

FIRST MERCHANTS CORP
Form 10-Q
August 09, 2012

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission File Number 0-17071

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

Indiana	35-1544218
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

200 East Jackson Street, Muncie, IN	47305-2814
(Address of principal executive offices)	(Zip code)

(Registrant's telephone number, including area code): (765) 747-1500

Not Applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2012, there were 28,650,646 outstanding common shares of the registrant.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in thousands)

	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Cash and cash equivalents	\$ 68,493	\$ 73,312
Interest-bearing time deposits	41,760	52,851
Investment securities available for sale	547,551	518,491
Investment securities held to maturity (fair value of \$413,247 and \$442,469)	396,770	427,909
Mortgage loans held for sale	15,278	17,864
Loans, net of allowance for loan losses of \$70,143 and \$70,898	2,727,491	2,642,517
Premises and equipment	51,335	51,013
Federal Reserve and Federal Home Loan Bank stock	33,033	31,270
Interest receivable	16,506	17,723
Core deposit intangibles	8,649	9,114
Goodwill	141,357	141,357
Cash surrender value of life insurance	124,018	124,329
Other real estate owned	14,183	16,289
Tax asset, deferred and receivable	32,003	36,424
Other assets	13,996	12,613
TOTAL ASSETS	\$ 4,232,423	\$ 4,173,076
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 684,101	\$ 646,508
Interest-bearing	2,604,797	2,488,147
Total Deposits	3,288,898	3,134,655
Borrowings:		
Federal funds purchased	652	
Securities sold under repurchase agreements	160,127	156,305
Federal Home Loan Bank advances	96,847	138,095
Subordinated debentures and term loans	115,951	194,974
Total Borrowings	373,577	489,374
Interest payable	2,168	2,925
Other liabilities	32,104	31,655
Total Liabilities	3,696,747	3,658,609
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY		
Preferred Stock, no-par value, \$1,000 liquidation value:		
Authorized - 500,000 shares		
Senior Non-Cumulative Perpetual Preferred Stock, Series B		
Issued and outstanding - 90,782.94 shares	90,783	90,783
Cumulative Preferred Stock, \$1,000 par value, \$1,000 liquidation value:		

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Authorized - 600 shares		
Issued and outstanding - 125 shares	125	125
Common Stock, \$.125 stated value:		
Authorized - 50,000,000 shares		
Issued and outstanding - 28,643,264 and 28,559,707 shares	3,580	3,570
Additional paid-in capital	255,632	254,874
Retained earnings	188,863	168,717
Accumulated other comprehensive loss	(3,307)	(3,602)
Total Stockholders' Equity	535,676	514,467
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,232,423	\$ 4,173,076

See notes to consolidated condensed financial statements.

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CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
INTEREST INCOME				
Loans receivable:				
Taxable	\$ 36,652	\$ 37,457	\$ 72,500	\$ 76,195
Tax exempt	123	247	240	349
Investment securities:				
Taxable	4,468	5,040	9,042	9,587
Tax exempt	2,551	2,535	5,113	5,088
Federal funds sold		1		3
Deposits with financial institutions	28	100	53	183
Federal Reserve and Federal Home Loan Bank stock	347	341	690	682
Total Interest Income	44,169	45,721	87,638	92,087
INTEREST EXPENSE				
Deposits	3,939	5,864	8,049	12,730
Federal funds purchased	12	3	24	6
Securities sold under repurchase agreements	197	386	492	764
Federal Home Loan Bank advances	637	977	1,631	1,978
Subordinated debentures and term loans	1,331	2,644	3,273	5,285
Total Interest Expense	6,116	9,874	13,469	20,763
NET INTEREST INCOME	38,053	35,847	74,169	71,324
Provision for loan losses	4,545	5,625	9,420	11,219
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	33,508	30,222	64,749	60,105
OTHER INCOME				
Service charges on deposit accounts	2,893	2,997	5,712	5,776
Fiduciary activities	1,938	1,929	3,921	3,965
Other customer fees	3,150	2,634	5,736	4,869
Commission income	1,485	1,024	3,152	2,912
Earnings on cash surrender value of life insurance	662	571	2,040	1,149
Net gains and fees on sales of loans	2,314	1,030	4,266	2,903
Net realized gains on sales of available for sale securities	502	825	1,291	1,288
Other-than-temporary impairment on available for sale securities				(2,775)
Portion of loss recognized in other comprehensive income before taxes				2,375
Net impairment losses recognized in earnings				(400)
Gain on FDIC modified whole bank transaction			9,124	
Other income	221	51	581	457
Total Other Income	13,165	11,061	35,823	22,919
OTHER EXPENSES				
Salaries and employee benefits	19,641	18,560	38,995	35,736

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Net occupancy	2,473	2,415	5,124	5,160
Equipment	1,656	1,677	3,461	3,460
Marketing	564	436	1,006	818
Outside data processing fees	1,506	1,458	2,882	2,903
Printing and office supplies	294	313		