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FIRST MERCHANTS CORP

Form 8-K

October 18, 2007

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): October 18, 2007

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

| | | |
|--|-------------------------------------|--|
| INDIANA (State or other jurisdiction of incorporation) | 0-17071 (Commission file number) | 35-1544218 (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 October 18, 2007, First Merchants Corporation issued a press release to report its financial results for the third quarter ended September 30, 2007. 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 October 18, 2007, issued 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: October 18, 2007

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EXHIBIT INDEX

| Exhibit No. | Description |
|-------------|--|
| ----- | ----- |
| 99.1 | Press Release, dated October 18, 2007, issued by First Merchants Corporation. |

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First Merchants Corporation

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Exhibit No. 99.1

Press Release, dated October 18, 2007

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

October 18, 2007

FOR IMMEDIATE RELEASE

For more information, contact:

Mark K. Hardwick, Executive Vice President/Chief Financial Officer, 765-751-1857
<http://www.firstmerchants.com>

SOURCE: First Merchants Corporation, Muncie, Indiana

FIRST MERCHANTS CORPORATION ANNOUNCES THIRD QUARTER EARNINGS PER SHARE

First Merchants Corporation (NASDAQ - FRME) has reported third quarter 2007 earnings per share of \$.46, a 9.5 percent increase over \$.42 earned in the third quarter of 2006. Net income for the quarter totaled \$8,350,000 for the quarter compared to \$7,739,000 in 2006.

Year-to-date earnings per share totaled \$1.22 for the nine months ended September 30, 2007 equaling the same total for 2006. Included in the year-to-date results are two strategic non-recurring expenses as detailed in our second quarter earnings release totaling \$.08 per share.

Third quarter net interest margin totaled 3.52 percent, a decrease of 14 basis points from 2006. Total assets equaled \$3.75 billion at quarter-end, an increase of \$282 million, or 8.1 percent, over September 30, 2006. Loans and investments, the Corporation's primary earning assets, totaled \$3.35 billion, an increase of \$235 million, or 7.5 percent, over the same period last year.

Year-to-date net interest margin totaled 3.51 percent, a 27 basis point decline from the prior year total of 3.78 percent. The decline is significant, however, the Corporation's net interest margin has stabilized in a range of 3.50 percent to 3.54 percent over the last four quarters.

Third quarter non-interest income increased by \$2,013,000, or 22.8 percent throughout a variety of categories. All line items produced increases ranging from a low of 6.1 percent to a high of 51.9 percent. Other income also increased by \$585,000 resulting from the sale of two real estate properties.

Year-to-date non-interest income has improved by \$4,575,000, or 17.7 percent through September as service charges on deposits increased by \$963,000, earnings on cash surrender value of bank-owned life insurance increased by \$891,000, other customer fees increased by \$663,000, insurance commission increased by \$661,000 and fiduciary activities increased by \$515,000.

Operating expenses increased by \$1 million or 4.4 percent during the third quarter while year-to-date operating expense, absent the \$1.8 million in charges related to the Corporation's debt refinance and expenses related to operational conversions of \$771,000, increased by \$2.8 million, or 3.8 percent.

The provision for loan losses, in the third quarter, increased by \$1.3 million to cover net charge off's and to ensure the adequacy of the Corporation's allowance for loan losses. Year-to-date provisions increased by \$1 million based on the Corporation's continued evaluation of the adequacy of the loan losses. Non-performing loans totaled 1.25 percent of average total loans, down from the June 30, 2007 level of 1.39 percent and the allowance for loan losses, as a percent of total loans equaled .96 percent.

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Michael C. Rechin, President and Chief Executive Officer, stated that, "The tactical execution of our 2007 plan continues to proceed as expected. Continued growth in loans and fee income combined with the refinance of our trust preferred securities, charter consolidation and tax management strategies have proven to accelerate our performance into the second half of 2007." Rechin also added, "Our management team is encouraged to have produced improved results in a difficult operating environment. We are mindful of the credit climate facing our customers and intend to balance our growth initiatives with asset quality improvement. With several organizational efforts behind us, in terms of charter consolidations and re-branding, our focus is on meeting our customers' needs and providing great service."

