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FIRST MERCHANTS CORP
Form 8-K
January 23, 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): January 23, 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 January 23 2007, First Merchants Corporation issued a press release to report its financial results for the fourth quarter ended December

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31, 2006. 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 January 23, 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: January 23, 2007

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EXHIBIT INDEX

Exhibit No.

99.1

Description

Press Release, dated January 23, 2007, issued by
First Merchants Corporation.

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First Merchants Corporation

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Exhibit No. 99.1

Press Release, dated January 23, 2007

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

January 23, 2007

FOR IMMEDIATE RELEASE

For more information, contact:

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

SOURCE: First Merchants Corporation, Muncie, Indiana

FIRST MERCHANTS CORPORATION ANNOUNCES INCREASE IN 2006 EARNINGS PER SHARE

First Merchants Corporation (NASDAQ - FRME) has reported December 31, 2006 diluted earnings per share totaling \$1.64, a \$.01 increase over 2005 earnings per share of \$1.63. Net Income for 2006 totaled \$30.2 million.

Fourth quarter diluted earnings per share totaled \$.42, a \$.01 increase from fourth quarter earnings per share of \$.41 in 2005. Net income for the quarter totaled \$7.7 million.

Total assets again reached record levels totaling \$3.55 billion at year-end, an increase of \$318 million, or 9.8 percent from December 31, 2005. Loans and investments, the Corporation's primary earning assets, totaled \$3.16 billion, an increase of \$266 million or 9.2 percent over the prior year.

Net-Interest margin declined by 26 basis points in 2006, from 3.97 percent in 2005 to 3.71 percent in 2006. As a result, net-interest income declined by \$1,034,000 despite strong improvements in earning assets as the Corporation's volume variance totaled a positive \$6,987,000 mitigated by a negative rate variance of \$8,021,000. The decline in net-interest margin represents \$.26 in earnings per share for the year.

Non-interest income declined by \$104,000 during 2006. Core non-interest income improved by \$607,000 as earnings on cash surrender value of bank owned life insurance increased by \$619,000, insurance commission increased by \$481,000 and other customer fees improved by \$423,000. Positive advances in non-interest income were mitigated by reduced gains from the sale of mortgage loans totaling \$731,000 and one time gains in 2005 of \$711,000.

Year-to-date operating expense increased by a modest 2.2 percent as management continues the process of streamlining its operating structure.

The allowance for loan losses increased during the year by \$1.35 million as the Corporation's provision for loan losses declined by \$2.1 million. As of December 31, 2006, non-performing loans totaled 87 basis points of average total loans and the allowance for loan losses as a percent of total loans equaled .99 percent.

Michael L. Cox, President and Chief Executive Officer, stated that, "Margin compression resulting from the inversion of the yield curve and competition masked much of the Corporations success during the year. The Corporation's balance sheet is diversified, short in average life and generally very well structured. Consequently, the management team and Board of Directors of First Merchants are pleased with the overall success of the year and believe when

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evaluating 2006 that it is important to acknowledge the impact of margin compression." Cox also added, that "Balance sheet growth, credit quality, expense management, talent acquisition and infrastructure improvements represent the success of many key initiatives and that management is diligently executing a plan to produce a positive 2007."

CONFERENCE CALL

First Merchants Corporation will conduct a conference call at 2:30 p.m. Eastern Daylight Time on Wednesday, January 24, 2007. To participate, dial (Toll Free) 877-407-9210 and reference First Merchants Corporation's fourth quarter earnings. A replay will be available until January 31, 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 # 226600.

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., Madison Community Bank, N.A., United Communities National Bank, First National Bank, Decatur Bank & Trust Company, N.A., Frances Slocum Bank, 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)

| | December 31, | |
|---------------------------------|--------------|-----------|
| | 2006 | 2005 |
| Assets | | |
| Cash and due from banks | \$ 89,957 | \$ 70,417 |
| Interest-bearing time deposits | 11,284 | 8,748 |
| Investment securities | 465,217 | 434,266 |
| Mortgage loans held for sale | 5,413 | 4,910 |
| Loans | 2,692,601 | 2,457,427 |
| Less: Allowance for loan losses | (26,540) | (25,188) |
| Net loans | 2,666,061 | 2,432,239 |
| Premises and equipment | 42,393 | 39,417 |

