

Edgar Filing: FIRST MERCHANTS CORP - Form 8-K

31, 2005 and year to date results for the period ending December 31, 2005. 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 27, 2006, issued by First Merchants Corporation |
|--------------|--|

Page 2 of 12

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 27, 2006

Page 3 of 12

EXHIBIT INDEX

Exhibit No.

99.1

Description

Press Release, dated January 27, 2006, issued by First Merchants Corporation.

Page 4 of 12

Edgar Filing: FIRST MERCHANTS CORP - Form 8-K

First Merchants Corporation

Exhibit No. 99.1

Press Release, dated January 27, 2006

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

January 27, 2006

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 2005 EARNINGS PER SHARE

First Merchants Corporation (NASDAQ - FRME) has reported fourth-quarter diluted earnings per share of \$.41, a 2.5 percent increase over \$.40 recorded in the fourth quarter of 2004. Net income during the quarter totaled \$8.2 million compared to \$7.7 million in 2004.

Full-year 2005 diluted earnings per share totaled \$1.63, a 3.2 percent increase over \$1.58 recorded in 2004. Net income totaled \$30.2 million compared to \$29.4 million in 2004.

2005 net-interest income improved by \$5.7 million, or 5.4 percent, as net-interest margin improved to 3.97 percent, a 9-basis point increase over 2004. Core non-interest income also increased by \$1,353,000, or 4.1 percent, after discounting nonrecurring gains from the sale of securities of \$1.2 million taken in 2004.

The allowance for loan losses improved to 1.02 percent of total loans on December 31, 2005, a 9-basis point improvement over 2004. The improvement in the allowance is reflective of increased provisions of \$2.6 million during 2005. Additionally, non-performing assets declined from 79-basis points in 2004 to 69 basis points in 2005, a \$2 million dollar improvement.

Operating expenses increased by \$2.3 million, or 2.5 percent in 2005. However, as reported in the Corporation's 8-K filing of February 16, 2005, a \$1.6 million charge related to the curtailment of the Corporation's defined benefit pension plan is included in the increase. Absent the curtailment charge, operating expenses increased by just .7 percent.

Total assets equaled \$3.2 billion at year-end, an increase of \$45 million, or 1.4 percent from December 31, 2004. Loans, investments and bank-owned life insurance, the Corporation's three primary earning assets, totaled \$2.9 billion, an increase of \$44 million over the prior year.

Michael L. Cox, President and Chief Executive Officer, stated that, "Given the many extraordinary events of the year, including our voluntary increase in the allowance for loan losses, the absence of non-recurring gains from the sale of securities and the pension curtailment expense, 2005 represents a good improvement in the overall run rate and financial condition of the Corporation. First Merchants' earnings have now increased in 29 of the past 30 years."

CONFERENCE CALL

First Merchants Corporation will conduct a conference call at 2:30 p.m. (ET) today, Friday, January 27, 2006. To participate dial (Toll Free) 877-407-9210

Edgar Filing: FIRST MERCHANTS CORP - Form 8-K

and reference First Merchants Corporation's fourth quarter earnings release. A replay will be available until February 3, 2006. 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 # 286 and Conference ID # 186821.

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, Madison Community Bank, United Communities National 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>).

* * * *

CONSOLIDATED BALANCE SHEETS

(in thousands)

| | December 31, | |
|--|--------------|--------------|
| | 2005 | 2004 |
| Assets | | |
| Cash and due from banks | \$ 70,417 | \$ 69,960 |
| Interest-bearing time deposits | 8,748 | 9,343 |
| Investment securities | 434,266 | 421,535 |
| Mortgage loans held for sale | 4,910 | 3,367 |
| Loans | 2,457,427 | 2,428,051 |
| Less: Allowance for loan losses | (25,188) | (22,548) |
| | ----- | ----- |
| Net Loans | 2,432,239 | 2,405,503 |
| Premises and equipment | 39,417 | 38,254 |
| Federal Reserve and Federal Home Loan Bank stock | 23,200 | 22,858 |
| Interest receivable | 19,690 | 17,318 |
| Core deposit intangibles and goodwill | 138,833 | 141,284 |
| Cash surrender value of life insurance | 43,579 | 42,061 |
| Other assets | 21,780 | 20,185 |
| | ----- | ----- |
| Total assets | \$ 3,237,079 | \$ 3,191,668 |
| | ===== | ===== |

