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FIRST MERCHANTS CORP
Form 8-K
April 22, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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 22, 2004

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, Indiana
(Address of principal executive offices)

47305-2814
(Zip Code)

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

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

Exhibit 99.1 Press Release, dated April 22, 2004, issued by
First Merchants Corporation

ITEM 9. REGULATION FD DISCLOSURE.

See "ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION" below.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On April 22, 2004, First Merchants Corporation issued a press release to report its financial results for the first quarter ended March 31, 2004. The press release is attached hereto as Exhibit 99.1, is being furnished by the Registrant pursuant to Regulation FD and is not being filed.

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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.

By: /s/ Larry R. Helms

Larry R. Helms, Senior Vice President

Dated: April 22, 2004

EXHIBIT INDEX

Exhibit No.

99.1

Description

Press Release, dated April 22, 2004, issued by
First Merchants Corporation.

First Merchants Corporation

Exhibit No. 99.1

Press Release, dated April 22, 2004

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

April 22, 2004

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 1st QUARTER 2004 RESULTS

First Merchants Corporation (NASDAQ - FRME) has reported first quarter 2004 diluted earnings per share of \$.37, a 15.6 percent increase from \$.32 recorded in 2003. Net income during the period totaled \$6.9 million compared to \$5.6 million in 2003.

Total assets of the Corporation were \$3 billion as of March 31, 2004, a modest increase of \$26 million from the prior year. Loans, investments and bank owned life insurance, the Corporation's three primary earning assets totaled \$2.8 billion, an increase of \$97 million or 3.6 percent, as fed funds sold declined by \$55 million resulting in increased earning assets of \$42 million. The improvement in earning assets was funded by increases in deposits and capital totaling \$46 million.

Net interest margin equaled 3.87 percent, a fifty-one basis point decline from the first quarter of 2003 margin of 4.38 percent. Declining margins were

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mitigated by a reduction in the provision for loan losses of \$1.4 million versus the \$4.6 million provided in the prior year.

The addition of CNBC Bancorporation on March 1, 2003, resulted in an additional two months of 2004 net income totaling \$472,000. The additional two months also accounted for \$2.0 million of additional net interest income, \$133,000 of non-interest income and \$1.4 million of additional non-interest expense.

Non-performing loans as a percentage of total loans equaled 1.12 percent, down from 1.19 percent in 2003. The Corporation's allowance for loan losses equaled 1.14 percent of average loans for the quarter and net charge-off's equaled .07 percent.

Michael L. Cox, President and Chief Executive Officer, stated that, "First Merchants Corporation's first quarter 2004 results reflect positive trends in a number of areas when compared to the fourth quarter of 2003. Earnings per share improved by \$.06, net interest margin improved by 9 basis points, return on assets and return on equity improved by 15 and 136 basis points respectively. Most encouraging is the decline in non-performing loans to the lowest level in five quarters." Cox also stated that, "First Merchants Corporation's management team is encouraged by recent progress and remains cautiously optimistic about the economy and the yield curve for the remainder of 2004."

CONFERENCE CALL

First Merchants Corporation will conduct a conference call at 9:30 a.m. Eastern Standard Time/10:30 a.m. Eastern Daylight Time on Thursday, April 22, 2004. To participate dial 888-710-8192 and reference First Merchants Corporation's first quarter earnings release. A digital recording will be available two hours after the completion of the conference from April 22, 2004, to April 24, 2004. To access, US/Canada participants should call 800-642-1687 or for International/Local participants, call 706-645-9291 and enter the Conference I.D. 6682180.