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| | | |
|--|--------------|--------------|
| Federal Reserve and Federal Home Loan Bank stock | 23,691 | 23,200 |
| Interest receivable | 24,345 | 19,690 |
| Core deposit intangibles and goodwill | 138,638 | 138,833 |
| Cash surrender value of life insurance | 64,213 | 43,579 |
| Other assets | 23,658 | 21,780 |
| | ----- | ----- |
| Total assets | \$ 3,554,870 | \$ 3,237,079 |
| | ===== | ===== |
| Liabilities | | |
| Deposits | | |
| Noninterest-bearing | \$ 362,058 | \$ 314,335 |
| Interest-bearing | 2,388,480 | 2,068,241 |
| | ----- | ----- |
| Total deposits | 2,750,538 | 2,382,576 |
| Borrowings | 440,764 | 508,236 |
| Interest payable | 9,326 | 5,874 |
| Other liabilities | 26,917 | 26,997 |
| | ----- | ----- |
| Total liabilities | 3,227,545 | 2,923,683 |
| 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 -- 18,439,843 and 18,416,714 shares | 2,305 | 2,302 |
| Additional paid-in capital | 146,460 | 145,682 |
| Retained earnings | 187,965 | 174,717 |
| Accumulated other comprehensive loss | (9,405) | (9,305) |
| | ----- | ----- |
| Total stockholders' equity | 327,325 | 313,396 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 3,554,870 | \$ 3,237,079 |
| | ===== | ===== |

FINANCIAL HIGHLIGHTS

| (In thousands) | Three Months Ended | | Year Ended | |
|----------------------------|--------------------|-------------|--------------|-------------|
| | December 31, | | December 31, | |
| | 2006 | 2005 | 2006 | 2005 |
| NET CHARGE OFF'S | \$ 1,680 | \$ 1,906 | \$ 4,906 | \$ 5,714 |
| AVERAGE BALANCES | | | | |
| Total Assets | \$3,499,774 | \$3,160,619 | \$3,371,386 | \$3,179,464 |
| Total Loans | 2,653,700 | 2,447,794 | 2,569,847 | 2,434,134 |
| Total Deposits | 2,755,145 | 2,414,251 | 2,568,070 | 2,418,752 |
| Total Stockholders' Equity | 326,158 | 317,510 | 319,519 | 315,525 |

FINANCIAL RATIOS

| | | | | |
|--|-------|-------|-------|-------|
| Return on Average Assets | .88% | .95% | .90% | .95% |
| Return on Avg. Stockholders' Equity | 9.39 | 9.49 | 9.45 | 9.58 |
| Avg. Earning Assets to Avg. Assets | 90.87 | 91.47 | 91.15 | 90.93 |
| Allowance for Loan Losses as % | | | | |
| Of Total Loans | .99 | 1.02 | .99 | 1.02 |
| Net Charge Off's as % Of Avg. Loans | | | | |
| (Annualized) | .25 | .31 | .19 | .23 |
| Dividend Payout Ratio | 56.10 | 56.10 | 56.10 | 56.44 |
| Avg. Stockholders' Equity to Avg. Assets | 9.32 | 10.05 | 9.48 | 9.92 |
| Tax Equivalent Yield on Earning Assets | 7.07 | 6.62 | 6.92 | 6.26 |
| Cost of Supporting Liabilities | 3.53 | 2.59 | 3.21 | 2.29 |

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Net Int. Margin (FTE) on Earning Assets 3.54 4.03 3.71 3.97

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|------------------------------------|-----------|----------------------------|-------|
| | 2006 | 2005 | 2006 | 2005 |
| Interest income | | | | |
| Loans receivable | | | | |
| Taxable | \$ 49,293 | \$ 41,930 | \$186,768 | \$ 15 |
| Tax exempt | 240 | 160 | 828 | |
| Investment securities | | | | |
| Taxable | 3,219 | 2,480 | 12,316 | |
| Tax exempt | 1,660 | 1,672 | 6,565 | |
| Federal funds sold | 332 | 74 | 373 | |
| Deposits with financial institutions | 110 | 202 | 500 | |
| Federal Reserve and Federal Home Loan Bank stock | 318 | 296 | 1,256 | |
| Total interest income | 55,172 | 46,814 | 208,606 | 17 |
| Interest expense | | | | |
| Deposits | 22,690 | 13,414 | 74,314 | 4 |
| Federal funds purchased | 93 | 163 | 1,842 | |
| Securities sold under repurchase agreements | 488 | 647 | 3,228 | |
| Federal Home Loan Bank advances | 2,672 | 2,410 | 10,734 | |
| Subordinated debentures, revolving credit lines and term loans | 2,046 | 1,910 | 8,124 | |
| Other borrowings | 67 | 144 | 269 | |
| Total interest expense | 28,056 | 18,688 | 98,511 | 6 |
| Net interest income | 27,116 | 28,126 | 110,095 | 11 |
| Provision for loan losses | 1,245 | 1,945 | 6,258 | |
| Net interest income after provision for loan losses | 25,871 | 26,181 | 103,837 | 10 |
| Other income | | | | |
| Fiduciary activities | 1,862 | 1,762 | 7,625 | |
| Service charges on deposit accounts | 3,010 | 2,691 | 11,262 | 1 |
| Other customer fees | 1,387 | 1,432 | 5,517 | |
| Net realized gains on sales of available-for-sale securities | (4) | (24) | (4) | |
| Commission income | 881 | 690 | 4,302 | |
| Earnings on cash surrender value of life insurance | 712 | 386 | 2,286 | |
| Net gains and fees on sales of loans | 613 | 676 | 2,171 | |
| Other income | 309 | 516 | 1,454 | |
| Total other income | 8,770 | 8,129 | 34,613 | 3 |
| Other expenses | | | | |
| Salaries and employee benefits | 14,157 | 12,596 | 56,125 | 5 |
| Net occupancy expenses | 1,498 | 1,428 | 5,886 | |

