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FIRST MERCHANTS CORP
Form 8-K
April 19, 2006

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

DATE OF REPORT (Date of earliest event reported): April 19, 2006

FIRST MERCHANTS CORPORATION
(Exact name of registrant as specified in its charter)

INDIANA	0-17071	35-1544218
(State or other jurisdiction of incorporation)	(Commission file number)	(IRS Employer Identification No.)

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))

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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On April 19, 2006, First Merchants Corporation issued a press release to report its financial results for the first quarter ended March 31,

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2006. 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 April 19, 2006, issued by First Merchants Corporation
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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.

First Merchants Corporation
(Registrant)

By: /s/ Mark K. Hardwick

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

Dated: April 19, 2006

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EXHIBIT INDEX

Exhibit No.

99.1

Description

Press Release, dated April 19, 2006, issued by
First Merchants Corporation.

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First Merchants Corporation

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Exhibit No. 99.1

Press Release, dated April 19, 2006

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

April 19, 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 FIRST QUARTER EARNINGS PER SHARE INCREASE OF 17%

First Merchants Corporation (NASDAQ - FRME) has reported first quarter diluted earnings per share totaling \$.41, a 17.1 percent increase over \$.35 recorded in the first quarter of 2005. Net income during the period totaled \$7.5 million compared to \$6.6 million in 2005.

Quarterly net interest income improved \$647,000 and the provision for loan losses decreased \$941,000 improving net interest income after the provision for loan losses by \$1,588,000 or 6.5 percent. Total other income declined by \$449,000 and total other expenses declined by \$443,000.

As of March 31, 2006, non-performing loans totaled 80 basis points of average total loans and the allowance for loan losses as a percent of total loans equaled 1.03 percent.

Total assets equaled \$3.3 billion as of quarter-end, an increase of \$82 million from March 31, 2005. Loans, investments and bank owned life insurance, the Corporation's three primary earning assets, totaled \$3.0 billion, an increase of \$113 million over the prior year.

In order to resolve overlapping market issues and solidify sales efforts, the Corporation merged First United Bank, Middletown into First Merchants Bank, Muncie on January 1, 2006.

Michael L. Cox, President and Chief Executive Officer, stated that, "Management is pleased with the Corporation's improved quarterly earnings per share of 17 percent." Cox also stated that, "Given the inversion of the yield curve and resulting margin compression, continued focus on sales and expense management will be required to attain our Corporate financial goals for the year."

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CONFERENCE CALL

First Merchants Corporation will conduct a conference call at 2:30 p.m. Eastern Daylight Time on Wednesday, April 19, 2006. 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 26, 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 # 197638.

During the call we may make Forward Looking statements about our relative

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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, 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, 2006	2005
Assets		
Cash and due from banks	\$ 59,176	\$ 67,904
Federal funds sold		22,075
	-----	-----
Cash and cash equivalents	59,176	89,979
Interest-bearing time deposits	9,104	10,737
Investment securities	441,651	409,820
Mortgage loans held for sale	5,170	3,084
Loans	2,491,488	2,414,099
Less: Allowance for loan losses	(25,623)	(24,488)
	-----	-----
Net loans	2,465,865	2,389,611
Premises and equipment	39,029	37,525
Federal Reserve and Federal Home Loan Bank stock	23,421	22,883
Interest receivable	19,035	16,606
Core deposit intangibles and goodwill	138,174	140,578
Cash surrender value of life insurance	43,964	42,426
Other assets	25,346	24,337
	-----	-----
Total assets	\$ 3,269,935	\$ 3,187,586
	=====	=====
Liabilities		
Deposits		
Noninterest-bearing	\$ 325,548	\$ 333,614
Interest-bearing	2,120,524	2,118,605

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Total deposits	2,446,072	2,452,219
Borrowings	469,002	391,193
Interest payable	6,412	6,562
Other liabilities	31,711	27,014
Total liabilities	2,953,197	2,876,988
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 -- 18,440,316 and 18,497,462 shares	2,305	2,312
Additional paid-in capital	146,374	148,347
Retained earnings	177,975	163,761
Accumulated other comprehensive loss	(9,916)	(3,822)
Total stockholders' equity	316,738	310,598
Total liabilities and stockholders' equity	\$ 3,269,935	\$ 3,187,586

