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FIRST MERCHANTS CORP  
Form 8-K  
April 20, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

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

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DATE OF REPORT (Date of earliest event reported): April 20, 2005  
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FIRST MERCHANTS CORPORATION  
(Exact name of registrant as specified in its charter)  
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INDIANA (State or other jurisdiction of incorporation)	0-17071 (Commission file number)	35-1544218 (IRS Employer Identification No.)
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200 East Jackson Street  
P.O. Box 792  
Muncie, IN 47305-2814  
(Address of principal executive offices, including zip code)

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

Not Applicable  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Page 1 of 10

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On April 20, 2005, First Merchants Corporation issued a press release to report its financial results for the first quarter ended March 31,



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Exhibit No. 99.1

Press Release, dated April 20, 2005

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

April 20, 2005

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 FIRST QUARTER EARNINGS PER SHARE OF \$.35

First Merchants Corporation (NASDAQ - FRME) has reported first quarter diluted earnings per share totaling \$.35, a 4.6 percent decrease over \$.37 recorded in the first quarter of 2004. Net income during the period totaled \$6.6 million compared to \$6.9 million in 2004.

Quarterly net interest income improved by \$1.3 million, or 5.1 percent and non-interest income improved by \$830,000, or 10.1 percent. Core operating expenses remained flat compared to the prior quarter. However, as reported in the Corporation's 8-K filing of February 16, 2005, a \$1.6 million expense related to the curtailment of the Corporation's defined benefit pension plan resulted in increased operating expenses of \$1.7 million. The earnings per share impact of the curtailment expense totaled \$.05 per share.

The provision for loan losses increased by \$1.3 million based on the Corporation's allowance for loan loss methodology. As of March 31, 2005, non-performing loans totaled 71 basis points of average total loans and the allowance for loan losses as a percent of total loans equaled 1.01 percent.

Total assets equaled \$3.2 billion at quarter-end, an increase of \$162 million, or 5.4 percent from March 31, 2004. Loans, investments and bank owned life insurance, the Corporation's three primary earning assets, totaled \$2.9 billion, an increase of \$129 million over the prior year.

On January 1, 2005, the Corporation combined Randolph County Bank and Union County National Bank and renamed the combined entity United Communities National Bank. The data conversions are complete and the related expenses are reflected in first quarter results.

Michael L. Cox, President and Chief Executive Officer, stated that, "Management was pleased with core earnings before the increased provision expense and the curtailment expense approximating \$.10 per share. To have the burden of a volatile defined benefit pension plan behind us and our allowance for loan losses equal to 1.01 percent of loans positions our earnings well for the remainder of the year."

CONFERENCE CALL

First Merchants Corporation will conduct a conference call at 2:30 p.m. Eastern Standard Time/3:30 p.m. Eastern Daylight Time on Wednesday, April 20, 2005. To participate dial (Toll Free) 877-407-9210 and reference First Merchants Corporation's first quarter earnings release. A replay will be available until April 27, 2005. To access, US/Canada participants should dial (Toll Free)

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877-660-6853 or for International participants, dial 201-612-7415. The replay will require the Account # 286 and Conference ID # 148455.

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, 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>).

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### CONSOLIDATED BALANCE SHEETS

(in thousands)

	March 31,	
	2005	2004
<b>Assets</b>		
Cash and due from banks	\$ 67,904	\$ 60,366
Federal funds sold	22,075	0
	89,979	60,366
Cash and cash equivalents	10,737	10,674
Interest-bearing time deposits	409,820	376,974
Investment securities	3,084	3,883
Mortgage loans held for sale	2,414,099	2,320,103
Loans	(24,488)	(26,459)
Less: Allowance for loan losses	2,389,611	2,293,644
Net loans	37,525	38,972
Premises and equipment	22,883	21,956
Federal Reserve and Federal Home Loan Bank stock	16,606	15,061
Interest receivable	140,578	141,867
Core deposit intangibles and goodwill	42,426	40,843
Cash surrender value of life insurance	24,337	20,901
Other assets	\$ 3,187,586	\$ 3,025,141
Total assets	\$ 3,187,586	\$ 3,025,141

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Liabilities		
Deposits		
Noninterest-bearing	\$ 333,614	\$ 303,694
Interest-bearing	2,118,605	2,009,726
	-----	-----
Total deposits	2,452,219	2,313,420
Borrowings	391,193	372,356
Interest payable	6,562	4,542
Other liabilities	27,014	25,676
	-----	-----
Total liabilities	2,876,988	2,715,994
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 -- 18,497,462 and 18,532,769 shares		
	2,312	2,317
Additional paid-in capital	148,347	150,679
Retained earnings	163,761	151,771
Accumulated other comprehensive income	(3,822)	4,380
	-----	-----
Total stockholders' equity	310,598	309,147
	-----	-----
Total liabilities and stockholders' equity	\$ 3,187,586	\$ 3,025,141
	=====	=====

