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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 February 5, 2008, issued by  
First Merchants Corporation

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

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Mark K. Hardwick  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial and  
Principal Accounting Officer)

Dated: February 5, 2009

EXHIBIT INDEX

| Exhibit No. | Description   |
|-------------|---|
| -----       | -----   |
| 99.1        | Press Release, dated February 5, 2009, issued by First Merchants Corporation. |

First Merchants Corporation

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Exhibit No. 99.1

Press Release, dated February 5, 2009

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

February 5, 2009

FOR IMMEDIATE RELEASE

For more information, contact:

Mark K. Hardwick, Executive Vice President/Chief Financial Officer, 765-751-1857  
<http://www.firstmerchants.com>

SOURCE: First Merchants Corporation, Muncie, Indiana

FIRST MERCHANTS CORPORATION ANNOUNCES 2008 EARNINGS OF \$20.6 MILLION.

First Merchants Corporation (NASDAQ - FRME) has reported 2008 diluted earnings per share of \$1.14, a decline of \$.59 from the 2007 total of \$1.73. Net Income for the year totaled \$20.6 million compared to the 2007 total of \$31.6 million.

Total assets reached a record \$4.8 billion at quarter-end, an increase of \$1 billion, from the December 31, 2007 total of \$3.8 billion. Of the \$1 billion increase, the completion of the merger with Lincoln Bancorp on December 31, 2008 accounted for \$876 million of the increase.

The completion of the Lincoln Bancorp acquisition continues the corporation's direction of pursuing stronger growth markets. More importantly the board of directors and management of First Merchants Corporation believe the strategic focus on the Indianapolis marketplace through the addition of Lincoln and its 17 banking centers will accelerate First Merchants position in many of the fastest growing counties within Indiana. Lincoln's operating earnings did not impact First Merchants Corporation's net income during 2008 as the acquisition was completed on December 31, 2008. By contrast the December 31, 2008 balance sheet is consolidated to include Lincoln.

Loans and investments, the Corporation's primary earning assets, totaled \$4.20 billion, an increase of \$876 million, or 26.3 percent, over the prior year. Loans accounted for \$846 million of the increase as investment securities increased by \$31 million. Of the \$876 million increase, Lincoln accounted for \$637 million in loans and \$122 million in investments.

The Corporation's allowance for loan losses as a percent of total loans increased from .98 percent to 1.31 during the year, a \$20.7 million increase. Provision expense exceeded net charge-offs by \$12 million and Lincoln Bank added \$8.7 million to the Corporation's allowance for loan loss total at year-end. The increased allowance for loan losses total is comprised of a \$2.4 million increase specific impairment reserves, \$4.1 million in the general historical loss component and a \$14.2 million increase in environmental factors. None of the increases in specific reserves were related to Lincoln as all recognized impairments were charged down to the fair value prior to closing the transaction. Total specific impairment reserves are \$9.8 million or 20% of the total allowance methodology.

Non-performing loans totaled \$88 million, including the addition of \$34 million from Lincoln. Of the \$88 million in non-performing loans, commercial real estate loans totaled \$29 million, land and lot development loans totaled \$20 million, 1-4 family residential properties totaled \$18 million, commercial and industrial loans totaled \$16 million and other loans totaled \$5 million. The Corporation's exposure to land development, single-family residential development, condominium

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and duplex development projects is limited to \$76 million. Non performing loans totaled \$88 million, including the addition of \$34 million from Lincoln.

The Corporations total deposits increased during the year by \$875 million as Lincoln Bank accounted for \$655 million of the increase. Total borrowings increased by just \$50 million including the \$137 million increase from Lincoln Bank. As of December 31, 2008 the Corporation's tangible capital totaled 5.01%, tier 1 leverage ratio totaled 7.86%, tier 1 risk based capital totaled 7.31% and total risk based capital totaled 9.84%. The decrease in the Corporation's capital ratios for the year is primarily attributable to two factors.

The first factor of note is the decline in First Merchants other comprehensive income of \$12.8 million resulting from investment security write-down's under FASB 115 totaling \$1.3 million and the decline in pension plan asset valuations totaling \$11.5 million during the year. The second factor is a combination of items related to the Lincoln Bancorp acquisition. The Corporation used cash of \$16.8 million as part of the \$77.3 million purchase price resulting in increased common equity of \$60.1 million to acquire an \$876 million institution. Additionally, as a result of the acquisition First Merchants added \$32.3 million of intangibles from the closing of Lincoln Bancorp.