FINANCIAL HIGHLIGHTS

(In thousands)	Three Months Ended	
	2006	2005
NET CHARGE OFF'S	\$ 1,291	\$ 727
AVERAGE BALANCES		
Total Assets	\$3,235,933	\$3,163,548
Total Loans	2,474,759	2,414,050
Total Deposits	2,407,646	2,418,910
Total Stockholders' Equity	316,629	315,326

FINANCIAL RATIOS

Return on Average Assets	.93%	.83%
Return on Avg. Stockholders' Equity	9.49	8.33
Avg. Earning Assets to Avg. Assets	91.27	90.61
Allowance for Loan Losses as % Of Total Loans	1.03	1.01
Net Charge Off's as % Of Avg. Loans (Annualized)	.21	.12
Dividend Payout Ratio	56.10	65.71
Avg. Stockholders' Equity to Avg. Assets	9.78	9.97
Tax Equivalent Yield on Earning Assets	6.64	5.90
Cost of Supporting Liabilities	2.77	2.01
Net Int. Margin (FTE) on Earning Assets	3.87	3.89

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(in thousands, except share data)	Three Months Ended March 31,	
	2006	2005
Interest income		
Loans receivable		
Taxable	\$ 43,079	\$ 36,822
Tax exempt	168	134
Investment securities		
Taxable	2,726	2,329
Tax exempt	1,647	1,553
Federal funds sold	17	27
Deposits with financial institutions	114	142
Federal Reserve and Federal Home Loan Bank stock	311	308
	-----	-----
Total interest income	48,062	41,315
	-----	-----
Interest expense		
Deposits	14,419	9,806
Federal funds purchased	489	
Securities sold under repurchase agreements	835	249
Federal Home Loan Bank advances	2,656	2,375
Subordinated debentures, revolving credit lines and term loans	1,991	1,789
Other borrowings	83	154
	-----	-----
Total interest expense	20,473	14,373
	-----	-----
Net interest income	27,589	26,942
Provision for loan losses	1,726	2,667
	-----	-----
Net interest income after provision for loan losses	25,863	24,275
	-----	-----
Other income		
Fiduciary activities	1,951	1,962
Service charges on deposit accounts	2,426	2,723
Other customer fees	1,355	1,085
Net realized gains on sales of available-for-sale securities	9	
Commission income	1,504	1,504
Earnings on cash surrender value of life insurance	423	401
Net gains and fees on sales of loans	554	677
Other income	375	694
	-----	-----
Total other income	8,597	9,046
	-----	-----
Other expenses		
Salaries and employee benefits	14,392	14,821
Net occupancy expenses	1,434	1,376
Equipment expenses	1,949	1,857
Marketing expense	400	415
Outside data processing fees	883	1,009
Printing and office supplies	304	337
Core deposit amortization	762	787
Other expenses	3,664	3,629
	-----	-----
Total other expenses	23,788	24,231
	-----	-----

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Income before income tax	10,672	9,090
Income tax expense	3,163	2,523
	-----	-----
Net income	\$ 7,509	\$ 6,567
	=====	=====

Per Share Data

Basic Net Income	.41	.35
Diluted Net Income	.41	.35
Cash Dividends Paid	.23	.23
Average Diluted Shares		
Outstanding (in thousands)	18,526	18,697

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CONSOLIDATED BALANCE SHEETS

(in thousands)