CONFERENCE CALL

First Merchants Corporation will conduct a conference call at 2:30 p.m. Eastern Daylight Time on Thursday, October 18, 2007. To participate, dial (Toll Free) 877-407-9210 and reference First Merchants Corporation's third quarter earnings. A replay will be available until October 25, 2007. To access replay, 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 Conference ID # 257964.

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, N.A., First Merchants Bank of Central Indiana, N.A., Lafayette Bank & Trust Company, N.A., Commerce National Bank and First Merchants Trust Company, N.A. The Corporation also operates First Merchants Insurance Services, a full-service property casualty, personal lines, and healthcare insurance agency 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)

| | September 30, | |
|--------------------------------|---------------|-----------|
| | 2007 | 2006 |
| Assets | | |
| Cash and due from banks | \$ 85,645 | \$ 65,641 |
| Interest-bearing time deposits | 22,295 | 8,717 |
| Investment securities | 474,613 | 468,074 |
| Mortgage loans held for sale | 4,328 | 3,395 |

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| | | |
|--|--------------|--------------|
| Loans | 2,869,001 | 2,641,644 |
| Less: Allowance for loan losses | (27,635) | (26,975) |
| | ----- | ----- |
| Net loans | 2,841,366 | 2,614,669 |
| Premises and equipment | 44,255 | 40,511 |
| Federal Reserve and Federal Home Loan Bank stock | 25,050 | 23,620 |
| Interest receivable | 25,954 | 23,946 |
| Core deposit intangibles and goodwill | 136,266 | 136,666 |
| Cash surrender value of life insurance | 70,082 | 63,539 |
| Other assets | 24,446 | 23,261 |
| | ----- | ----- |
| Total assets | \$ 3,754,300 | \$ 3,472,039 |
| | ===== | ===== |
| Liabilities | | |
| Deposits | | |
| Noninterest-bearing | \$ 355,339 | \$ 324,601 |
| Interest-bearing | 2,403,836 | 2,369,690 |
| | ----- | ----- |
| Total deposits | 2,759,175 | 2,694,291 |
| Borrowings | 620,469 | 419,146 |
| Interest payable | 9,170 | 10,236 |
| Other liabilities | 32,745 | 26,075 |
| | ----- | ----- |
| Total liabilities | 3,421,559 | 3,149,748 |
| 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 -- 18,153,828 and 18,334,811 shares | 2,269 | 2,292 |
| Additional paid-in capital | 140,642 | 143,688 |
| Retained earnings | 197,609 | 184,555 |
| Accumulated other comprehensive loss | (7,779) | (8,244) |
| | ----- | ----- |
| Total stockholders' equity | 332,741 | 322,291 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 3,754,300 | \$ 3,472,039 |
| | ===== | ===== |

FINANCIAL HIGHLIGHTS

| (In thousands) | Three Months Ended | | Nine Months Ended | |
|-------------------------------------|--------------------|-------------|-------------------|-------------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| NET CHARGE OFF'S | \$ 2,783 | \$ 467 | \$ 4,962 | \$ 3,226 |
| AVERAGE BALANCES | | | | |
| Total Assets | \$3,696,382 | \$3,424,504 | \$3,607,367 | \$3,328,120 |
| Total Loans | 2,835,639 | 2,613,805 | 2,768,146 | 2,541,589 |
| Total Deposits | 2,776,346 | 2,613,507 | 2,732,117 | 2,505,027 |
| Total Stockholders' Equity | 329,474 | 318,327 | 329,147 | 317,282 |
| FINANCIAL RATIOS | | | | |
| Return on Average Assets | .90% | .90% | .83% | .90% |
| Return on Avg. Stockholders' Equity | 10.14 | 9.72 | 9.05 | 9.47 |
| Avg. Earning Assets to Avg. Assets | 90.88 | 91.26 | 90.98 | 91.25 |
| Allowance for Loan Losses as % | | | | |
| Of Total Loans | .96 | 1.02 | .96 | 1.02 |
| Net Charge Off's as % Of Avg. Loans | | | | |