Core deposit intangibles totaled \$12.4 million, while purchase accounting adjustments to Lincoln's assets and liabilities totaled \$11.6 million resulting in Goodwill. The remaining \$8.3 million is reflective of the premium paid by First Merchants Corporation over Lincoln Bancorp's tangible equity at year-end. The purchase accounting adjustments of \$11.6 million reduced total risk based capital by 30 basis points, but they will positively accrete to income over the life of the individual instruments. When combining our thorough due diligence and pre-closing efforts, with our April 2009 integration efforts, First Merchants expects Lincoln to be accretive in year one.

The Corporation recognizes the difficulties of the economy and the importance of continuing First Merchants history of being "well capitalized". On November 12, 2008 the Corporation applied for participation in the U.S. Department of Treasury's Capital Purchase Program in an amount totaling \$116 million. The application has been approved by the Corporation's primary regulator and was forwarded to the Treasury Department on January 16, 2009. The addition of \$116 million in preferred stock would improve the Corporation's Total Risk Based Capital Ratio to 12.80%, comfortably above the "well capitalized" guidelines.

Net-Interest margin expanded by 29 basis points from 3.55 percent in 2007 to 3.84 percent in 2008. As a result, net-interest income increased by \$16.3 million, or 14.4 percent. Net interest margin remained strong even during the fourth quarter as the Federal Reserve Board lowered the target Fed Funds rate to just 25 basis points. Aggressive deposit pricing and the use of interest rate floors on over \$360 million of the Corporation's rate prime indexed loans helped preserve the Corporation's net interest margin.

Provision expense totaled \$27.6 million in 2008, an increase of \$19.1 million over the prior. The increase in provision expense exceeded the expansion of net interest income by \$2.9 million.

Total non-interest income decreased by \$4.2 million in 2008. Income from changes in the cash surrender value of bank owned life insurance (BOLI) declined by \$3.9 million. During the fourth quarter the corporation recorded a loss of \$2.1 million due to declines in market value below the stable value wrap. BOLI losses are not tax deductible resulting in a \$3.9 million decrease in Net Income. On December 18, 2008, management changed the investment elections under the separate account policy structure to more conservative investments. The Corporation also lost \$1.5 million on Federal Home Loan Mortgage Corporation preferred stock. The Corporation has no additional equity exposure to FHLMC and FNMA and no remaining exposure to private label mortgage backed investment

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securities.

Additionally, the Corporation elected to expense \$1.2 million of its \$15.5 million original book balance trust preferred pooled investment exposure. The loss is attributable to a Trapeza IV pool, the only pool deemed to be other than temporarily impaired as of year-end. The remaining \$13.5 million of exposure to trust preferred pools is diversified among eight FTN PreTsl investments.

Total non-interest expenses for the year increased by \$7.2 million or 7% as salary and benefit expense increased by \$4.5 million. The remaining increases in other expense include an increase of \$1.8 million in other real estate expense and \$860,000 of professional services related to loan workouts. First Merchants also sold the assets of Indiana Title Insurance Company, LLC resulting in a \$560,000 loss during the month of December.

Michael C. Rechin, President and Chief Executive Officer, stated that, "First Merchants Corporation's management team is focused on five objectives in 2009 including capital & liquidity management, asset quality, net interest margin management, expense management and the success of the Lincoln acquisition. We remain confident that our people, strategies, capital, liquidity, and commitment to endure the current environment will prove successful in the short and long-term time horizon."

Rechin continued, "As complex and uncertain as the Banking environment has become, First Merchants is pleased to earn more than \$20 million in net income, while improving it's allowance to loans recognizing the negative economic trends nationally and in the mid-west."

### CONFERENCE CALL

First Merchants Corporation will conduct a conference call at 2:30 p.m. Eastern Time on Thursday, February 5, 2009. To participate, callers in the US/Canada should dial (Toll Free) 800-860-2442 while international participants should use +1 412-858-4600. Please reference First Merchants Corporation's fourth quarter earnings. A replay will be available until 9:00 AM ET on February 13, 2009. To access replay, US/Canada participants should dial (Toll Free) 877-344-7529, or for International participants, dial +1 412-317-0088. The replay requires a pass code of 426723.

