15,355	16,852
Other real estate	1,804	2,003	1,650	1,546
	-----	-----	-----	-----
Total non-performing assets	\$ 17,126	\$ 17,223	\$ 18,912	\$ 25,062
	=====	=====	=====	=====
Average total loans for the quarter	\$2,430,081	\$2,414,050	\$2,409,170	\$2,383,942
Total non-performing assets as a percent of average total loans	.70%	.71%	.79%	1.05%
Restructured loans	\$ 531	\$ 337	\$ 2,019	\$ 2,169

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)	June 30, 2005	March 31, 2005	December 31, 2004	September 30, 2004
Interest Income				
Loans receivable				
Taxable	\$ 38,831	\$ 36,822	\$ 36,363	\$ 36,363
Tax exempt	189	134	138	138
Investment securities				
Taxable	2,376	2,329	2,224	2,224
Tax exempt	1,554	1,553	1,569	1,569
Federal funds sold	112	27	92	92
Deposits with financial institutions	166	142	167	167
Federal Reserve and Federal Home Loan Bank stock	285	308	297	297
	-----	-----	-----	-----
Total interest income	43,513	41,315	40,850	39,847
	-----	-----	-----	-----
Interest expense				
Deposits	10,729	9,806	9,288	9,288
Securities sold under repurchase agreements	193	249	183	183
Federal Home Loan Bank advances	2,443	2,375	2,418	2,418
Subordinated debentures, revolving credit and term loans	1,839	1,789	1,717	1,717

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Other borrowings	388	154	126	
	-----	-----	-----	-----
Total interest expense	15,592	14,373	13,732	1
	-----	-----	-----	-----
Net interest income	27,921	26,942	27,118	2
Provision for loan losses	1,948	2,667	1,233	
	-----	-----	-----	-----
Net interest income after provision for loan losses	25,973	24,275	25,885	2
	-----	-----	-----	-----
Other income				
Fiduciary activities	1,963	1,962	1,897	
Service charges on deposit accounts	3,048	2,723	2,924	
Other customer fees	1,188	1,085	1,068	
Net realized gains on sales of available-for-sale securities	6		456	
Commission income	757	1,504	671	
Earnings on cash surrender value of life insurance	439	401	439	
Net gains and fees on sales of loans	779	677	801	
Other income	582	694	415	
	-----	-----	-----	-----
Total other income	8,762	9,046	8,671	
	-----	-----	-----	-----
Other expenses				
Salaries and employee benefits	13,258	14,821	13,309	1
Net occupancy expenses	1,422	1,376	1,328	
Equipment expenses	1,852	1,857	1,879	
Marketing expense	526	415	521	
Outside data processing fees	1,033	1,009	1,158	
Printing and office supplies	304	337	397	
Goodwill and core deposit amortization	778	787	802	
Other expenses	4,026	3,629	4,272	
	-----	-----	-----	-----
Total other expenses	23,199	24,231	23,666	2
	-----	-----	-----	-----
Income before income tax	11,536	9,090	10,890	1
Income tax expense	3,615	2,523	3,422	
	-----	-----	-----	-----
Net income	\$ 7,921	\$ 6,567	\$ 7,468	\$
	=====	=====	=====	=====
Per Share Data				
Basic Net Income	\$.43	\$.35	\$.41	\$
Diluted Net Income	.43	.35	.40	
Cash Dividends Paid	.23	.23	.23	
Average Diluted Shares Outstanding (in thousands)	18,536	18,697	18,721	1
FINANCIAL RATIOS				
Return on Average Assets	.99%	.83%	.94%	
Return on Avg. Stockholders' Equity	10.13	8.33	9.46	
Avg. Earning Assets to Avg. Assets	90.81	90.61	91.38	
Allowance for Loan Losses as % Of Total Loans	1.03	1.01	.93	
Net Charge Off's as % Of Avg. Loans (Annualized)	.22	.12	.65	
Dividend Payout Ratio	53.49	65.71	57.50	

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Avg. Stockholders' Equity to Avg. Assets	9.80	9.97	9.92
Tax Equivalent Yield on Earning Assets	6.14	5.90	5.74
Cost of Supporting Liabilities	2.15	2.01	1.89
Net Int. Margin (FTE) on Earning Assets	3.99	3.89	3.85
3.87			