Edgar Filing: FIRST MERCHANTS CORP - Form 8-K

| | | | |
|--|----|-----------|--------------|
| Liabilities | | | |
| Deposits | | | |
| Noninterest-bearing | \$ | 314,335 | \$ 330,685 |
| Interest-bearing | | 2,068,241 | 2,077,465 |
| | | ----- | ----- |
| Total deposits | | 2,382,576 | 2,408,150 |
| Borrowings | | 508,236 | 440,891 |
| Interest payable | | 5,874 | 4,411 |
| Other liabilities | | 26,997 | 23,613 |
| | | ----- | ----- |
| Total liabilities | | 2,923,683 | 2,877,065 |
| 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 - 18,416,714 and 18,573,997 | | 2,302 | 2,322 |
| Additional paid-in capital | | 145,682 | 150,862 |
| Retained earnings | | 174,717 | 161,459 |
| Accumulated other comprehensive loss | | (9,305) | (40) |
| | | ----- | ----- |
| Total stockholders' equity | | 313,396 | 314,603 |
| | | ----- | ----- |
| Total liabilities and stockholders' equity | \$ | 3,237,079 | \$ 3,191,668 |
| | | ===== | ===== |

FINANCIAL HIGHLIGHTS

| (In thousands) | Three Months Ended | | Year Ended | |
|----------------------------|--------------------|-------------|--------------|------------|
| | December 31, | | December 31, | |
| | 2005 | 2004 | 2005 | 2004 |
| NET CHARGE OFF'S | \$ 1,906 | \$ 3,929 | \$ 5,714 | \$ 8,65 |
| AVERAGE BALANCES | | | | |
| Total Assets | \$3,160,619 | \$3,184,109 | \$3,179,464 | \$3,109,10 |
| Total Loans | 2,447,794 | 2,409,170 | 2,434,134 | 2,369,01 |
| Total Deposits | 2,414,251 | 2,444,563 | 2,418,752 | 2,365,30 |
| Total Stockholders' Equity | 317,510 | 315,869 | 315,525 | 310,00 |

FINANCIAL RATIOS

| | | | | |
|--|-------|-------|-------|------|
| Return on Average Assets | .95% | .94% | .95% | .9 |
| Return on Avg. Stockholders' Equity | 9.49 | 9.46 | 9.58 | 9.4 |
| Avg. Earning Assets to Avg. Assets | 91.47 | 91.38 | 90.93 | 90.2 |
| Allowance for Loan Losses as % | | | | |
| Of Total Loans | 1.02 | .93 | 1.02 | .9 |
| Net Charge Off's as % Of Avg. Loans | | | | |
| (Annualized) | .31 | .65 | .23 | .3 |
| Dividend Payout Ratio | 56.10 | 57.50 | 56.44 | 58.2 |
| Avg. Stockholders' Equity to Avg. Assets | 10.05 | 9.92 | 9.92 | 9.9 |
| Tax Equivalent Yield on Earning Assets | 6.62 | 5.74 | 6.26 | 5.7 |
| Cost of Supporting Liabilities | 2.59 | 1.89 | 2.29 | 1.8 |
| Net Int. Margin (FTE) on Earning Assets | 4.03 | 3.85 | 3.97 | 3.8 |