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, N.A., First Merchants Bank of Central Indiana, N.A., Lafayette Bank & Trust Company, N.A., Commerce National Bank, Lincoln Bank and First Merchants Trust Company, N.A. The Corporation also operates First Merchants Insurance Services, a full-service property casualty, personal lines, and healthcare 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

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(http://www.firstmerchants.com).

\* \* \* \*

CONSOLIDATED BALANCE SHEETS  
(in thousands)

|   | 2008         | December 31,<br>2007 |
|---|--------------|----------------------|
| <b>Assets</b>   |              |                      |
| Cash and due from banks   | \$ 84,249    | \$ 100,000           |
| Federal funds sold  | 66,237       | 100,000              |
|   | -----        | -----                |
| Cash and cash equivalents   | 150,486      | 100,000              |
| Interest-bearing time deposits                                    | 38,823       | 100,000              |
| Investment securities   | 481,984      | 100,000              |
| Mortgage loans held for sale                                      | 4,295        | 100,000              |
| Loans   | 3,721,952    | 2,800,000            |
| Less: Allowance for loan losses                                   | (48,946)     | (100,000)            |
|   | -----        | -----                |
| Net loans   | 3,673,006    | 2,800,000            |
| Premises and equipment  | 59,641       | 100,000              |
| Federal Reserve and Federal Home Loan Bank stock                  | 34,319       | 100,000              |
| Interest receivable   | 23,976       | 100,000              |
| Core deposit intangibles and goodwill                             | 165,974      | 100,000              |
| Cash surrender value of life insurance                            | 93,222       | 100,000              |
| Other real estate owned   | 18,458       | 100,000              |
| Other assets  | 40,568       | 100,000              |
|   | -----        | -----                |
| Total assets  | \$ 4,784,752 | \$ 3,700,000         |
|   | =====        | =====                |
| <b>Liabilities</b>  |              |                      |
| Deposits  |              |                      |
| Noninterest-bearing   | 460,519      | 300,000              |
| Interest-bearing  | 3,258,292    | 2,400,000            |
|   | -----        | -----                |
| Total deposits  | 3,718,811    | 2,800,000            |
| Borrowings  |              |                      |
| Fed funds purchased   | -            | 100,000              |
| Securities sold under repurchase agreements                       | 122,311      | 100,000              |
| Federal Home Loan Bank advances                                   | 360,217      | 200,000              |
| Subordinated debentures, revolving credit<br>lines and term loans | 135,826      | 100,000              |
|   | -----        | -----                |
| Total borrowings  | 618,354      | 500,000              |
| Interest payable  | 8,844        | 100,000              |
| Other liabilities   | 42,840       | 100,000              |
|   | -----        | -----                |
| Total liabilities   | 4,388,849    | 3,400,000            |
| <b>Stockholders' equity</b>                                       |              |                      |
| Preferred stock, no-par value                                     |              |                      |
| Authorized and unissued - 500,000 shares                          | -            | 100,000              |
| Cumulative Preferred Stock, \$1,000 par value:                    |              |                      |
| Authorized - 600 shares   | -            | 100,000              |
| Issued and outstanding - 125 shares                               | 125          | 100,000              |
| Common stock, \$.125 stated value                                 |              |                      |
| Authorized - 50,000,000 shares                                    | -            | 100,000              |
| Issued and outstanding - 21,178,123 and<br>18,002,787 shares      | 2,647        | 100,000              |

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|  |              |        |
|--|--------------|--------|
| Additional paid-in capital                 | 202,299      | 1      |
| Retained earnings                          | 206,496      | 2      |
| Accumulated other comprehensive loss       | (15,664)     |        |
|  | -----        | -----  |
| Total stockholders' equity                 | 395,903      | 3      |
|  | -----        | -----  |
| Total liabilities and stockholders' equity | \$ 4,784,752 | \$ 3,7 |
|  | =====        | =====  |

