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FIRST MERCHANTS CORP
Form 8-K
January 28, 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): January 28, 2005

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

INDIANA 0-17071 35-1544218
(State or other jurisdiction (Commission file number) (IRS Employer
of incorporation) 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 January 28, 2005, First Merchants Corporation issued a press release to report its financial results for the fourth quarter ended December

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31, 2004. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Form 8-K and the attached Exhibit shall not be deemed filed for purposes of Section 18 of the Securities Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

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

Exhibit 99.1 Press Release, dated January 28, 2005, issued by
First Merchants Corporation

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: January 28, 2005

Page 3 of 10

EXHIBIT INDEX

Exhibit No.

99.1

Description

Press Release, dated January 28, 2005, issued by
First Merchants Corporation.

Page 4 of 10

First Merchants Corporation

Exhibit No. 99.1

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Press Release, dated January 28, 2005

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

January 28, 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 29 PERCENT INCREASE IN FOURTH QUARTER EARNINGS PER SHARE

First Merchants Corporation (NASDAQ - FRME) has reported fourth quarter diluted earnings per share totaling \$.40, a 29 percent increase over \$.31 recorded in the fourth quarter of 2003. Net income during the period totaled \$7.5 million compared to \$5.8 million in 2003.

Quarterly net interest income after the provision for loan losses improved by \$1.6 million, or 6.7 percent and non-interest income rose by \$1.1 million, or 14.3 percent.

For the year ending December 31, 2004, diluted earnings per share equaled \$1.58 a 5.3 percent increase over \$1.50 recorded in 2003. Net income totaled \$29.4 million compared to \$27.6 million in 2003.

Net interest income for the year improved by \$6 million, or 6.4 percent. Gains from the sale of mortgage loans, reflecting lower refinancing activity, declined by \$2.8 million resulting in decreased non-interest income of \$1.3 million.

Total assets equaled \$3.2 billion at year-end, an increase of \$115 million, or 3.7 percent from December 31, 2003. Loans, investments and bank owned life insurance, the Corporation's three primary earning assets, totaled \$2.9 billion, an increase of \$143 million over the prior year.

Michael L. Cox, President and Chief Executive Officer, stated that, "Our fourth quarter and full year results are encouraging and reflect an improving environment for our banking services. Our banking activity continued to expand as evidenced by \$164 million growth in our commercial loan portfolio. Mortgage banking activity, while near historic high levels, continues to be volatile and impacting gain on sale income. Overall, we are pleased with the year-end, and look forward to continued growth in 2005."

CONFERENCE CALL

First Merchants Corporation will conduct a conference call at 2:30 p.m. Eastern Time on Friday, January 28, 2005. To participate dial (Toll Free) 877-407-8289 and reference First Merchants Corporation's fourth quarter earnings release. A replay will be available until January 31, 2005 at 11:59 p.m. 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 # 1628 and Conference ID # 136101.

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.

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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, NA, Madison Community Bank, First United Bank, Union County National Bank, The Randolph County 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>).

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CONSOLIDATED BALANCE SHEETS

(in thousands)

	December 31,	
	2004	2003
Assets		
Cash and due from banks	\$ 69,960	\$ 77,112
Federal funds sold		32,415
	-----	-----
Cash and cash equivalents	69,960	109,527
Interest-bearing time deposits	9,343	8,141
Investment securities	421,535	356,797
Mortgage loans held for sale	3,367	3,043
Loans	2,428,051	2,353,503
Less: Allowance for loan losses	(22,548)	(25,493)
	-----	-----
Net Loans	2,405,503	2,328,010
Premises and equipment	38,254	39,639
Federal Reserve and Federal Home Loan Bank stock	22,858	15,502
Interest receivable	17,318	16,840
Core deposit intangibles and goodwill	141,284	142,723
Cash surrender value of life insurance	42,061	37,927
Other assets	20,185	18,663
	-----	-----
Total assets	\$ 3,191,668	\$ 3,076,812
	=====	=====
Liabilities		
Deposits		
Noninterest-bearing	\$ 330,685	\$ 338,201
Interest-bearing	2,077,465	2,023,900
	-----	-----
Total deposits	2,408,150	2,362,101
Borrowings	440,891	383,170
Interest payable	4,411	4,680