Edgar Filing: FIRST MERCHANTS CORP - Form 8-K

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-----------|----------------------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Interest income | | | | |
| Loans receivable | | | | |
| Taxable | \$ 41,930 | \$ 36,363 | \$ 158,436 | \$ 138,436 |
| Tax exempt | 160 | 138 | 643 | 643 |
| Investment securities | | | | |
| Taxable | 2,480 | 2,224 | 9,612 | 9,612 |
| Tax exempt | 1,672 | 1,569 | 6,374 | 6,374 |
| Federal funds sold | 74 | 92 | 264 | 264 |
| Deposits with financial institutions | 202 | 167 | 695 | 695 |
| Federal Reserve and Federal Home Loan Bank stock | 296 | 297 | 1,185 | 1,185 |
| | ----- | ----- | ----- | ----- |
| Total interest income | 46,814 | 40,850 | 177,209 | 158,436 |
| | ----- | ----- | ----- | ----- |
| Interest expense | | | | |
| Deposits | 13,414 | 9,288 | 46,121 | 38,414 |
| Securities sold under repurchase agreements | 647 | 183 | 1,612 | 1,612 |
| Federal Home Loan Bank advances | 2,410 | 2,418 | 9,777 | 9,777 |
| Subordinated debentures, revolving credit lines and term loans | 1,910 | 1,717 | 7,432 | 7,432 |
| Other borrowings | 307 | 126 | 1,138 | 1,138 |
| | ----- | ----- | ----- | ----- |
| Total interest expense | 18,688 | 13,732 | 66,080 | 58,373 |
| | ----- | ----- | ----- | ----- |
| Net interest income | 28,126 | 27,118 | 111,129 | 100,063 |
| Provision for loan losses | 1,945 | 1,233 | 8,354 | 8,354 |
| | ----- | ----- | ----- | ----- |
| Net interest income after provision for loan losses | 26,181 | 25,885 | 102,775 | 91,709 |
| | ----- | ----- | ----- | ----- |
| Other income | | | | |
| Fiduciary activities | 1,762 | 1,897 | 7,481 | 7,481 |
| Service charges on deposit accounts | 2,691 | 2,924 | 11,298 | 11,298 |
| Other customer fees | 1,432 | 1,068 | 5,094 | 5,094 |
| Net realized gains (losses) on sales of available-for-sale securities | (24) | 456 | (2) | (2) |
| Commission income | 690 | 671 | 3,821 | 3,821 |
| Earnings on cash surrender value of life insurance | 386 | 439 | 1,667 | 1,667 |
| Net gains and fees on sales of loans | 676 | 801 | 2,902 | 2,902 |
| Other income | 516 | 415 | 2,456 | 2,456 |
| | ----- | ----- | ----- | ----- |
| Total other income | 8,129 | 8,671 | 34,717 | 34,717 |
| | ----- | ----- | ----- | ----- |
| Other expenses | | | | |
| Salaries and employee benefits | 12,596 | 13,309 | 54,059 | 54,059 |
| Net occupancy expenses | 1,428 | 1,328 | 5,796 | 5,796 |
| Equipment expenses | 1,952 | 1,879 | 7,562 | 7,562 |
| Marketing expense | 625 | 521 | 2,012 | 2,012 |
| Outside data processing fees | 989 | 1,158 | 4,010 | 4,010 |
| Printing and office supplies | 400 | 397 | 1,369 | 1,369 |
| Core deposit amortization | 767 | 802 | 3,102 | 3,102 |

Edgar Filing: FIRST MERCHANTS CORP - Form 8-K

| | | | | |
|--------------------------|----------|----------|-----------|-------|
| Other expenses | 4,469 | 4,272 | 16,047 | 1 |
| | ----- | ----- | ----- | ----- |
| Total other expenses | 23,226 | 23,666 | 93,957 | 9 |
| | ----- | ----- | ----- | ----- |
| Income before income tax | 11,084 | 10,890 | 43,535 | 4 |
| Income tax expense | 3,553 | 3,422 | 13,296 | 1 |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 7,531 | \$ 7,468 | \$ 30,239 | \$ 2 |
| | ===== | ===== | ===== | ===== |

Per Share Data

| | | | | |
|--|--------|--------|--------|---|
| Basic Net Income | .41 | .41 | 1.64 | |
| Diluted Net Income | .41 | .40 | 1.63 | |
| Cash Dividends Paid | .23 | .23 | .92 | |
| Average Diluted Shares Outstanding (in thousands) | 18,558 | 18,721 | 18,596 | 1 |