FINANCIAL HIGHLIGHTS

| (in thousands)                                      | Three Months Ended |              |
|---|--------------------|--------------|
|   | December 31,       |              |
|   | 2008               | 2007         |
| NET CHARGE OFF'S                                    | \$ 4,372           | \$ 1,857     |
| AVERAGE BALANCES                                    |                    |              |
| Total Assets  | \$ 3,870,159       | \$ 3,735,931 |
| Total Loans   | 3,082,061          | 2,873,989    |
| Total Deposits                                      | 3,009,123          | 2,812,760    |
| Total Stockholders' Equity                          | 353,164            | 335,649      |
| FINANCIAL RATIOS                                    |                    |              |
| Return on Average Assets                            | .02%               | 1.00%        |
| Return on Avg. Stockholders' Equity                 | 0.25               | 11.10        |
| Avg. Earning Assets to Avg. Assets                  | 91.15              | 90.70        |
| Allowance for Loan Losses as %<br>of Total Loans    | 1.31               | .98          |
| Net Charge Off's as % of Avg. Loans<br>(Annualized) | .57                | .26          |
| Dividend Payout Ratio                               | 2,300.00           | 45.10        |
| Avg. Stockholders' Equity to Avg. Assets            | 9.13               | 8.98         |
| Tax Equivalent Yield on Earning Assets              | 6.21               | 7.13         |
| Cost of Supporting Liabilities                      | 2.33               | 3.47         |
| Net Int. Margin (FTE) on Earning Assets             | 3.88               | 3.66         |

CONSOLIDATED STATEMENTS OF INCOME

| (in thousands, except share data)                | Three Months Ended |           |
|--|--------------------|-----------|
|  | December 31,       |           |
|  | 2008               | 2007      |
| Interest income                                  |                    |           |
| Loans receivable                                 |                    |           |
| Taxable  | \$ 48,433          | \$ 53,338 |
| Tax exempt                                       | 349                | 302       |
| Investment securities                            |                    |           |
| Taxable  | 2,907              | 3,487     |
| Tax exempt                                       | 1,511              | 1,623     |
| Federal funds sold                               | 7                  | 39        |
| Deposits with financial institutions             | 194                | 194       |
| Federal Reserve and Federal Home Loan Bank stock | 335                | 344       |
|  | -----              | -----     |
| Total interest income                            | 53,736             | 59,327    |
|  | -----              | -----     |
| Interest expense                                 |                    |           |
| Deposits   | 15,638             | 22,398    |
| Federal funds purchased                          | 108                | 692       |
| Securities sold under repurchase agreements      | 502                | 1,182     |
| Federal Home Loan Bank advances                  | 2,583              | 3,250     |
| Subordinated debentures, revolving credit lines  |                    |           |

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|   |         |          |
|---|---------|----------|
| and term loans                                | 1,757   | 1,910    |
|   | -----   | -----    |
| Total interest expense                        | 20,588  | 29,432   |
|   | -----   | -----    |
| Net interest income                           | 33,148  | 29,895   |
| Provision for loan losses                     | 9,654   | 2,450    |
|   | -----   | -----    |
| Net interest income                           |         |          |
| After provision for loan losses               | 23,494  | 27,445   |
|   | -----   | -----    |
| Other income                                  |         |          |
| Services charges on deposit accounts          | 3,346   | 3,206    |
| Fiduciary activities                          | 1,831   | 2,094    |
| Other customer fees                           | 1,634   | 1,686    |
| Commission income                             | 1,271   | 1,031    |
| Earnings on cash surrender value              |         |          |
| of life insurance                             | (2,130) | 1,186    |
| Net gains and fees on sales of loans          | 531     | 546      |
| Net realized gains (losses) on sale of        |         |          |
| available-for-sale securities                 | (914)   | 1        |
| Other income                                  | 717     | 383      |
|   | -----   | -----    |
| Total other income                            | 6,286   | 10,133   |
|   | -----   | -----    |
| Other expenses                                |         |          |
| Salaries and employee benefits                | 16,219  | 14,738   |
| Net occupancy                                 | 2,299   | 1,619    |
| Equipment                                     | 1,713   | 1,619    |
| Marketing                                     | 610     | 505      |
| Outside data processing fees                  | 1,128   | 872      |
| Printing and office supplies                  | 361     | 329      |
| Core deposit amortization                     | 809     | 789      |
| Write-off of unamortized underwriting expense |         |          |
| Other expenses                                | 6,458   | 4,776    |
|   | -----   | -----    |
| Total other expenses                          | 29,597  | 25,247   |
|   | -----   | -----    |
| Income before income tax                      | 183     | 12,331   |
| Income tax expense                            | (38)    | 3,021    |
|   | -----   | -----    |
| Net income                                    | \$ 221  | \$ 9,310 |
|   | =====   | =====    |

