

FIRST MERCHANTS CORP
Form 10-Q
August 09, 2018

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, 2018
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 (I.R.S. Employer
incorporation or organization) 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, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if smaller reporting company)

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, 2018, there were 49,560,536 outstanding common shares of the registrant.

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GLOSSARY OF DEFINED TERMS

FIRST MERCHANTS CORPORATION

Arlington Bank	The Arlington Bank, which was acquired by the Corporation on May 19, 2017.
ASC	Accounting Standards Codification
Bank	First Merchants Bank, a wholly-owned subsidiary of the Corporation
CET1	Common Equity Tier 1
CMT	Constant Maturity Treasury
Corporation	First Merchants Corporation
ESPP	Employee Stock Purchase Plan
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank
FTE	Fully taxable equivalent
GAAP	Generally Accepted Accounting Principles
IAB	Independent Alliance Banks, Inc., which was acquired by the Corporation on July 14, 2017.
OREO	Other real estate owned
RSA	Restricted Stock Awards
TEFRA	Tax Equity and Fiscal Responsibility Act. The TEFRA disallowance reduces the amount of interest expense an entity may deduct for the purpose of carrying tax-free investment securities.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(table dollar amounts in thousands, except share data)

CONSOLIDATED CONDENSED BALANCE SHEETS

	June 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Cash and cash equivalents	\$ 133,893	\$ 154,905
Interest-bearing time deposits	36,599	35,027
Investment securities available for sale	1,096,837	999,947
Investment securities held to maturity (fair value of \$519,643 and \$568,208)	522,846	560,655
Loans held for sale	2,046	7,216
Loans, net of allowance for loan losses of \$77,543 and \$75,032	7,003,516	6,676,167
Premises and equipment	94,397	95,852
Federal Home Loan Bank stock	24,588	23,825
Interest receivable	38,530	37,130
Goodwill	445,355	445,355
Other intangibles	27,704	31,148
Cash surrender value of life insurance	222,905	223,557
Other real estate owned	9,071	10,373
Tax asset, deferred and receivable	24,619	23,983
Other assets	51,809	42,338
TOTAL ASSETS	\$9,734,715	\$9,367,478
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 1,571,194	\$ 1,761,553
Interest-bearing	5,932,621	5,410,977
Total Deposits	7,503,815	7,172,530
Borrowings:		
Federal funds purchased	109,000	144,038
Securities sold under repurchase agreements	122,513	136,623
Federal Home Loan Bank advances	469,261	414,377
Subordinated debentures and term loans	138,352	139,349
Total Borrowings	839,126	834,387
Interest payable	4,807	4,390
Other liabilities	46,639	52,708
Total Liabilities	8,394,387	8,064,015
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY		
Cumulative Preferred Stock, \$1,000 par value, \$1,000 liquidation value:		
Authorized - 600 shares		
Issued and outstanding - 125 shares	125	125
Common Stock, \$.125 stated value:		
Authorized - 100,000,000 shares		
Issued and outstanding - 49,280,188 and 49,158,238 shares	6,160	6,145
Additional paid-in capital	836,549	834,870

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Retained earnings	522,362	465,231
Accumulated other comprehensive loss	(24,868)(2,908
Total Stockholders' Equity	1,340,328	1,303,463
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$9,734,715	\$9,367,478

See NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(table dollar amounts in thousands, except share data)

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
INTEREST INCOME				
Loans receivable:				
Taxable	\$84,663	\$59,386	\$162,930	\$115,743
Tax exempt	3,632	2,492	7,228	4,825
Investment securities:				
Taxable	5,434	4,180	10,530	8,488
Tax exempt	6,246	5,091	12,372	10,094
Deposits with financial institutions	633	114	764	158
Federal Home Loan Bank stock	263			