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Other liabilities	23,613	22,896
	-----	-----
Total liabilities	2,877,065	2,772,847
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 - 18,573,997 and 18,512,834	2,322	2,314
Additional paid-in capital	150,862	150,310
Retained earnings	161,459	149,096
Accumulated other comprehensive income (loss)	(40)	2,245
	-----	-----
Total stockholders' equity	314,603	303,965
	-----	-----
Total liabilities and stockholders' equity	\$ 3,191,668	\$ 3,076,812
	=====	=====

FINANCIAL HIGHLIGHTS

(In thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2004	2003	2004	2003
NET CHARGE OFF'S	\$ 3,929	\$ 5,396	\$ 8,650	\$ 10,128
AVERAGE BALANCES				
Total Assets	\$3,184,109	\$3,070,523	\$3,109,104	\$2,906,195
Total Loans	2,409,170	2,349,536	2,369,017	2,281,614
Total Deposits	2,444,563	2,361,544	2,365,306	2,257,075
Total Stockholders' Equity	315,869	302,803	310,004	293,603

FINANCIAL RATIOS

Return on Average Assets	.94%	.76%	.95%	.93%
Return on Avg. Stockholders' Equity	9.46	7.69	9.49	9.39
Avg. Earning Assets to Avg. Assets	91.38	90.19	90.28	89.99
Allowance for Loan Losses as % Of Total Loans	.93	1.08	.93	1.08
Net Charge Off's as % Of Avg. Loans (Annualized)	.65	.92	.37	.44
Dividend Payout Ratio	57.50	74.19	58.23	60.00
Avg. Stockholders' Equity to Avg. Assets	9.92	9.86	9.97	9.92
Tax Equivalent Yield on Earning Assets	5.74	5.62	5.72	5.98
Cost of Supporting Liabilities	1.89	1.84	1.84	1.97
Net Int. Margin (FTE) on Earning Assets	3.85	3.78	3.88	4.01

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)	Three Months Ended December 31,	Year Ended December 31
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	2004	2003	2004	2003
Interest income				
Loans receivable				
Taxable	\$ 36,363	\$ 34,697	\$ 139,953	\$ 139,953
Tax exempt	138	195	581	581
Investment securities				
Taxable	2,224	1,484	8,371	8,371
Tax exempt	1,569	1,451	6,098	6,098
Federal funds sold	92	148	165	165
Deposits with financial institutions	167	22	555	555
Federal Reserve and Federal Home Loan Bank stock	297	39	1,251	1,251
	-----	-----	-----	-----
Total interest income	40,850	38,036	156,974	156,974
	-----	-----	-----	-----
Interest expense				
Deposits	9,288	8,303	33,844	33,844
Securities sold under repurchase agreements	183	248	517	517
Federal Home Loan Bank advances	2,418	2,362	9,777	9,777
Subordinated debentures, revolving credit and term loans	1,717	1,587	6,784	6,784
Other borrowings	126	233	663	663
	-----	-----	-----	-----
Total interest expense	13,732	12,733	51,585	51,585
	-----	-----	-----	-----
Net interest income	27,118	25,303	105,389	105,389
Provision for loan losses	1,233	1,047	5,705	5,705
	-----	-----	-----	-----
Net interest income after provision for loan losses	25,885	24,256	99,684	99,684
	-----	-----	-----	-----
Other income				
Fiduciary activities	1,897	1,603	7,632	7,632
Service charges on deposit accounts	2,924	2,717	11,638	11,638
Other customer fees	1,068	1,039	4,083	4,083
Net realized gains on sales of available-for-sale securities	456		1,188	1,188
Commission income	671	569	3,088	3,088
Earnings on cash surrender value of life insurance	439	446	1,798	1,798
Net gains and fees on sales of loans	801	770	3,629	3,629
Other income	415	443	1,498	1,498
	-----	-----	-----	-----
Total other income	8,671	7,587	34,554	34,554
	-----	-----	-----	-----
Other expenses				
Salaries and employee benefits	13,309	12,599	52,479	52,479
Net occupancy expenses	1,328	1,414	5,308	5,308
Equipment expenses	1,879	2,217	7,665	7,665
Marketing expense	521	538	1,709	1,709
Outside data processing fees	1,158	1,063	4,920	4,920
Printing and office supplies	397	466	1,580	1,580
Goodwill and core deposit amortization	802	923	3,373	3,373
Other expenses	4,272	4,623	14,608	14,608
	-----	-----	-----	-----
Total other expenses	23,666	23,843	91,642	91,642
	-----	-----	-----	-----
Income before income tax	10,890	8,000	42,596	42,596
Income tax expense	3,422	2,181	13,185	13,185
	-----	-----	-----	-----