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| | | | | |
|------------------------------|----------|----------|-----------|-------|
| Equipment expenses | 1,956 | 1,952 | 7,947 | |
| Marketing expense | 508 | 625 | 1,932 | |
| Outside data processing fees | 804 | 989 | 3,449 | |
| Printing and office supplies | 401 | 400 | 1,496 | |
| Core deposit amortization | 781 | 767 | 3,066 | |
| Other expenses | 4,315 | 4,469 | 16,156 | 1 |
| | ----- | ----- | ----- | ----- |
| Total other expenses | 24,420 | 23,226 | 96,057 | 9 |
| | ----- | ----- | ----- | ----- |
| Income before income tax | 10,221 | 11,084 | 42,393 | 4 |
| Income tax expense | 2,562 | 3,553 | 12,195 | 1 |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 7,659 | \$ 7,531 | \$ 30,198 | \$ 3 |
| | ===== | ===== | ===== | ===== |

Per Share Data

| | | | | |
|----------------------------|--------|--------|--------|---|
| Basic Net Income | .42 | .41 | 1.64 | |
| Diluted Net Income | .42 | .41 | 1.64 | |
| Cash Dividends Paid | .23 | .23 | .92 | |
| Average Diluted Shares | | | | |
| Outstanding (in thousands) | 18,498 | 18,558 | 18,467 | 1 |

CONSOLIDATED BALANCE SHEETS

| (in thousands) | December 31, 2006 | September 30, 2006 | June 30, 2006 | March 2006 |
|--|----------------------|-----------------------|------------------|---------------|
| Assets | | | | |
| Cash and due from banks | \$ 89,957 | \$ 65,641 | \$ 71,275 | \$ 59,939 |
| Interest-bearing time deposits | 11,284 | 8,717 | 8,529 | 9,317 |
| Investment securities | 465,217 | 468,074 | 466,882 | 441,317 |
| Mortgage loans held for sale | 5,413 | 3,395 | 5,338 | 5,338 |
| Loans | 2,692,601 | 2,641,644 | 2,591,440 | 2,491,317 |
| Less: Allowance for loan losses | (26,540) | (26,975) | (25,884) | (25,884) |
| | ----- | ----- | ----- | ----- |
| Net loans | 2,666,061 | 2,614,669 | 2,565,556 | 2,465,433 |
| Premises and equipment | 42,393 | 40,511 | 41,122 | 39,317 |
| Federal Reserve and Federal Home Loan Bank stock | 23,691 | 23,620 | 23,889 | 23,620 |
| Interest receivable | 24,345 | 23,946 | 19,539 | 19,539 |
| Core deposit intangibles and goodwill | 138,638 | 136,666 | 137,429 | 138,638 |
| Cash surrender value of life insurance | 64,213 | 63,539 | 44,358 | 43,539 |
| Other assets | 23,658 | 23,261 | 24,346 | 25,884 |
| | ----- | ----- | ----- | ----- |
| Total assets | \$ 3,554,870 | \$ 3,472,039 | \$ 3,408,263 | \$ 3,269,317 |
| | ===== | ===== | ===== | ===== |
| Liabilities | | | | |
| Deposits | | | | |
| Noninterest-bearing | \$ 362,058 | \$ 324,601 | \$ 340,046 | \$ 325,000 |
| Interest-bearing | 2,388,480 | 2,369,690 | 2,195,354 | 2,120,000 |
| | ----- | ----- | ----- | ----- |
| Total deposits | 2,750,538 | 2,694,291 | 2,535,400 | 2,445,000 |
| Borrowings | 440,764 | 419,146 | 527,347 | 469,000 |
| Interest payable | 9,326 | 10,236 | 6,927 | 6,927 |
| Other liabilities | 26,917 | 26,075 | 25,585 | 31,317 |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|--|--------------|--------------|--------------|----------|
| Total liabilities | 3,227,545 | 3,149,748 | 3,095,259 | 2,953 |
| 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 | 2,305 | 2,292 | 2,282 | 2 |
| Additional paid-in capital | 146,460 | 143,688 | 142,037 | 146 |
| Retained earnings | 187,965 | 184,555 | 181,042 | 177 |
| Accumulated other comprehensive loss | (9,405) | (8,244) | (12,357) | (9) |
| | ----- | ----- | ----- | ----- |
| Total stockholders' equity | 327,325 | 322,291 | 313,004 | 316 |
| | ----- | ----- | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 3,554,870 | \$ 3,472,039 | \$ 3,408,263 | \$ 3,269 |
| | ===== | ===== | ===== | ===== |