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, 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 and is rated A+ by Standard & Poor's Corporation. 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,	
	2004	2003
Assets		
Cash and due from banks	\$ 60,366	\$ 81,789
Federal funds sold	0	54,925
	-----	-----
Cash and cash equivalents	60,366	136,714
Interest-bearing time deposits	10,674	5,170
Investment securities	376,974	333,692
Mortgage loans held for sale	3,883	13,558
Loans	2,320,103	2,291,178
Less: Allowance for loan losses	(26,459)	(29,733)
	-----	-----
Net loans	2,293,644	2,261,445
Premises and equipment	38,972	38,861
Federal Reserve and Federal Home Loan Bank stock	21,956	13,912
Interest receivable	15,061	16,789
Core deposit intangibles and goodwill	141,867	141,226
Cash surrender value of life insurance	40,843	14,567
Other assets	20,901	23,088
	-----	-----
Total assets	\$ 3,025,141	\$ 2,999,022
	=====	=====
Liabilities		
Deposits		
Noninterest-bearing	\$ 303,694	\$ 289,835
Interest-bearing	2,009,726	1,996,836
	-----	-----
Total deposits	2,313,420	2,286,671
Borrowings	372,356	388,821
Interest payable	4,542	5,694
Other liabilities	25,676	28,212
	-----	-----
Total liabilities	2,715,994	2,709,398
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 -- 18,532,769 and 18,383,045 shares	2,317	2,298
Additional paid-in capital	150,679	143,505
Retained earnings	151,771	139,743
Accumulated other comprehensive income	4,380	4,078
	-----	-----
Total stockholders' equity	309,147	289,624
	-----	-----
Total liabilities and stockholders' equity	\$ 3,025,141	\$ 2,999,022
	=====	=====

FINANCIAL HIGHLIGHTS

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(In thousands)	Three Months Ended	
	March 31,	
	2004	2003
NET CHARGE OFF'S	\$ 406	\$ 1,012
AVERAGE BALANCES		
Total Assets	\$3,041,837	\$2,733,077
Total Loans	2,339,080	2,111,056
Total Deposits	2,312,708	2,078,786
Total Stockholders' Equity	306,592	272,939
FINANCIAL RATIOS		
Return on Average Assets	.91%	.83%
Return on Avg. Stockholders' Equity	9.05	8.29
Avg. Earning Assets to Avg. Assets	90.05	90.17
Allowance for Loan Losses as % Of Total Loans	1.14	1.29
Net Charge Off's as % Of Avg. Loans (Annualized)	.07	.19
Dividend Payout Ratio	62.16	68.75
Avg. Stockholders' Equity to Avg. Assets	10.08	9.99
Tax Equivalent Yield on Earning Assets	5.71	6.49
Cost of Supporting Liabilities	1.84	2.11
Net Int. Margin (FTE) on Earning Assets	3.87	4.38

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)	Three Months Ended	
	March 31,	
	2004	2003
Interest income		
Loans receivable		
Taxable	\$ 34,227	\$ 35,173
Tax exempt	163	165
Investment securities		
Taxable	1,949	1,679
Tax exempt	1,430	1,631
Federal funds sold	18	113
Deposits with financial institutions	109	22
Federal Reserve and Federal Home Loan Bank stock	328	198
	-----	-----
Total interest income	38,224	38,981
	-----	-----
Interest expense		
Deposits	8,190	8,884
Securities sold under repurchase agreements	220	449
Federal Home Loan Bank advances	2,442	2,273
Subordinated debentures, revolving credit and term loans	1,234	1,206
Other borrowings	506	159
	-----	-----
Total interest expense	12,592	12,971
	-----	-----

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Net interest income	25,632	26,010
Provision for loan losses	1,372	4,601
	-----	-----
Net interest income		
after provision for loan losses	24,260	21,409
	-----	-----
Other income		
Fiduciary activities	1,810	1,697
Service charges on deposit accounts	2,772	2,784
Other customer fees	1,070	1,088
Net realized gains on		
sales of available-for-sale securities	37	371
Commission income	953	754
Earnings on cash surrender value		
of life insurance	429	199
Net gains and fees on sales of loans	801	935
Other income	344	458
	-----	-----
Total other income	8,216	8,286
	-----	-----
Other expenses		
Salaries and employee benefits	13,024	11,777
Net occupancy expenses	1,254	1,091
Equipment expenses	1,979	1,844
Marketing expense	440	434
Outside data processing fees	1,223	928
Printing and office supplies	398	407
Goodwill and core deposit amortization	892	828
Other expenses	3,354	4,232
	-----	-----
Total other expenses	22,564	21,541
	-----	-----
Income before income tax	9,912	8,154
Income tax expense	2,977	2,496
	-----	-----
Net income	\$ 6,935	\$ 5,658
	=====	=====
Per Share Data (1)		
Basic Net Income	.37	.32
Diluted Net Income	.37	.32
Cash Dividends Paid	.23	.22
Average Diluted Shares		
Outstanding (in thousands)	18,646	17,676