CONSOLIDATED BALANCE SHEETS

| | | | | |
|--|----------------------|-----------------------|------------------|-------------------|
| (in thousands) | December 31, 2005 | September 30, 2005 | June 30, 2005 | March 31, 2005 |
| Assets | | | | |
| Cash and due from banks | \$ 70,417 | \$ 81,310 | \$ 71,498 | \$ 60,000 |
| Federal funds sold | | | | 2 |
| | ----- | ----- | ----- | ----- |
| Cash and cash equivalents | 70,417 | 81,310 | 71,498 | 8 |
| Interest-bearing time deposits | 8,748 | 10,708 | 9,255 | 1 |
| Investment securities | 434,266 | 436,794 | 420,685 | 40 |
| Mortgage loans held for sale | 4,910 | 5,026 | 1,356 | |
| Loans | 2,457,427 | 2,443,931 | 2,440,906 | 2,41 |
| Less: Allowance for loan losses | (25,188) | (25,149) | (25,091) | (2 |
| | ----- | ----- | ----- | ----- |
| Net loans | 2,432,239 | 2,418,782 | 2,415,815 | 2,38 |
| Premises and equipment | 39,417 | 38,473 | 37,240 | 3 |
| Federal Reserve and Federal Home Loan Bank stock | 23,200 | 23,165 | 23,054 | 2 |
| Interest receivable | 19,690 | 19,561 | 16,950 | 1 |
| Core deposit intangibles and goodwill | 138,833 | 139,597 | 139,799 | 14 |
| Cash surrender value of life insurance | 43,579 | 43,230 | 42,827 | 4 |
| Other assets | 21,780 | 21,792 | 22,819 | 2 |
| | ----- | ----- | ----- | ----- |
| Total assets | \$ 3,237,079 | \$ 3,238,438 | \$ 3,201,298 | \$ 3,18 |
| | ===== | ===== | ===== | ===== |
| Liabilities | | | | |
| Deposits | | | | |
| Noninterest-bearing | \$ 314,335 | \$ 346,318 | \$ 363,654 | \$ 33 |
| Interest-bearing | 2,068,241 | 2,118,975 | 2,040,624 | 2,11 |
| | ----- | ----- | ----- | ----- |
| Total deposits | 2,382,576 | 2,465,293 | 2,404,278 | 2,45 |
| Borrowings | 508,236 | 423,959 | 454,400 | 39 |
| Interest payable | 5,874 | 5,643 | 5,068 | |
| Other liabilities | 26,997 | 25,153 | 24,194 | 2 |
| | ----- | ----- | ----- | ----- |
| Total liabilities | 2,923,683 | 2,920,048 | 2,887,940 | 2,87 |
| Stockholders' equity | | | | |

Edgar Filing: FIRST MERCHANTS CORP - Form 8-K

| | | | | |
|--|--------------|--------------|--------------|---------|
| Preferred stock, no-par value | | | | |
| Authorized and unissued -- 500,000 shares | | | | |
| Common stock, \$.125 stated value | | | | |
| Authorized -- 50,000,000 shares | | | | |
| Issued and outstanding | 2,302 | 2,313 | 2,302 | |
| Additional paid-in capital | 145,682 | 148,004 | 146,057 | 14 |
| Retained earnings | 174,717 | 171,419 | 167,452 | 16 |
| Accumulated other comprehensive loss | (9,305) | (3,346) | (2,453) | (|
| | ----- | ----- | ----- | ----- |
| Total stockholders' equity | 313,396 | 318,390 | 313,358 | 31 |
| | ----- | ----- | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 3,237,079 | \$ 3,238,438 | \$ 3,201,298 | \$ 3,18 |
| | ===== | ===== | ===== | ===== |