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Net income	\$ 7,468	\$ 5,819	\$ 29,411	\$
	=====	=====	=====	=====

Per Share Data

Basic Net Income	.41	.31	1.59
Diluted Net Income	.40	.31	1.58
Cash Dividends Paid	.23	.23	.92

CONSOLIDATED BALANCE SHEETS

(in thousands)	December 31, 2004	September 30, 2004	June 30, 2004	March 31, 2004
Assets				
Cash and due from banks	\$ 69,960	\$ 73,367	\$ 72,432	\$
Federal funds sold		22,700		
	-----	-----	-----	-----
Cash and cash equivalents	69,960	96,067	72,432	
Interest-bearing time deposits	9,343	12,204	20,424	
Investment securities	421,535	420,645	411,140	3
Mortgage loans held for sale	3,367	2,715	4,001	
Loans	2,428,051	2,395,306	2,365,380	2,3
Less: Allowance for loan losses	(22,548)	(25,243)	(25,510)	(
	-----	-----	-----	-----
Net loans	2,405,503	2,370,063	2,339,870	2,2
Premises and equipment	38,254	38,170	38,437	
Federal Reserve and Federal Home Loan Bank stock	22,858	22,750	22,494	
Interest receivable	17,318	17,594	14,943	
Core deposit intangibles and goodwill	141,284	140,186	141,014	1
Cash surrender value of life insurance	42,061	41,700	41,288	
Other assets	20,185	19,268	22,247	
	-----	-----	-----	-----
Total assets	\$ 3,191,668	\$ 3,181,362	\$ 3,128,290	\$ 3,0
	=====	=====	=====	=====
Liabilities				
Deposits				
Noninterest-bearing	\$ 330,685	\$ 373,548	\$ 334,018	\$ 3
Interest-bearing	2,077,465	2,083,271	2,038,092	2,0
	-----	-----	-----	-----
Total deposits	2,408,150	2,456,819	2,372,110	2,3
Borrowings	440,891	379,922	422,885	3
Interest payable	4,411	5,706	4,216	
Other liabilities	23,613	25,253	24,811	
	-----	-----	-----	-----
Total liabilities	2,877,065	2,867,700	2,824,022	2,7
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	2,322	2,320	2,310	
Additional paid-in capital	150,862	148,993	149,194	1
Retained earnings	161,459	160,004	154,876	1
Accumulated other comprehensive income (loss)	(40)	2,345	(2,112)	

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Total stockholders' equity	314,603	313,662	304,268	3
Total liabilities and stockholders' equity	\$ 3,191,668	\$ 3,181,362	\$ 3,128,290	\$ 3,0

