

FIRST MERCHANTS CORP
Form 8-K
April 29, 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

DATE OF REPORT (Date of earliest event reported): April 29, 2009

FIRST MERCHANTS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

INDIANA
(State or other jurisdiction)

0-17071
(Commission File Number)

35-1544218
(IRS Employer Identification No.)

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of incorporation)

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))

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O 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 April 29, 2009 First Merchants Corporation issued a press release to report its financial results for the first quarter ended March 31, 2009. A 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 April 29, 2009, 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.

DATE: April 29, 2009.

FIRST MERCHANTS CORPORATION

By: /s/Mark K. Hardwick
Mark K. Hardwick,
Executive Vice President and
Chief Financial Officer

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Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated April 29, 2009, issued by First Merchants Corporation

First Merchants Corporation

Exhibit No. 99.1

Press Release, dated April 29, 2009

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

April 29, 2009

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 1ST QUARTER EARNINGS PER SHARE OF \$.17

First Merchants Corporation (NASDAQ – FRME) has reported March 31, 2009 diluted net income per share available to common stockholders of \$.17, down from the prior year total of \$.45. Net income available to common stockholders totaled \$3.5 million versus \$8.1 million in the first quarter of 2008.

Total assets reached a record \$4.9 billion at quarter-end, an increase of \$1.1 billion, from the March 31, 2008 total of \$3.8 billion. Of the \$1.1 billion increase, the completion of the merger with Lincoln Bancorp on December 31, 2008 accounted for \$876 million.

The December 31, 2008 completion of the Lincoln Bancorp acquisition continues the Corporation's direction of pursuing stronger growth markets. Management is pleased to announce that 16 banking centers in the greater

Indianapolis marketplace opened for business on April 20, 2009 under the First Merchants Bank brand. The Lincoln charter consolidation and concurrent integration into the First Merchants core technology platform will improve operational efficiencies by \$5.5 million over the remainder of 2009.

Loans and investments, the Corporation's primary earning assets, totaled \$4.1 billion, an increase of \$742 million over the prior year. Loans accounted for \$722 million of the increase as investment securities increased by \$20 million. Of the \$742 million increase, Lincoln accounted for \$637 million in loans and \$122 million in investments.

The Corporation's allowance for loan losses, as a percent of total loans, increased from .99 percent, as of March 31, 2008, to 1.60 percent as of quarter end, a \$29.4 million increase. Lincoln's acquired allowance totaled \$8.7 million and provision expense exceeded net charge-offs for the quarter by \$6.9 million. Total specific impairment reserves are \$14.6 million, or 25% of the total allowance methodology.

Non-performing loans totaled \$109 million at quarter end. Of these non-performing loans, commercial real estate loans totaled \$36 million, land and lot development loans totaled \$28 million, 1-4 family residential properties totaled \$18 million, commercial and industrial loans totaled \$19 million and other loans totaled \$8 million.

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The Corporation's total deposits increased during the year by \$872 million as Lincoln Bank accounted for \$655 million of the increase. Total borrowings increased by \$22 million including the \$137 million increase from Lincoln Bank and the addition of \$79 million from the temporary liquidity guarantee program as announced by the Corporation on form 8-K dated April 1, 2009. The Corporation has improved its liquidity position as evidenced by its \$89 million fed funds sold position at quarter end.

As of March 31, 2009, the Corporation's tangible common equity ratio totaled 4.88%, tier 1 leverage ratio totaled 9.17%, tier 1 risk-based capital totaled 10.47% and total risk-based capital totaled 12.97%. The Corporation announced on form 8-K dated February 24, 2009 the issuance of \$116 million in preferred stock through the U.S. Department of Treasury's Capital Purchase Program.

Net-Interest margin contracted by 6 basis points from 3.74 percent in 2008 to 3.68 percent in 2009 and earning assets increased by \$901 million. As a result, net-interest income increased by \$7.7 million.

Provision expense totaled \$12.9 million during the quarter, an increase of \$9.1 million over the same period last year. The increase in provision expense exceeded the expansion of net interest income by \$1.4 million reflecting the current challenge presented to banks during times of economic recession.

Total non-interest income increased by \$3.9 million during the quarter. Of the increase, net gains from the sale of securities totaled \$2.3 million and gains from the sale of mortgage originations increased by \$787,000.

Total non-interest expense for the quarter increased by \$8.4 million during the quarter. Salary and benefit expense increased by \$3.9 million including \$2.9 million attributable to Lincoln, \$622,000 attributable to health insurance claims and another \$398,000 in severance packages as the Corporation continues to gain efficiencies in the legacy organization. Core deposit intangible amortization increased by \$487,000 during the quarter. Outside data processing costs included \$655,000 to run Lincoln Bank's separate operating platform prior to integration and \$397,000 in conversion expense.

Additional credit costs are also reflected in other expense as other real estate expense increased by \$276,000 and professional services related to loan workouts increased by \$532,000.

Michael C. Rechin, President and Chief Executive Officer, stated that, "First Merchants Corporation's management team is pleased to announce the completion of the data integration and name change event at Lincoln Bank. The advancement of our brand in the Indiana market is proceeding as planned and the efficiency gains from the core conversion will be significant."

Rechin continued, “The capital and liquidity enhancements achieved during the quarter through participation in the CPP and TLGP programs are meaningful. The improvement in our allowance for loan losses to 1.60 percent of loans positions First Merchants well for the near future although our trend in credit quality statistics are reflective of the economic condition of many of our markets. The drag on our core earnings run rate caused by the high level of provisioning, charge-offs and collections efforts is disappointing. The active management of our loan portfolio is our highest priority as we continue to serve our stockholders and communities.”

CONFERENCE CALL

First Merchants Corporation will conduct a conference call at 2:30 p.m. Eastern Time on Wednesday, April 29, 2009. To participate, callers in the US/Canada should dial (Toll Free) 800-860-2442 while international participants should use +1 412-858-4600. Please reference First Merchants Corporation's first quarter earnings. A replay will be available until 5:00 PM ET on May 7, 2009. To access replay, US/Canada participants should dial (Toll Free) 877-344-7529, or for International participants, dial +1 412-317-0088. The replay requires a pass code of 428925.

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

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>).

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CONSOLIDATED BALANCE SHEETS

(in thousands)	March 31,	
	2009	2008
Assets		
Cash and due from banks	\$ 96,606	\$ 89,961
Federal funds sold	89,282	
Cash and cash equivalents	185,888	89,961
Interest-bearing time deposits	158,295	21,280
Investment securities	446,316	426,055
Mortgage loans held for sale	8,659	3,494
Loans	3,654,074	2,937,710
Less: allowance for loan losses	(58,502)	(29,094)
Net loans	3,595,572	2,908,616
Premises and equipment	58,948	44,526
Federal Reserve and Federal Home Loan Bank stock	34,420	25,345
Interest receivable	20,783	21,212
Core deposit intangibles and goodwill	162,571	135,056
Cash surrender value of life insurance		