(1) Restated for a five percent (5%) stock dividend distributed September 2003.

CONSOLIDATED BALANCE SHEETS

(in thousands)

March 31, December 31, September 30, June 30
2004 2003 2003 2003

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Assets				
Cash and due from banks	\$ 60,366	\$ 77,112	\$ 87,619	\$ 89,112
Federal funds sold	0	32,415	0	14,112
	-----	-----	-----	-----
Cash and cash equivalents	60,366	109,527	87,619	103,224
Interest-bearing time deposits	10,674	8,141	3,789	8,712
Investment securities	376,974	356,797	316,852	363,112
Mortgage loans held for sale	3,883	3,043	12,042	15,112
Loans	2,320,103	2,353,503	2,351,405	2,324,512
Less: Allowance for loan losses	(26,459)	(25,493)	(29,842)	(30,612)
	-----	-----	-----	-----
Net loans	2,293,644	2,328,010	2,321,563	2,293,900
Premises and equipment	38,972	39,639	39,475	39,312
Federal Reserve and Federal Home Loan Bank stock	21,956	15,502	14,057	13,912
Interest receivable	15,061	16,840	17,139	16,512
Core deposit intangibles and goodwill	141,867	142,723	143,648	144,612
Cash surrender value of life insurance	40,843	37,927	37,536	34,512
Other assets	20,901	18,663	18,000	23,612
	-----	-----	-----	-----
Total assets	\$ 3,025,041	\$ 3,076,812	\$ 3,011,720	\$ 3,056,912
	=====	=====	=====	=====
Liabilities				
Deposits				
Noninterest-bearing	\$ 303,694	\$ 338,201	\$ 316,058	\$ 324,712
Interest-bearing	2,009,726	2,023,900	1,994,146	1,988,512
	-----	-----	-----	-----
Total deposits	2,313,420	2,362,101	2,310,204	2,313,224
Borrowings	372,356	383,170	374,051	417,612
Interest payable	4,542	4,680	5,200	5,412
Other liabilities	25,676	22,896	21,064	19,412
	-----	-----	-----	-----
Total liabilities	2,715,994	2,772,847	2,710,519	2,755,912
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	2,317	2,314	2,311	2,312
Additional paid-in capital	150,679	150,310	149,810	148,212
Retained earnings	151,771	149,096	147,559	144,412
Accumulated other comprehensive income	4,380	2,245	1,521	5,912
	-----	-----	-----	-----
Total stockholders' equity	309,147	303,965	301,201	301,012
	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$ 3,025,141	\$ 3,076,812	\$ 3,011,720	\$ 3,056,912
	=====	=====	=====	=====

NON-PERFORMING ASSETS

(In thousands)	March 31, 2004	December 31, 2003	September 30, 2003	June 30, 2003	March 31, 2003
90 days past due	\$ 4,770	\$ 6,530	\$ 4,790	\$ 5,295	\$ 3,512
Non-accrual loans	19,914	19,453	20,093	22,532	19,712
Other real estate	1,571	1,399	1,547	2,351	1,812
	-----	-----	-----	-----	-----
Total non-performing assets	\$ 26,255	\$ 27,382	\$ 26,430	\$ 30,178	\$ 25,112
	=====	=====	=====	=====	=====

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Average total loans for the quarter	\$2,339,080	\$ 2,349,536	\$ 2,348,817	\$2,313,688	\$2,111,0
Total non-performing assets as a percent of average total loans	1.12%	1.17%	1.13%	1.30%	1.1
Restructured loans	\$ 957	\$ 641	\$ 647	\$ 899	\$ 2,1