FINANCIAL HIGHLIGHTS

(In thousands)	Three Months Ended	
	March 31,	
	2005	2004
NET CHARGE OFF'S	\$ 727	\$ 406
AVERAGE BALANCES		
Total Assets	\$3,163,548	\$3,041,837
Total Loans	2,414,050	2,339,080
Total Deposits	2,418,910	2,312,708
Total Stockholders' Equity	315,326	306,592
FINANCIAL RATIOS		
Return on Average Assets	.83%	.91%
Return on Avg. Stockholders' Equity	8.33	9.05
Avg. Earning Assets to Avg. Assets	90.61	90.05
Allowance for Loan Losses as %		
Of Total Loans	1.01	1.14
Net Charge Off's as % Of Avg. Loans		
(Annualized)	.12	.07
Dividend Payout Ratio	65.71	62.16
Avg. Stockholders' Equity to Avg. Assets	9.97	10.08
Tax Equivalent Yield on Earning Assets	5.90	5.71
Cost of Supporting Liabilities	2.01	1.84
Net Int. Margin (FTE) on Earning Assets	3.89	3.87

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### CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)

Three Months Ended  
March 31,  
2005                      2004

Interest income		
Loans receivable		
Taxable	\$ 36,822	\$ 34,227
Tax exempt	134	163
Investment securities		
Taxable	2,329	1,949
Tax exempt	1,553	1,430
Federal funds sold	27	18
Deposits with financial institutions	142	109
Federal Reserve and Federal Home Loan Bank stock	308	328
	-----	-----
Total interest income	41,315	38,224
	-----	-----
Interest expense		
Deposits	9,806	8,190
Securities sold under repurchase agreements	249	220
Federal Home Loan Bank advances	2,375	2,442
Subordinated debentures, revolving credit and term loans	1,789	1,234
Other borrowings	154	506
	-----	-----
Total interest expense	14,373	12,592
	-----	-----
Net interest income	26,942	25,632
Provision for loan losses	2,667	1,372
	-----	-----
Net interest income after provision for loan losses	24,275	24,260
	-----	-----
Other income		
Fiduciary activities	1,962	1,810
Service charges on deposit accounts	2,723	2,772
Other customer fees	1,085	1,070
Net realized gains on sales of available-for-sale securities		37
Commission income	1,504	953
Earnings on cash surrender value of life insurance	401	429
Net gains and fees on sales of loans	677	801
Other income	694	344
	-----	-----
Total other income	9,046	8,216
	-----	-----
Other expenses		
Salaries and employee benefits	14,821	13,024
Net occupancy expenses	1,376	1,254
Equipment expenses	1,857	1,979
Marketing expense	415	440
Outside data processing fees	1,009	1,223
Printing and office supplies	337	398
Goodwill and core deposit amortization	787	892
Other expenses	3,629	3,354

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Total other expenses	24,231	22,564
Income before income tax	9,090	9,912
Income tax expense	2,523	2,977
Net income	\$ 6,567	\$ 6,935

Per Share Data

Basic Net Income	.35	.37
Diluted Net Income	.35	.37
Cash Dividends Paid	.23	.23
Average Diluted Shares Outstanding (in thousands)	18,697	18,646

CONSOLIDATED BALANCE SHEETS

(in thousands)

	March 31, 2005	December 31, 2004	September 30, 2004	Jun 2
<b>Assets</b>				
Cash and due from banks	\$ 67,904	\$ 69,960	\$ 73,367	\$
Federal funds sold	22,075		22,700	
Cash and cash equivalents	89,979	69,960	96,067	
Interest-bearing time deposits	10,737	9,343	12,204	
Investment securities	409,820	421,535	420,645	4
Mortgage loans held for sale	3,084	3,367	2,715	
Loans	2,414,099	2,428,051	2,395,306	2,3
Less: Allowance for loan losses	(24,488)	(22,548)	(25,243)	(
Net loans	2,389,611	2,405,503	2,370,063	2,3
Premises and equipment	37,525	38,254	38,170	
Federal Reserve and Federal Home Loan Bank stock	22,883	22,858	22,750	
Interest receivable	16,606	17,318	17,594	
Core deposit intangibles and goodwill	140,578	141,284	140,186	1
Cash surrender value of life insurance	42,426	42,061	41,700	
Other assets	24,337	20,185	19,268	
Total assets	\$ 3,187,586	\$ 3,191,668	\$ 3,181,362	\$ 3,1
<b>Liabilities</b>				
Deposits				
Noninterest-bearing	\$ 333,614	\$ 330,685	\$ 373,548	\$ 3
Interest-bearing	2,118,605	2,077,465	2,083,271	2,0
Total deposits	2,452,219	2,408,150	2,456,819	2,3
Borrowings	391,193	440,891	379,922	4
Interest payable	6,562	4,411	5,706	
Other liabilities	27,014	23,613	25,253	
Total liabilities	2,876,988	2,877,065	2,867,700	2,8
Stockholders' equity				