Per Share Data

|                            |        |        |
|----------------------------|--------|--------|
| Basic Net Income           | .01    | .51    |
| Diluted Net Income         | .01    | .51    |
| Cash Dividends Paid        | .23    | .23    |
| Average Diluted Shares     |        |        |
| Outstanding (in thousands) | 18,257 | 18,138 |



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CONSOLIDATED BALANCE SHEETS  
(in thousands)

|  | December 31,<br>2008 | September 30,<br>2008 | June 30,<br>2008 |
|--|----------------------|-----------------------|------------------|
| <b>Assets</b>  |                      |                       |                  |
| Cash and due from banks  | \$ 84,249            | \$ 69,846             | \$ 80,996        |
| Federal funds sold   | 66,237               | 7,818                 |                  |
|  | -----                | -----                 | -----            |
| Cash and cash equivalents  | 150,486              | 77,664                | 80,996           |
| Interest-bearing time deposits                                     | 38,823               | 15,623                | 7,267            |
| Investment securities  | 481,984              | 388,808               | 408,324          |
| Mortgage loans held for sale                                       | 4,295                | 2,062                 | 3,234            |
| Loans  | 3,721,952            | 3,078,768             | 3,018,596        |
| Less: Allowance for loan losses                                    | (48,946)             | (34,985)              | (31,597)         |
|  | -----                | -----                 | -----            |
| Net loans  | 3,673,006            | 3,043,783             | 2,986,999        |
| Premises and equipment   | 59,641               | 44,402                | 44,232           |
| Federal Reserve and Federal Home Loan Bank Stock                   | 34,319               | 25,494                | 25,455           |
| Interest receivable  | 23,976               | 21,569                | 19,680           |
| Core deposit intangibles and goodwill                              | 165,974              | 135,701               | 136,230          |
| Cash surrender value of life insurance                             | 93,222               | 73,448                | 72,948           |
| Other real estate owned  | 18,458               | 16,916                | 17,243           |
| Other assets   | 40,568               | 18,604                | 19,852           |
|  | -----                | -----                 | -----            |
| Total assets   | \$ 4,784,752         | \$ 3,864,074          | \$ 3,822,460     |
|  | =====                | =====                 | =====            |
| <b>Liabilities</b>   |                      |                       |                  |
| Deposits   |                      |                       |                  |
| Noninterest-bearing  | 460,519              | 384,928               | 403,152          |
| Interest-bearing   | 3,258,292            | 2,529,355             | 2,460,483        |
|  | -----                | -----                 | -----            |
| Total deposits   | 3,718,811            | 2,914,283             | 2,863,635        |
| Borrowings   |                      |                       |                  |
| Fed funds purchased  |                      | 57,600                | 151,356          |
| Securities sold under repurchase agreements                        | 122,311              | 100,227               | 90,872           |
| Federal Home Loan Bank advances                                    | 360,217              | 237,225               | 228,196          |
| Subordinated debentures, revolving credit,<br>lines and term loans | 135,826              | 176,256               | 115,826          |
|  | -----                | -----                 | -----            |
| Total borrowings   | 618,354              | 571,308               | 586,250          |
| Interest payable   | 8,844                | 6,529                 | 6,658            |
| Other liabilities  | 42,840               | 19,861                | 18,525           |
|  | -----                | -----                 | -----            |
| Total liabilities  | 4,388,849            | 3,511,981             | 3,475,068        |
| Stockholders' equity   |                      |                       |                  |
| Preferred stock, no-par value                                      |                      |                       |                  |
| Authorized and unissued - 500,000 shares                           |                      |                       |                  |
| Cumulative Preferred Stock, \$1,000 par value:                     |                      |                       |                  |
| Authorized - 600 shares  | 125                  | 125                   | 125              |
| Issued and outstanding   |                      |                       |                  |
| Common stock, \$.125 stated value                                  |                      |                       |                  |
| Authorized - 50,000,000 shares                                     |                      |                       |                  |
| Issued and outstanding   | 2,647                | 2,266                 | 2,258            |
| Additional paid-in capital   | 202,299              | 141,777               | 140,258          |
| Retained earnings  | 206,496              | 210,605               | 206,059          |
| Accumulated other comprehensive loss                               | (15,664)             | (2,680)               | (4,308)          |
|  | -----                | -----                 | -----            |
| Total stockholders' equity   | 395,903              | 352,093               | 347,392          |