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)	Three Months Ended			
	March 31, 2004	December 31, 2003	September 30, 2003	June 30, 2003
Interest Income				
Loans receivable				
Taxable	\$ 34,227	\$ 34,697	\$ 35,607	\$ 35,759
Tax exempt	163	195	185	162
Investment securities				
Taxable	1,949	1,484	1,342	1,600
Tax exempt	1,430	1,451	1,562	1,626
Federal funds sold	18	148	49	177
Deposits with financial institutions	109	22	13	19
Federal Reserve and Federal Home Loan Bank stock	328	39	201	211
Total interest income	38,224	38,036	38,959	39,554
Interest expense				
Deposits	8,190	8,303	8,623	9,048
Securities sold under repurchase agreements	220	248	370	454
Federal Home Loan Bank advances	2,442	2,362	2,409	2,395
Subordinated debentures, revolving credit and term loans	1,234	1,234	1,232	1,259
Other borrowings	506	586	451	443
Total interest expense	12,592	12,733	13,085	13,599
Net interest income	25,632	25,303	25,874	25,955
Provision for loan losses	1,372	1,047	1,706	2,123
Net interest income after provision for loan losses	24,260	24,256	24,168	23,832
Other income				
Fiduciary activities	1,810	1,603	1,547	1,889
Service charges on deposit accounts	2,772	2,717	2,861	2,743
Other customer fees	1,070	1,039	961	1,036
Net realized gains on sales of available-for-sale securities	37	0	512	67
Commission income	953	569	638	707
Earnings on cash surrender value of life insurance	429	446	498	204
Net gains and fees on sales of loans	801	770	1,332	3,351
Other income	344	443	527	1,156

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Total other income	8,216	7,587	8,876	11,153
	-----	-----	-----	-----
Other expenses				
Salaries and employee benefits	13,024	12,599	13,206	12,902
Net occupancy expenses	1,254	1,414	1,189	1,200
Equipment expenses	1,979	2,217	1,996	2,016
Marketing expense	440	538	414	411
Outside data processing fees	1,223	1,063	1,025	1,102
Printing and office supplies	398	466	401	432
Goodwill and core deposit amortization	892	923	958	991
Other expenses	3,354	4,623	3,771	3,881
	-----	-----	-----	-----
Total other expenses	22,564	23,843	22,960	22,935
	-----	-----	-----	-----
Income before income tax	9,912	8,000	10,084	12,050
Income tax expense	2,977	2,181	2,735	3,305
	-----	-----	-----	-----
Net income	\$ 6,935	\$ 5,819	\$ 7,349	\$ 8,745
	=====	=====	=====	=====
Per Share Data(1)				
Basic Net Income	\$.37	\$.31	\$.40	\$.48
Diluted Net Income	.37	.31	.39	.48
Cash Dividends Paid	.23	.23	.23	.22
Average Diluted Shares				
Outstanding (in thousands)	18,646	18,666	18,622	18,519
FINANCIAL RATIOS				
Return on Average Assets	.91%	.76%	.97%	1.17%
Return on Avg. Stockholders' Equity	9.05	7.69	9.76	11.77
Avg. Earning Assets to Avg. Assets	90.05	90.19	89.48	90.14
Allowance for Loan Losses as %				
Of Total Loans	1.14	1.08	1.26	1.31
Net Charge Off's as % Of Avg. Loans				
(Annualized)	.07	.92	.43	.21
Dividend Payout Ratio	62.16	74.19	58.97	46.00
Avg. Stockholders' Equity to Avg. Assets	10.08	9.86	9.93	9.90
Tax Equivalent Yield on Earning Assets	5.71	5.62	5.89	5.99
Cost of Supporting Liabilities	1.84	1.84	1.93	2.01
Net Int. Margin (FTE) on Earning Assets	3.87	3.78	3.96	3.98

(1) Restated for a five percent (5%) stock dividend distributed September 2003.