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| | | | | |
|--|-------|-------|-------|-------|
| (Annualized) | .39 | .07 | .24 | .17 |
| Dividend Payout Ratio | 50.00 | 54.76 | 56.56 | 56.56 |
| Avg. Stockholders' Equity to Avg. Assets | 8.91 | 9.30 | 9.12 | 9.53 |
| Tax Equivalent Yield on Earning Assets | 7.17 | 7.08 | 7.09 | 6.87 |
| Cost of Supporting Liabilities | 3.65 | 3.42 | 3.58 | 3.09 |
| Net Int. Margin (FTE) on Earning Assets | 3.52 | 3.66 | 3.51 | 3.78 |

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|-----------|
| | 2007 | 2006 | 2007 | 2006 |
| Interest income | | | | |
| Loans receivable | | | | |
| Taxable | \$ 53,081 | \$ 48,738 | \$153,930 | \$137,000 |
| Tax exempt | 368 | 189 | 818 | 1,000 |
| Investment securities | | | | |
| Taxable | 3,581 | 3,289 | 10,257 | 9,000 |
| Tax exempt | 1,613 | 1,645 | 4,925 | 4,000 |
| Federal funds sold | 41 | 13 | 133 | 100 |
| Deposits with financial institutions | 145 | 144 | 388 | 300 |
| Federal Reserve and Federal Home Loan Bank stock | 328 | 307 | 955 | 800 |
| | ----- | ----- | ----- | ----- |
| Total interest income | 59,157 | 54,325 | 171,406 | 153,000 |
| | ----- | ----- | ----- | ----- |
| Interest expense | | | | |
| Deposits | 23,327 | 20,291 | 67,523 | 51,000 |
| Federal funds purchased | 996 | 635 | 2,897 | 1,000 |
| Securities sold under repurchase agreements | 1,195 | 852 | 2,674 | 2,000 |
| Federal Home Loan Bank advances | 3,302 | 2,796 | 9,247 | 8,000 |
| Subordinated debentures, revolving credit lines and term loans | 1,802 | 2,067 | 5,840 | 6,000 |
| Other borrowings | | 60 | | 100 |
| | ----- | ----- | ----- | ----- |
| Total interest expense | 30,622 | 26,701 | 88,181 | 70,000 |
| | ----- | ----- | ----- | ----- |
| Net interest income | 28,535 | 27,624 | 83,225 | 82,000 |
| Provision for loan losses | 2,810 | 1,558 | 6,057 | 5,000 |
| | ----- | ----- | ----- | ----- |
| Net interest income after provision for loan losses | 25,725 | 26,066 | 77,168 | 77,000 |
| | ----- | ----- | ----- | ----- |
| Other income | | | | |
| Fiduciary activities | 1,985 | 1,863 | 6,278 | 5,000 |
| Service charges on deposit accounts | 3,241 | 3,055 | 9,215 | 8,000 |
| Other customer fees | 1,767 | 1,386 | 4,793 | 4,000 |
| Commission income | 1,175 | 971 | 4,082 | 3,000 |
| Earnings on cash surrender value of life insurance | 998 | 719 | 2,465 | 1,000 |
| Net gains and fees on sales of loans | 749 | 493 | 1,892 | 1,000 |
| Other income | 933 | 348 | 1,693 | 1,000 |
| | ----- | ----- | ----- | ----- |
| Total other income | 10,848 | 8,835 | 30,418 | 25,000 |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|---|----------|----------|-----------|--------|
| Other expenses | | | | |
| Salaries and employee benefits | 14,583 | 14,033 | 44,105 | 41, |
| Net occupancy expenses | 1,818 | 1,477 | 5,028 | 4, |
| Equipment expenses | 1,645 | 2,035 | 5,150 | 5, |
| Marketing expense | 560 | 586 | 1,700 | 1, |
| Outside data processing fees | 972 | 841 | 2,959 | 2, |
| Printing and office supplies | 394 | 367 | 1,081 | 1, |
| Core deposit amortization | 789 | 762 | 2,370 | 2, |
| Write-off of unamortized underwriting expense | | | 1,771 | |
| Other expenses | 4,241 | 3,854 | 12,771 | 11, |
| | ----- | ----- | ----- | ----- |
| Total other expenses | 25,002 | 23,955 | 76,935 | 71, |
| | ----- | ----- | ----- | ----- |
| Income before income tax | 11,571 | 10,946 | 30,651 | 32, |
| Income tax expense | 3,221 | 3,207 | 8,322 | 9, |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 8,350 | \$ 7,739 | \$ 22,329 | \$ 22, |
| | ===== | ===== | ===== | ===== |