NON-PERFORMING ASSETS

(in thousands)	December 31, 2004	September 30, 2004	June 30, 2004	March 31, 2004
90 days past due	\$ 1,907	\$ 6,664	\$ 2,488	\$ 4,770
Non-accrual loans	15,355	16,852	17,702	19,914
Other real estate	1,650	1,546	1,653	1,571
Total non-performing assets	\$ 18,912	\$ 25,062	\$ 21,843	\$ 26,255
Average total loans for the quarter	\$2,409,170	\$2,383,942	\$2,343,270	\$2,339,080
Total non-performing assets as a percent of average total loans	.79%	1.05%	.93%	1.12%
Restructured loans	\$ 2,019	\$ 2,169	\$ 926	\$ 957

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)	December 31, 2004	September 30, 2004	June 30, 2004	Three Months Ended
Interest Income				
Loans receivable				
Taxable	\$ 36,363	\$ 35,342	\$ 34,021	\$
Tax exempt	138	143	137	
Investment securities				
Taxable	2,224	2,146	2,052	
Tax exempt	1,569	1,679	1,420	
Federal funds sold	92	18	37	
Deposits with financial institutions	167	154	125	
Federal Reserve and Federal Home Loan Bank stock	297	319	307	
Total interest income	40,850	39,801	38,099	
Interest expense				
Deposits	9,288	8,487	7,879	
Securities sold under repurchase agreements	183	16	98	
Federal Home Loan Bank advances	2,418	2,484	2,433	
Subordinated debentures, revolving credit and term loans	1,717	1,822	1,635	
Other borrowings	126	200	207	

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Total interest expense	13,732	13,009	12,252
Net interest income	27,118	26,792	25,847
Provision for loan losses	1,233	1,380	1,720
Net interest income after provision for loan losses	25,885	25,412	24,127
Other income			
Fiduciary activities	1,897	1,923	2,002
Service charges on deposit accounts	2,924	2,946	2,996
Other customer fees	1,068	979	966
Net realized gains on sales of available-for-sale securities	456	332	363
Commission income	671	687	777
Earnings on cash surrender value of life insurance	439	448	482
Net gains and fees on sales of loans	801	675	1,352
Other income	415	421	318
Total other income	8,671	8,411	9,256
Other expenses			
Salaries and employee benefits	13,309	13,087	13,059
Net occupancy expenses	1,328	1,391	1,335
Equipment expenses	1,879	1,853	1,954
Marketing expense	521	363	385
Outside data processing fees	1,158	1,328	1,211
Printing and office supplies	397	397	388
Goodwill and core deposit amortization	802	827	852
Other expenses	4,272	3,544	3,438
Total other expenses	23,666	22,790	22,622
Income before income tax	10,890	11,033	10,761
Income tax expense	3,422	3,380	3,406
Net income	\$ 7,468	\$ 7,653	\$ 7,355
Per Share Data			
Basic Net Income	\$.41	\$.41	\$.40
Diluted Net Income	.40	.41	.40
Cash Dividends Paid	.23	.23	.23
Average Diluted Shares Outstanding (in thousands)	18,721	18,658	18,633
FINANCIAL RATIOS			
Return on Average Assets	.94%	.98%	.96%
Return on Avg. Stockholders' Equity	9.46	9.88	9.56
Avg. Earning Assets to Avg. Assets	91.38	89.98	89.64
Allowance for Loan Losses as % Of Total Loans	.93	1.05	1.08
Net Charge Off's as % Of Avg. Loans (Annualized)	.65	.34	.46
Dividend Payout Ratio	57.50	56.10	57.50
Avg. Stockholders' Equity to Avg. Assets	9.92	9.89	10.00
Tax Equivalent Yield on Earning Assets	5.74	5.79	5.65

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Cost of Supporting Liabilities	1.89	1.85	1.78
Net Int. Margin (FTE) on Earning Assets	3.85	3.94	3.87