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Preferred stock, no-par value				
Authorized and unissued -- 500,000 shares				
Common stock, \$.125 stated value				
Authorized -- 50,000,000 shares				
Issued and outstanding	2,312	2,322	2,320	1
Additional paid-in capital	148,347	150,862	148,993	1
Retained earnings	163,761	161,459	160,004	1
Accumulated other comprehensive income (loss)	(3,822)	(40)	2,345	
	-----	-----	-----	-----
Total stockholders' equity	310,598	314,603	313,662	3
	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$ 3,187,586	\$ 3,191,668	\$ 3,181,362	\$ 3,1
	=====	=====	=====	=====

NON-PERFORMING ASSETS

(in thousands)	March 31, 2005	December 31, 2004	September 30, 2004	June 30, 2004
90 days past due	\$ 1,948	\$ 1,907	\$ 6,664	\$ 2,488
Non-accrual loans	13,272	15,355	16,852	17,702
Other real estate	2,003	1,650	1,546	1,653
	-----	-----	-----	-----
Total non-performing assets	\$ 17,223	\$ 18,912	\$ 25,062	\$ 21,843
	=====	=====	=====	=====
Average total loans for the quarter	\$2,414,050	\$2,409,170	\$2,383,942	\$2,343,270
Total non-performing assets as a percent of average total loans	.71%	.79%	1.05%	.93%
Restructured loans	\$ 337	\$ 2,019	\$ 2,169	\$ 926

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)	March 31, 2005	December 31, 2004	Three Months Ended September 30, 2004	
Interest Income				
Loans receivable				
Taxable	\$ 36,822	\$ 36,363	\$ 35,342	\$
Tax exempt	134	138	143	
Investment securities				
Taxable	2,329	2,224	2,146	
Tax exempt	1,553	1,569	1,679	
Federal funds sold	27	92	18	
Deposits with financial institutions	142	167	154	
Federal Reserve and Federal Home Loan Bank stock	308	297	319	
	-----	-----	-----	-----
Total interest income	41,315	40,850	39,801	
	-----	-----	-----	-----
Interest expense				

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Deposits	9,806	9,288	8,487	
Securities sold under repurchase agreements	249	183	16	
Federal Home Loan Bank advances	2,375	2,418	2,484	
Subordinated debentures, revolving credit and term loans	1,789	1,717	1,822	
Other borrowings	154	126	200	
	-----	-----	-----	
Total interest expense	14,373	13,732	13,009	
	-----	-----	-----	
Net interest income	26,942	27,118	26,792	
Provision for loan losses	2,667	1,233	1,380	
	-----	-----	-----	
Net interest income after provision for loan losses	24,275	25,885	25,412	
	-----	-----	-----	
Other income				
Fiduciary activities	1,962	1,897	1,923	
Service charges on deposit accounts	2,723	2,924	2,946	
Other customer fees	1,085	1,068	979	
Net realized gains on sales of available-for-sale securities		456	332	
Commission income	1,504	671	687	
Earnings on cash surrender value of life insurance	401	439	448	
Net gains and fees on sales of loans	677	801	675	
Other income	694	415	421	
	-----	-----	-----	
Total other income	9,046	8,671	8,411	
	-----	-----	-----	
Other expenses				
Salaries and employee benefits	14,821	13,309	13,087	
Net occupancy expenses	1,376	1,328	1,391	
Equipment expenses	1,857	1,879	1,853	
Marketing expense	415	521	363	
Outside data processing fees	1,009	1,158	1,328	
Printing and office supplies	337	397	397	
Goodwill and core deposit amortization	787	802	827	
Other expenses	3,629	4,272	3,544	
	-----	-----	-----	
Total other expenses	24,231	23,666	22,790	
	-----	-----	-----	
Income before income tax	9,090	10,890	11,033	
Income tax expense	2,523	3,422	3,380	
	-----	-----	-----	
Net income	\$ 6,567	\$ 7,468	\$ 7,653	\$
	=====	=====	=====	=====
Per Share Data				
Basic Net Income	\$ .35	\$ .41	\$ .41	\$
Diluted Net Income	.35	.40	.41	
Cash Dividends Paid	.23	.23	.23	
Average Diluted Shares Outstanding (in thousands)	18,697	18,721	18,658	
FINANCIAL RATIOS				
Return on Average Assets	.83%	.94%	.98%	
Return on Avg. Stockholders' Equity	8.33	9.46	9.88	
Avg. Earning Assets to Avg. Assets	90.61	91.38	89.98	
Allowance for Loan Losses as % Of Total Loans	1.01	.93	1.05	
Net Charge Off's as % Of Avg. Loans (Annualized)	.12	.65	.34	

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Dividend Payout Ratio	65.71	57.50	56.10
Avg. Stockholders' Equity to Avg. Assets	9.97	9.92	9.89
Tax Equivalent Yield on Earning Assets	5.90	5.74	5.79
Cost of Supporting Liabilities	2.01	1.89	1.85
Net Int. Margin (FTE) on Earning Assets	3.89	3.85	3.94