	March 31, 2006	December 31, 2005	September 30, 2005	June 2005
Assets				
Cash and due from banks	\$ 59,176	\$ 70,417	\$ 81,310	\$ 71,310
Federal funds sold				
	-----	-----	-----	-----
Cash and cash equivalents	59,176	70,417	81,310	71,310
Interest-bearing time deposits	9,104	8,748	10,708	9,104
Investment securities	441,651	434,266	436,794	420,000
Mortgage loans held for sale	5,170	4,910	5,026	1,170
Loans	2,491,488	2,457,427	2,443,931	2,440,000
Less: Allowance for loan losses	(25,623)	(25,188)	(25,149)	(25,149)
	-----	-----	-----	-----
Net loans	2,465,865	2,432,239	2,418,782	2,415,000
Premises and equipment	39,029	39,417	38,473	37,000
Federal Reserve and Federal Home Loan Bank stock	23,421	23,200	23,165	23,000
Interest receivable	19,035	19,690	19,561	16,000
Core deposit intangibles and goodwill	138,174	138,833	139,597	139,000
Cash surrender value of life insurance	43,964	43,579	43,230	42,000
Other assets	25,346	21,780	21,792	22,000
	-----	-----	-----	-----
Total assets	\$ 3,269,935	\$ 3,237,079	\$ 3,238,438	\$ 3,201,000
	=====	=====	=====	=====
Liabilities				
Deposits				
Noninterest-bearing	\$ 325,548	\$ 314,335	\$ 346,318	\$ 363,000
Interest-bearing	2,120,524	2,068,241	2,118,975	2,040,000
	-----	-----	-----	-----
Total deposits	2,446,072	2,382,576	2,465,293	2,403,000
Borrowings	469,002	508,236	423,959	454,000
Interest payable	6,412	5,874	5,643	5,000
Other liabilities	31,711	26,997	25,153	24,000
	-----	-----	-----	-----
Total liabilities	2,953,197	2,923,683	2,920,048	2,886,000
Stockholders' equity				
Preferred stock, no-par value				
Authorized and unissued -- 500,000 shares				

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Common stock, \$.125 stated value				
Authorized -- 50,000,000 shares				
Issued and outstanding	2,305	2,302	2,313	2,313
Additional paid-in capital	146,374	145,682	148,004	146,374
Retained earnings	177,975	174,717	171,419	167,975
Accumulated other comprehensive loss	(9,916)	(9,305)	(3,346)	(2,916)
	-----	-----	-----	-----
Total stockholders' equity	316,738	313,396	318,390	313,396
	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$ 3,269,935	\$ 3,237,079	\$ 3,238,438	\$ 3,201,079
	=====	=====	=====	=====

NON-PERFORMING ASSETS

(in thousands)	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005
90 days past due	\$ 5,188	\$ 3,965	\$ 3,560	\$ 3,696
Non-accrual loans	11,424	10,030	11,757	11,626
Other real estate	3,209	2,835	3,023	1,804
	-----	-----	-----	-----
Total non-performing assets	\$ 19,821	\$ 16,830	\$ 18,340	\$ 17,126
	=====	=====	=====	=====
Average total loans for the quarter	\$2,474,759	\$2,447,794	\$2,444,131	\$2,430,081
Total non-performing assets as a percent of average total loans	.80%	.69%	.75%	.70%
Restructured loans	\$ 114	\$ 310	\$ 454	\$ 531

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CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005
Interest Income				
Loans receivable				
Taxable	\$ 43,079	\$ 41,930	\$ 40,853	\$ 40,853
Tax exempt	168	160	160	160
Investment securities				
Taxable	2,726	2,480	2,427	2,427
Tax exempt	1,647	1,672	1,595	1,595
Federal funds sold	17	74	51	51
Deposits with financial institutions	114	202	185	185
Federal Reserve and Federal Home Loan Bank stock	311	296	296	296
	-----	-----	-----	-----
Total interest income	48,062	46,814	45,567	45,567
	-----	-----	-----	-----
Interest expense				
Deposits	14,419	13,414	12,172	12,172
Federal funds purchased	489			
Securities sold under repurchase agreements	835	647	523	523