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|  |                      |                       |                  |
|--|----------------------|-----------------------|------------------|
| Total liabilities and stockholders' equity | \$ 4,784,752         | \$ 3,864,074          | \$ 3,822,460     |
| NON-PERFORMING ASSETS                      |                      |                       |                  |
|  | December 31,<br>2008 | September 30,<br>2008 | June 30,<br>2008 |
| Non Accrual Loans                          | 87,546               | 37,879                | 34,410           |
| Renegotiated Loans                         | 130                  | 135                   | 136              |
| Non Performing Loans (NPL)                 | 87,676               | 38,014                | 34,546           |
| Real Estate Owned and Repossessed Assets   | 18,458               | 16,916                | 17,243           |
| Non Performing Assets (NPA)                | 106,134              | 54,930                | 51,789           |
| 90+ Days Delinquent                        | 5,982                | 8,056                 | 3,538            |
| NPAs & 90 Day Delinquent                   | 112,116              | 62,986                | 55,327           |
| Loan Loss Reserve                          | 48,946               | 34,985                | 31,597           |
| YTD Charge-offs                            | 15,602               | 11,230                | 7,524            |
| NPAs / Actual Assets %                     | 2.22%                | 1.42%                 | 1.35%            |
| NPAs & 90 Day / Actual Assets %            | 2.34%                | 1.63%                 | 1.45%            |
| NPAs / Actual Loans & REO (%)              | 2.83%                | 1.77%                 | 1.70%            |
| Loan Loss Reserves / Actual Loans (%)      | 1.31%                | 1.14%                 | 1.05%            |
| NCOs / YTD Average Loans (%)               | 0.52%                | 0.38%                 | 0.26%            |

CONSOLIDATED STATEMENTS OF INCOME

|   |                      |                       |                  |
|---|----------------------|-----------------------|------------------|
| (in thousands, except share data)                                 | December 31,<br>2008 | September 30,<br>2008 | June 30,<br>2008 |
| Loans receivable  |                      |                       |                  |
| Taxable   | \$ 48,433            | \$ 49,828             | \$ 49,023        |
| Tax exempt  | 349                  | 321                   | 178              |
| Investment securities   |                      |                       |                  |
| Taxable   | 2,907                | 2,943                 | 2,947            |
| Tax exempt  | 1,511                | 1,379                 | 1,452            |
| Federal funds sold  | 7                    | 10                    | 3                |
| Deposits with financial institutions                              | 194                  | 146                   | 133              |
| Federal Reserve and Federal Home Loan<br>Bank stock               | 335                  | 351                   | 370              |
| Total interest income   | 53,736               | 54,978                | 54,106           |
| Interest expense  |                      |                       |                  |
| Deposits  | 15,638               | 16,213                | 16,297           |
| Federal funds purchased   | 108                  | 502                   | 577              |
| Securities sold under repurchase agreements                       | 502                  | 650                   | 632              |
| Federal Home Loan Bank advances                                   | 2,583                | 2,724                 | 2,825            |
| Subordinated debentures, revolving credit<br>lines and term loans | 1,757                | 1,635                 | 1,602            |
| Total interest expense  | 20,588               | 21,724                | 21,933           |
| Net interest income   | 33,148               | 33,254                | 32,173           |
| Provision for loan losses   | 9,654                | 7,094                 | 7,070            |