Per Share Data

| | | | | |
|----------------------------|--------|--------|--------|---|
| Basic Net Income | .46 | .42 | 1.22 | 1 |
| Diluted Net Income | .46 | .42 | 1.22 | 1 |
| Cash Dividends Paid | .23 | .23 | .69 | |
| Average Diluted Shares | | | | |
| Outstanding (in thousands) | 18,276 | 18,381 | 18,375 | |
| 18,455 | | | | |

CONSOLIDATED BALANCE SHEETS

| | | | | |
|--|-----------------------|------------------|-------------------|-----------------|
| (in thousands) | September 30, 2007 | June 30, 2007 | March 31, 2007 | December 200 |
| Assets | | | | |
| Cash and due from banks | \$ 85,645 | \$ 80,921 | \$ 43,629 | \$ 89 |
| Interest-bearing time deposits | 22,295 | 8,898 | 6,785 | 11 |
| Investment securities | 474,613 | 479,281 | 476,199 | 465 |
| Mortgage loans held for sale | 4,328 | 2,842 | 2,732 | 5 |
| Loans | 2,869,001 | 2,806,068 | 2,731,140 | 2,692 |
| Less: Allowance for loan losses | (27,635) | (27,608) | (26,819) | (26 |
| | ----- | ----- | ----- | ----- |
| Net loans | 2,841,366 | 2,778,460 | 2,704,321 | 2,666 |
| Premises and equipment | 44,255 | 44,126 | 43,262 | 42 |
| Federal Reserve and Federal Home Loan Bank stock | 25,050 | 23,822 | 23,691 | 23 |
| Interest receivable | 25,954 | 21,615 | 21,941 | 24 |
| Core deposit intangibles and goodwill | 136,266 | 137,056 | 137,847 | 138 |
| Cash surrender value of life insurance | 70,082 | 69,111 | 68,360 | 64 |
| Other assets | 24,446 | 23,383 | 26,047 | 23 |
| | ----- | ----- | ----- | ----- |
| Total assets | \$ 3,754,300 | \$ 3,669,515 | \$ 3,554,814 | \$ 3,554 |
| | ===== | ===== | ===== | ===== |
| Liabilities | | | | |
| Deposits | | | | |
| Noninterest-bearing | \$ 355,339 | \$ 362,083 | \$ 325,615 | \$ 362 |
| Interest-bearing | 2,403,836 | 2,357,518 | 2,361,773 | 2,388 |

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| | | | | |
|--|--------------|--------------|--------------|----------|
| Total deposits | 2,759,175 | 2,719,601 | 2,687,388 | 2,750 |
| Borrowings | 620,469 | 587,574 | 497,188 | 440 |
| Interest payable | 9,170 | 10,417 | 10,834 | 9 |
| Other liabilities | 32,745 | 24,543 | 30,756 | 26 |
| Total liabilities | 3,421,559 | 3,342,135 | 3,226,166 | 3,227 |
| 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 | 2,269 | 2,286 | 2,289 | 2 |
| Additional paid-in capital | 140,642 | 143,317 | 143,672 | 146 |
| Retained earnings | 197,609 | 193,460 | 191,476 | 187 |
| Accumulated other comprehensive loss | (7,779) | (11,683) | (8,789) | (9) |
| Total stockholders' equity | 332,741 | 327,380 | 328,648 | 327 |
| Total liabilities and stockholders' equity | \$ 3,754,300 | \$ 3,669,515 | \$ 3,554,814 | \$ 3,554 |