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Federal Home Loan Bank advances	2,656	2,410	2,549	
Subordinated debentures, revolving credit lines and term loans	1,991	1,910	1,894	
Other borrowings	83	307	289	
	-----	-----	-----	
Total interest expense	20,473	18,688	17,427	
	-----	-----	-----	
Net interest income	27,589	28,126	28,140	
Provision for loan losses	1,726	1,945	1,794	
	-----	-----	-----	
Net interest income after provision for loan losses	25,863	26,181	26,346	
	-----	-----	-----	
Other income				
Fiduciary activities	1,951	1,762	1,794	
Service charges on deposit accounts	2,426	2,691	2,836	
Other customer fees	1,355	1,432	1,389	
Net realized gains (losses) on sales of available-for-sale securities	9	(24)	16	
Commission income	1,504	690	870	
Earnings on cash surrender value of life insurance	423	386	441	
Net gains and fees on sales of loans	554	676	770	
Other income	375	516	664	
	-----	-----	-----	
Total other income	8,597	8,129	8,780	
	-----	-----	-----	
Other expenses				
Salaries and employee benefits	14,392	12,596	13,384	
Net occupancy expenses	1,434	1,428	1,570	
Equipment expenses	1,949	1,952	1,901	
Marketing expense	400	625	446	
Outside data processing fees	883	989	979	
Printing and office supplies	304	400	328	
Core deposit amortization	762	767	770	
Other expenses	3,664	4,469	3,923	
	-----	-----	-----	
Total other expenses	23,788	23,226	23,301	
	-----	-----	-----	
Income before income tax	10,672	11,084	11,825	
Income tax expense	3,163	3,553	3,605	
	-----	-----	-----	
Net income	\$ 7,509	\$ 7,531	\$ 8,220	\$
	=====	=====	=====	=====
Per Share Data				
Basic Net Income	\$.41	\$.41	\$.45	\$
Diluted Net Income	.41	.41	.44	
Cash Dividends Paid	.23	.23	.23	
Average Diluted Shares Outstanding (in thousands)	18,526	18,558	18,590	
FINANCIAL RATIOS				
Return on Average Assets	.93%	.95%	1.03%	
Return on Avg. Stockholders' Equity	9.49	9.49	10.38	
Avg. Earning Assets to Avg. Assets	91.27	91.47	90.83	
Allowance for Loan Losses as % Of Total Loans	1.03	1.02	1.03	
Net Charge Off's as % Of Avg. Loans (Annualized)	.21	.31	.28	
Dividend Payout Ratio	56.10	56.10	52.27	
Avg. Stockholders' Equity to Avg. Assets	9.78	10.05	9.89	
Tax Equivalent Yield on Earning Assets	6.64	6.62	6.40	

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Cost of Supporting Liabilities	2.77	2.59	2.40
Net Int. Margin (FTE) on Earning Assets	3.87	4.03	4.00

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LOANS

(in thousands)	March 31, 2006	December 31, 2005	September 30, 2005	
Commercial and industrial loans	\$ 486,411	\$ 461,102	\$ 476,010	\$
Agricultural production financing and other loans to farmers	87,433	95,130	94,262	
Real estate loans:				
Construction	175,784	174,783	171,667	
Commercial and farmland	743,905	734,865	719,154	
Residential	746,410	751,217	746,777	
Individuals' loans for household and other personal expenditures	202,478	200,139	186,792	
Tax exempt loans	13,656	8,263	12,439	
Lease financing receivables, net of unearned income	8,193	8,713	9,538	
Other loans	27,218	23,215	27,292	
	-----	-----	-----	-----
	2,491,488	2,457,427	2,443,931	2,
Allowance for loan losses	(25,623)	(25,188)	(25,149)	
	-----	-----	-----	-----
Total loans	\$2,465,865	\$2,432,239	\$2,418,782	\$2,
	=====	=====	=====	=====

DEPOSITS

(in thousands)	March 31, 2006	December 31, 2005	September 30, 2005	
Demand deposits	\$ 671,027	\$ 690,923	\$ 697,597	\$
Savings deposits	526,554	566,212	568,366	
Certificates and other time deposits of \$100,000 or more	320,213	264,665	320,640	
Other certificates and time deposits	928,278	860,776	878,690	
	-----	-----	-----	-----
	\$2,446,072	\$2,382,576	\$2,465,293	\$2,
	=====	=====	=====	=====

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