NON-PERFORMING ASSETS

| | | | | |
|--|----------------------|-----------------------|------------------|-------------------|
| (in thousands) | December 31, 2006 | September 30, 2006 | June 30, 2006 | March 31, 2006 |
| 90 days past due | \$ 2,870 | \$ 4,253 | \$ 8,818 | \$ 5,188 |
| Non-accrual loans | 17,926 | 16,524 | 12,611 | 11,424 |
| Other real estate | 2,160 | 2,194 | 2,497 | 3,209 |
| | ----- | ----- | ----- | ----- |
| Total non-performing assets | \$ 22,956 | \$ 22,971 | \$ 23,926 | \$ 19,821 |
| | ===== | ===== | ===== | ===== |
| Average total loans for the quarter | \$2,653,700 | \$2,613,805 | \$2,534,675 | \$2,474,759 |
| Total non-performing assets as a percent of average total loans | .87% | .87% | .94% | .80% |
| Restructured loans | \$ 84 | \$ 93 | \$ 111 | \$ 114 |

CONSOLIDATED STATEMENTS OF INCOME

| | | | |
|--|----------------------|-----------------------|--|
| (in thousands, except share data) | December 31, 2006 | September 30, 2006 | Three Months Ended June 30, 2006 |
| Interest Income | | | |
| Loans receivable | | | |
| Taxable | \$ 49,293 | \$ 48,738 | \$ 45,658 |
| Tax exempt | 240 | 189 | 231 |
| Investment securities | | | |
| Taxable | 3,219 | 3,289 | 3,082 |
| Tax exempt | 1,660 | 1,645 | 1,613 |
| Federal funds sold | 332 | 13 | 11 |
| Deposits with financial institutions | 110 | 144 | 132 |
| Federal Reserve and Federal Home Loan Bank stock | 318 | 307 | 320 |
| | ----- | ----- | ----- |
| Total interest income | 55,172 | 54,325 | 51,047 |
| | ----- | ----- | ----- |
| Interest expense | | | |
| Deposits | 22,690 | 20,291 | 16,914 |