NON-PERFORMING ASSETS

| (in thousands) | September 30, 2007 | June 30, 2007 | March 31, 2007 | December 31, 2006 |
|---|-----------------------|------------------|-------------------|----------------------|
| 90 days past due | \$ 3,132 | \$ 5,203 | \$ 4,554 | \$ 2,870 |
| Non-accrual loans | 30,165 | 30,820 | 22,704 | 17,926 |
| Other real estate | 2,081 | 2,274 | 3,102 | 2,160 |
| Total non-performing assets | \$ 35,378 | \$ 38,297 | \$ 30,360 | \$ 22,956 |
| Average total loans for the quarter | \$2,835,639 | \$2,764,209 | \$2,703,134 | \$2,653,700 |
| Total non-performing assets as a percent of average total loans | 1.25% | 1.39% | 1.12% | .87% |
| Restructured loans | \$ 58 | \$ 58 | \$ 59 | \$ 84 |

CONSOLIDATED STATEMENTS OF INCOME

| (in thousands, except share data) | September 30 2007 | June 30, 2007 | Three Months Ended March 31, 2007 | December 2006 |
|-----------------------------------|----------------------|------------------|---|------------------|
| Interest Income | | | | |
| Loans receivable | | | | |
| Taxable | \$ 53,081 | \$ 51,204 | \$ 49,645 | \$ 49 |
| Tax exempt | 368 | 249 | 201 | |
| Investment securities | | | | |
| Taxable | 3,581 | 3,394 | 3,282 | 3 |
| Tax exempt | 1,613 | 1,651 | 1,661 | 1 |

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| | | | | |
|--|----------|----------|----------|-------|
| Federal funds sold | 41 | 91 | 1 | |
| Deposits with financial institutions | 145 | 120 | 123 | |
| Federal Reserve and Federal Home Loan Bank stock | 328 | 299 | 328 | |
| | ----- | ----- | ----- | ----- |
| Total interest income | 59,157 | 57,008 | 55,241 | 55 |
| | ----- | ----- | ----- | ----- |
| Interest expense | | | | |
| Deposits | 23,327 | 22,390 | 21,806 | 22 |
| Federal funds purchased | 996 | 1,047 | 854 | |
| Securities sold under repurchase agreements | 1,195 | 910 | 569 | |
| Federal Home Loan Bank advances | 3,302 | 3,009 | 2,936 | 2 |
| Subordinated debentures, revolving credit lines and term loans | 1,802 | 2,037 | 2,001 | 2 |
| Other borrowings | | | | |
| | ----- | ----- | ----- | ----- |
| Total interest expense | 30,622 | 29,393 | 28,166 | 28 |
| | ----- | ----- | ----- | ----- |
| Net interest income | 28,535 | 27,615 | 27,075 | 27 |
| Provision for loan losses | 2,810 | 1,648 | 1,599 | 1 |
| | ----- | ----- | ----- | ----- |
| Net interest income after provision for loan losses | 25,725 | 25,967 | 25,476 | 25 |
| | ----- | ----- | ----- | ----- |
| Other income | | | | |
| Fiduciary activities | 1,985 | 2,257 | 2,036 | 1 |
| Service charges on deposit accounts | 3,241 | 3,091 | 2,883 | 3 |
| Other customer fees | 1,767 | 1,535 | 1,491 | 1 |
| Net realized gains (losses) on sales of available-for-sale securities | | | (1) | |
| Commission income | 1,175 | 1,269 | 1,638 | |
| Earnings on cash surrender value of life insurance | 998 | 782 | 685 | |
| Net gains and fees on sales of loans | 749 | 611 | 532 | |
| Other income | 933 | 221 | 540 | |
| | ----- | ----- | ----- | ----- |
| Total other income | 10,848 | 9,766 | 9,804 | 8 |
| | ----- | ----- | ----- | ----- |
| Other expenses | | | | |
| Salaries and employee benefits | 14,583 | 14,796 | 14,726 | 14 |
| Net occupancy expenses | 1,818 | 1,612 | 1,598 | 1 |
| Equipment expenses | 1,645 | 1,783 | 1,722 | 1 |
| Marketing expense | 560 | 653 | 487 | |
| Outside data processing fees | 972 | 1,036 | 951 | |
| Printing and office supplies | 394 | 388 | 299 | |
| Core deposit amortization | 789 | 790 | 791 | |
| Write-off of unamortized underwriting expense | 1,771 | | | |
| Other expenses | 4,241 | 4,910 | 3,620 | 4 |
| | ----- | ----- | ----- | ----- |
| Total other expenses | 25,002 | 27,739 | 24,194 | 24 |
| | ----- | ----- | ----- | ----- |
| Income before income tax | 11,571 | 7,994 | 11,086 | 10 |
| Income tax expense | 3,221 | 1,786 | 3,315 | 2 |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 8,350 | \$ 6,208 | \$ 7,771 | \$ 7 |
| | ===== | ===== | ===== | ===== |