NON-PERFORMING ASSETS

| | | | | |
|--|----------------------|-----------------------|------------------|-------------------|
| (in thousands) | December 31, 2005 | September 30, 2005 | June 30, 2005 | March 31, 2005 |
| 90 days past due | \$ 3,965 | \$ 3,560 | \$ 3,696 | \$ 1,948 |
| Non-accrual loans | 10,030 | 11,757 | 11,626 | 13,272 |
| Other real estate | 2,835 | 3,023 | 1,804 | 2,003 |
| | ----- | ----- | ----- | ----- |
| Total non-performing assets | \$ 16,830 | \$ 18,340 | \$ 17,126 | \$ 17,223 |
| | ===== | ===== | ===== | ===== |
| Average total loans for the quarter | \$2,447,794 | \$2,444,131 | \$2,430,081 | \$2,414,050 |
| Total non-performing assets as a percent of average total loans | .69% | .75% | .70% | .71% |
| Restructured loans | \$ 310 | \$ 454 | \$ 531 | \$ 337 |

CONSOLIDATED STATEMENTS OF INCOME

| | | | | |
|--|----------------------|-----------------------|------------------|-------------------|
| (in thousands, except share data) | December 31, 2005 | September 30, 2005 | June 30, 2005 | March 31, 2005 |
| Interest Income | | | | |
| Loans receivable | | | | |
| Taxable | \$ 41,930 | \$ 40,853 | \$ 38,831 | \$ |
| Tax exempt | 160 | 160 | 189 | |
| Investment securities | | | | |
| Taxable | 2,480 | 2,427 | 2,376 | |
| Tax exempt | 1,672 | 1,595 | 1,554 | |
| Federal funds sold | 74 | 51 | 112 | |
| Deposits with financial institutions | 202 | 185 | 166 | |
| Federal Reserve and Federal Home Loan Bank stock | 296 | 296 | 285 | |
| | ----- | ----- | ----- | ----- |
| Total interest income | 46,814 | 45,567 | 43,513 | |
| | ----- | ----- | ----- | ----- |
| Interest expense | | | | |

Edgar Filing: FIRST MERCHANTS CORP - Form 8-K

| | | | |
|---|----------|----------|----------|
| Deposits | 13,414 | 12,172 | 10,729 |
| Securities sold under repurchase agreements | 647 | 523 | 193 |
| Federal Home Loan Bank advances | 2,410 | 2,549 | 2,443 |
| Subordinated debentures, revolving credit | | | |
| Lines and term loans | 1,910 | 1,894 | 1,839 |
| Other borrowings | 307 | 289 | 388 |
| | ----- | ----- | ----- |
| Total interest expense | 18,688 | 17,427 | 15,592 |
| | ----- | ----- | ----- |
| Net interest income | 28,126 | 28,140 | 27,921 |
| Provision for loan losses | 1,945 | 1,794 | 1,948 |
| | ----- | ----- | ----- |
| Net interest income | | | |
| after provision for loan losses | 26,181 | 26,346 | 25,973 |
| | ----- | ----- | ----- |
| Other income | | | |
| Fiduciary activities | 1,762 | 1,794 | 1,963 |
| Service charges on deposit accounts | 2,691 | 2,836 | 3,048 |
| Other customer fees | 1,432 | 1,389 | 1,188 |
| Net realized gains (losses) on sales of | | | |
| available-for-sale securities | (24) | 16 | 6 |
| Commission income | 690 | 870 | 757 |
| Earnings on cash surrender value | | | |
| of life insurance | 386 | 441 | 439 |
| Net gains and fees on sales of loans | 676 | 770 | 779 |
| Other income | 516 | 664 | 582 |
| | ----- | ----- | ----- |
| Total other income | 8,129 | 8,780 | 8,762 |
| | ----- | ----- | ----- |
| Other expenses | | | |
| Salaries and employee benefits | 12,596 | 13,384 | 13,258 |
| Net occupancy expenses | 1,428 | 1,570 | 1,422 |
| Equipment expenses | 1,952 | 1,901 | 1,852 |
| Marketing expense | 625 | 446 | 526 |
| Outside data processing fees | 989 | 979 | 1,033 |
| Printing and office supplies | 400 | 328 | 304 |
| Core deposit amortization | 767 | 770 | 778 |
| Other expenses | 4,469 | 3,923 | 4,026 |
| | ----- | ----- | ----- |
| Total other expenses | 23,226 | 23,301 | 23,199 |
| | ----- | ----- | ----- |
| Income before income tax | 11,084 | 11,825 | 11,536 |
| Income tax expense | 3,553 | 3,605 | 3,615 |
| | ----- | ----- | ----- |
| Net income | \$ 7,531 | \$ 8,220 | \$ 7,921 |
| | ===== | ===== | ===== |
| Per Share Data | | | |
| Basic Net Income | \$.41 | \$.45 | \$.43 |
| Diluted Net Income | .41 | .44 | .43 |
| Cash Dividends Paid | .23 | .23 | .23 |
| Average Diluted Shares | | | |
| Outstanding (in thousands) | 18,558 | 18,590 | 18,536 |
| FINANCIAL RATIOS | | | |
| Return on Average Assets | .95% | 1.03% | .99% |
| Return on Avg. Stockholders' Equity | 9.49 | 10.38 | 10.13 |
| Avg. Earning Assets to Avg. Assets | 91.47 | 90.83 | 90.81 |