Net interest income

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|  |          |          |          |
|--|----------|----------|----------|
| After provision for loan losses  | 23,494   | 26,160   | 25,103   |
| Other income   |          |          |          |
| Service charges on deposit accounts                                      | 3,346    | 3,568    | 3,157    |
| Fiduciary activities   | 1,831    | 1,932    | 2,126    |
| Other customer fees  | 1,634    | 1,696    | 1,767    |
| Commission income  | 1,271    | 1,457    | 1,427    |
| Earnings on cash surrender value<br>of life insurance                    | (2,130)  | 519      | 606      |
| Net gains and fees on sales of loans                                     | 531      | 648      | 668      |
| Net realized gains (losses) on sales of<br>available-for-sale securities | (914)    | (1,255)  | 13       |
| Other income   | 717      | 655      | 570      |
|  | -----    | -----    | -----    |
| Total other income   | 6,286    | 9,220    | 10,334   |
|  | -----    | -----    | -----    |
| Other expenses   |          |          |          |
| Salaries and employee benefits   | 16,219   | 15,330   | 15,698   |
| Net occupancy  | 2,299    | 1,857    | 1,750    |
| Equipment  | 1,713    | 1,649    | 1,643    |
| Marketing  | 610      | 605      | 612      |
| Outside data processing fees   | 1,128    | 1,068    | 1,009    |
| Printing and office supplies   | 361      | 281      | 291      |
| Core deposit amortization  | 809      | 809      | 808      |
| Other expenses   | 6,458    | 5,516    | 4,593    |
|  | -----    | -----    | -----    |
| Total other expenses   | 29,597   | 27,115   | 26,404   |
|  | -----    | -----    | -----    |
| Income before income tax   | 183      | 8,265    | 9,033    |
| Income tax expense   | (38)     | 2,516    | 2,491    |
|  | -----    | -----    | -----    |
| Net income   | \$ 221   | \$ 5,749 | \$ 6,542 |
|  | =====    | =====    | =====    |
| Per Share Data   |          |          |          |
| Basic Net Income   | .01      | .32      | .37      |
| Diluted Net Income   | .01      | .32      | .36      |
| Cash Dividends Paid  | .23      | .23      | .23      |
| Average Diluted Shares<br>Outstanding (in thousands)                     | 18,257   | 18,196   | 18,159   |
| FINANCIAL RATIOS   |          |          |          |
| Return on Average Assets   | .02%     | .60%     | .69%     |
| Return on Average Stockholders' Equity                                   | 0.25     | 6.58     | 7.46     |
| Avg. Earning Assets to Avg. Assets                                       | 91.15    | 91.02    | 90.94    |
| Allowance for Loan Losses as %<br>of Total Loans                         | 1.31     | 1.14     | 1.05     |
| Net Charge Off's as % of Average Loans<br>(Annualized)                   | .57      | .49      | .61      |
| Dividend Payout Ratio  | 2,300.00 | 71.88    | 63.85    |
| Average Stockholders' Equity to Average Assets                           | 9.13     | 9.09     | 9.30     |
| Tax Equivalent Yield on Earning Assets                                   | 6.21     | 6.39     | 6.41     |
| Cost of Supporting Liabilities   | 2.33     | 2.48     | 2.56     |
| Net Interest Margin (FTE) on Earning Assets                              | 3.88     | 3.91     | 3.85     |

LOANS

December 31, September 30, June 30,

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| (in thousands, except share data)                                | 2008         | 2008         | 2008         |
|--|--------------|--------------|--------------|
| Commercial and industrial loans                                  | \$ 904,646   | \$ 851,233   | \$ 815,137   |
| Agricultural production financing and other loans to farmers     | 135,099      | 136,176      | 125,125      |
| Real estate loans:   |              |              |              |
| Construction   | 252,487      | 167,512      | 181,598      |
| Commercial and farmland  | 1,202,372    | 966,259      | 954,672      |
| Residential  | 956,245      | 731,065      | 718,065      |
| Individuals' loans for household and other personal expenditures | 201,632      | 145,345      | 161,387      |
| Tax exempt loans   | 28,070       | 34,010       | 22,553       |
| Lease financing receivables, net of unearned income              | 8,996        | 9,262        | 9,158        |
| Other loans  | 32,405       | 37,906       | 30,901       |
|  | -----        | -----        | -----        |
|  | 3,721,952    | 3,078,768    | 3,018,596    |
| Allowance for loan losses  | (48,946)     | (34,985)     | (31,597)     |
|  | -----        | -----        | -----        |
| Total loans  | \$ 3,673,006 | \$ 3,043,783 | \$ 2,986,999 |
|  | =====        | =====        | =====        |

DEPOSITS

|   | December 31,<br>2008 | September 30,<br>2008 | June 30,<br>2008 |
|---|----------------------|-----------------------|------------------|
| (in thousands)  |                      |                       |                  |
| Demand deposits   | \$1,136,267          | \$921,034             | \$932,017        |
| Savings deposits  | 721,387              | 540,596               | 546,951          |
| Certificates and other time deposits of \$100,000 or more | 509,730              | 469,426               | 444,967          |
| Other certificates and time deposits                      | 1,351,427            | 983,227               | 939,700          |
|   | -----                | -----                 | -----            |
| Total deposits  | \$ 3,718,811         | \$ 2,914,283          | \$ 2,863,635     |
|   | =====                | =====                 | =====            |