Per Share Data

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| | | | | |
|---|--------|--------|--------|----|
| Basic Net Income | \$.46 | \$.34 | \$.42 | \$ |
| Diluted Net Income | .46 | .34 | .42 | |
| Cash Dividends Paid | .23 | .23 | .23 | |
| Average Diluted Shares Outstanding (in thousands) | 18,276 | 18,369 | 18,497 | 18 |

FINANCIAL RATIOS

| | | | | |
|--|-------|-------|-------|---|
| Return on Average Assets | .90% | .69% | .88% | |
| Return on Avg. Stockholders' Equity | 10.14 | 7.53 | 9.47 | |
| Avg. Earning Assets to Avg. Assets | 90.88 | 90.96 | 91.13 | 9 |
| Allowance for Loan Losses as % Of Total Loans | .96 | .98 | .98 | |
| Net Charge Off's as % Of Avg. Loans (Annualized) | .39 | .23 | .20 | |
| Dividend Payout Ratio | 50.00 | 67.65 | 54.76 | 5 |
| Avg. Stockholders' Equity to Avg. Assets | 8.91 | 9.15 | 9.32 | |
| Tax Equivalent Yield on Earning Assets | 7.17 | 7.09 | 7.01 | |
| Cost of Supporting Liabilities | 3.65 | 3.59 | 3.51 | |
| Net Int. Margin (FTE) on Earning Assets | 3.52 | 3.50 | 3.50 | |

LOANS

| (in thousands) | September 30, 2007 | June 30, 2007 | March 31, 2007 | Dece |
|--|-----------------------|------------------|-------------------|-------|
| Commercial and industrial loans | \$ 626,301 | \$ 590,345 | \$ 557,304 | \$ 5 |
| Agricultural production financing and other loans to farmers | 113,132 | 103,713 | 97,784 | 1 |
| Real estate loans: | | | | |
| Construction | 160,624 | 172,247 | 151,782 | 1 |
| Commercial and farmland | 912,063 | 895,301 | 906,726 | 8 |
| Residential | 769,890 | 768,392 | 756,316 | 7 |
| Individuals' loans for household and other personal expenditures | 194,181 | 206,435 | 210,578 | 2 |
| Tax exempt loans | 28,726 | 23,181 | 15,306 | |
| Lease financing receivables, net of unearned income | 8,932 | 7,906 | 7,648 | |
| Other loans | 55,152 | 38,548 | 27,696 | |
| | ----- | ----- | ----- | ----- |
| | 2,869,001 | 2,806,068 | 2,731,140 | 2,6 |
| Allowance for loan losses | (27,635) | (27,608) | (26,819) | (|
| | ----- | ----- | ----- | ----- |
| Total loans | \$2,841,366 | \$2,778,460 | \$2,704,321 | \$2,6 |
| | ===== | ===== | ===== | ===== |

DEPOSITS

| (in thousands) | September 30, 2007 | June 30, 2007 | March 31, 2007 | Dece |
|---|-----------------------|------------------|-------------------|------|
| Demand deposits | \$ 825,185 | \$ 855,458 | \$ 787,538 | \$ |
| Savings deposits | 508,139 | 494,738 | 530,692 | |
| Certificates and other time deposits of \$100,000 or more | 472,842 | 443,355 | 398,061 | |

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| | | | | |
|--------------------------------------|-------------|--------------|-------------|-------|
| Other certificates and time deposits | 953,009 | 926,050 | 971,097 | |
| | ----- | ----- | ----- | ----- |
| Total deposits | \$2,759,175 | \$ 2,719,601 | \$2,687,388 | \$2, |
| | ===== | ===== | ===== | ===== |