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| | | | |
|--|----------|----------|----------|
| Federal funds purchased | 93 | 635 | 625 |
| Securities sold under repurchase agreements | 488 | 852 | 1,053 |
| Federal Home Loan Bank advances | 2,672 | 2,796 | 2,610 |
| Subordinated debentures, revolving credit lines and term loans | 2,046 | 2,067 | 2,020 |
| Other borrowings | 67 | 60 | 59 |
| | ----- | ----- | ----- |
| Total interest expense | 28,056 | 26,701 | 23,281 |
| | ----- | ----- | ----- |
| Net interest income | 27,116 | 27,624 | 27,766 |
| Provision for loan losses | 1,245 | 1,558 | 1,729 |
| | ----- | ----- | ----- |
| Net interest income after provision for loan losses | 25,871 | 26,066 | 26,037 |
| | ----- | ----- | ----- |
| Other income | | | |
| Fiduciary activities | 1,862 | 1,863 | 1,949 |
| Service charges on deposit accounts | 3,010 | 3,055 | 2,771 |
| Other customer fees | 1,387 | 1,386 | 1,389 |
| Net realized gains (losses) on sales of available-for-sale securities | (4) | | (9) |
| Commission income | 881 | 971 | 946 |
| Earnings on cash surrender value of life insurance | 712 | 719 | 432 |
| Net gains and fees on sales of loans | 613 | 493 | 511 |
| Other income | 309 | 348 | 422 |
| | ----- | ----- | ----- |
| Total other income | 8,770 | 8,835 | 8,411 |
| | ----- | ----- | ----- |
| Other expenses | | | |
| Salaries and employee benefits | 14,157 | 14,033 | 13,543 |
| Net occupancy expenses | 1,498 | 1,477 | 1,477 |
| Equipment expenses | 1,956 | 2,035 | 2,007 |
| Marketing expense | 508 | 586 | 438 |
| Outside data processing fees | 804 | 841 | 921 |
| Printing and office supplies | 401 | 367 | 424 |
| Core deposit amortization | 781 | 762 | 761 |
| Other expenses | 4,315 | 3,854 | 4,323 |
| | ----- | ----- | ----- |
| Total other expenses | 24,420 | 23,955 | 23,894 |
| | ----- | ----- | ----- |
| Income before income tax | 10,221 | 10,946 | 10,554 |
| Income tax expense | 2,562 | 3,207 | 3,263 |
| | ----- | ----- | ----- |
| Net income | \$ 7,659 | \$ 7,739 | \$ 7,291 |
| | ===== | ===== | ===== |
| Per Share Data | | | |
| Basic Net Income | \$.42 | \$.42 | \$.39 |
| Diluted Net Income | .42 | .42 | .39 |
| Cash Dividends Paid | .23 | .23 | .23 |
| Average Diluted Shares Outstanding (in thousands) | 18,498 | 18,381 | 18,463 |
| FINANCIAL RATIOS | | | |
| Return on Average Assets | .88% | .90% | .88% |
| Return on Avg. Stockholders' Equity | 9.39 | 9.72 | 9.20 |
| Avg. Earning Assets to Avg. Assets | 90.87 | 91.26 | 91.21 |

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| | | | |
|--|-------|-------|-------|
| Allowance for Loan Losses as % | | | |
| Of Total Loans | .99 | 1.02 | 1.00 |
| Net Charge Off's as % Of Avg. Loans | | | |
| (Annualized) | .25 | .07 | .23 |
| Dividend Payout Ratio | 56.10 | 54.76 | 58.97 |
| Avg. Stockholders' Equity to Avg. Assets | 9.32 | 9.30 | 9.54 |
| Tax Equivalent Yield on Earning Assets | 7.07 | 7.08 | 6.87 |
| Cost of Supporting Liabilities | 3.53 | 3.42 | 3.07 |
| Net Int. Margin (FTE) on Earning Assets | 3.54 | 3.66 | 3.80 |

LOANS

| (in thousands) | December 31, 2006 | September 30, 2006 | June 30, 2006 | Ma 2 |
|---|----------------------|-----------------------|------------------|---------|
| Commercial and industrial loans | \$ 537,305 | \$ 497,280 | \$ 501,238 | \$ 4 |
| Agricultural production financing and other loans to farmers | 100,098 | 104,147 | 95,352 | |
| Real estate loans: | | | | |
| Construction | 169,491 | 175,753 | 178,254 | 1 |
| Commercial and farmland | 861,429 | 835,403 | 813,171 | 7 |
| Residential | 749,921 | 757,116 | 744,552 | 7 |
| Individuals' loans for household and other personal expenditures | 223,504 | 215,237 | 208,768 | 2 |
| Tax exempt loans | 14,423 | 16,550 | 13,656 | |
| Lease financing receivables, net of unearned income | 8,010 | 8,543 | 8,589 | |
| Other loans | 28,420 | 31,615 | 27,860 | |
| | ----- | ----- | ----- | ----- |
| | 2,692,601 | 2,641,644 | 2,591,440 | 2,4 |
| Allowance for loan losses | (26,540) | (26,975) | (25,884) | (|
| | ----- | ----- | ----- | ----- |
| Total loans | \$2,666,061 | \$2,614,669 | \$2,565,556 | \$2,4 |
| | ===== | ===== | ===== | ===== |

DEPOSITS

| (in thousands) | December 31, 2006 | September 30, 2006 | June 30, 2006 | Ma 6 |
|--|----------------------|-----------------------|------------------|---------|
| Demand deposits | \$ 883,294 | \$ 743,154 | \$ 758,132 | \$ 6 |
| Savings deposits | 507,431 | 512,112 | 510,878 | 5 |
| Certificates and other time deposits of \$100,000 or more | 408,910 | 394,724 | 313,751 | 3 |
| Other certificates and time deposits | 950,903 | 1,044,301 | 952,639 | 9 |
| | ----- | ----- | ----- | ----- |
| | \$2,750,538 | \$2,694,291 | \$2,535,400 | \$2,4 |
| | ===== | ===== | ===== | ===== |