Edgar Filing: FIRST MERCHANTS CORP - Form 8-K

| | | | |
|--|-------|-------|-------|
| Allowance for Loan Losses as % | | | |
| Of Total Loans | 1.02 | 1.03 | 1.03 |
| Net Charge Off's as % Of Avg. Loans | | | |
| (Annualized) | .31 | .28 | .22 |
| Dividend Payout Ratio | 56.10 | 52.27 | 53.49 |
| Avg. Stockholders' Equity to Avg. Assets | 10.05 | 9.89 | 9.80 |
| Tax Equivalent Yield on Earning Assets | 6.62 | 6.40 | 6.14 |
| Cost of Supporting Liabilities | 2.59 | 2.40 | 2.15 |
| Net Int. Margin (FTE) on Earning Assets | 4.03 | 4.00 | 3.99 |

LOANS

| (in thousands) | December 31, 2005 | September 30, 2005 | June 30, 2005 | |
|---|----------------------|-----------------------|------------------|-------|
| Commercial and industrial loans | \$ 461,102 | \$ 476,010 | \$ 463,002 | \$ |
| Agricultural production financing and other loans to farmers | 95,130 | 94,262 | 93,274 | |
| Real estate loans: | | | | |
| Construction | 174,783 | 171,667 | 166,367 | |
| Commercial and farmland | 734,865 | 719,154 | 723,099 | |
| Residential | 751,217 | 746,777 | 759,003 | |
| Individuals' loans for household and other personal expenditures | 200,139 | 186,792 | 182,362 | |
| Tax exempt loans | 8,263 | 12,439 | 14,135 | |
| Lease financing receivables, net of unearned income | 8,713 | 9,538 | 10,533 | |
| Other loans | 23,215 | 27,292 | 29,131 | |
| | ----- | ----- | ----- | ----- |
| | 2,457,427 | 2,443,931 | 2,440,906 | 2, |
| Allowance for loan losses | (25,188) | (25,149) | (25,091) | |
| | ----- | ----- | ----- | ----- |
| Total loans | \$2,432,239 | \$2,418,782 | \$2,415,815 | \$2, |
| | ===== | ===== | ===== | ===== |

DEPOSITS

| (in thousands) | December 31, 2005 | September 30, 2005 | June 30, 2005 | |
|--|----------------------|-----------------------|------------------|-------|
| Demand deposits | \$ 690,923 | \$ 697,597 | \$ 720,263 | \$ 6 |
| Savings deposits | 566,212 | 568,366 | 593,770 | 6 |
| Certificates and other time deposits of \$100,000 or more | 264,665 | 320,640 | 234,988 | 2 |
| Other certificates and time deposits | 860,776 | 878,690 | 855,257 | 8 |
| | ----- | ----- | ----- | ----- |
| | \$2,382,576 | \$2,465,293 | \$2,404,278 | \$2,4 |
| | ===== | ===== | ===== | ===== |