

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

EXHIBIT INDEX

Exhibit No.

99.1

Description

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

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 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>).

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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
	=====	=====
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)
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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	\$ 8,650
AVERAGE BALANCES				
Total Assets	\$3,160,619	\$3,184,109	\$3,179,464	\$3,109,104
Total Loans	2,447,794	2,409,170	2,434,134	2,369,017
Total Deposits	2,414,251	2,444,563	2,418,752	2,365,306
Total Stockholders' Equity	317,510	315,869	315,525	310,004
FINANCIAL RATIOS				
Return on Average Assets	.95%	.94%	.95%	.95%
Return on Avg. Stockholders' Equity	9.49	9.46	9.58	9.49
Avg. Earning Assets to Avg. Assets	91.47	91.38	90.93	90.28
Allowance for Loan Losses as % Of Total Loans	1.02	.93	1.02	.93
Net Charge Off's as % Of Avg. Loans (Annualized)	.31	.65	.23	.37
Dividend Payout Ratio	56.10	57.50	56.44	58.23
Avg. Stockholders' Equity to Avg. Assets	10.05	9.92	9.92	9.97
Tax Equivalent Yield on Earning Assets	6.62	5.74	6.26	5.72
Cost of Supporting Liabilities	2.59	1.89	2.29	1.84
Net Int. Margin (FTE) on Earning Assets	4.03	3.85	3.97	3.88

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2005	2004	2005	2004
Interest income				
Loans receivable				
Taxable	\$ 41,930	\$ 36,363	\$ 158,436	\$ 139,953
Tax exempt	160	138	643	581
Investment securities				
Taxable	2,480	2,224	9,612	8,371
Tax exempt	1,672	1,569	6,374	6,098
Federal funds sold	74	92	264	165
Deposits with financial institutions	202	167	695	555
Federal Reserve and Federal Home Loan Bank stock	296	297	1,185	1,251
Total interest income	46,814	40,850	177,209	156,974
Interest expense				
Deposits	13,414	9,288	46,121	33,844
Securities sold under repurchase agreements	647	183	1,612	517
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	6,784
Other borrowings	307	126	1,138	663
Total interest expense	18,688	13,732	66,080	51,585
Net interest income	28,126	27,118	111,129	105,389
Provision for loan losses	1,945	1,233	8,354	5,705
Net interest income after provision for loan losses	26,181	25,885	102,775	99,684
Other income				
Fiduciary activities	1,762	1,897	7,481	7,632
Service charges on deposit accounts	2,691	2,924	11,298	11,638
Other customer fees	1,432	1,068	5,094	4,083
Net realized gains (losses) on sales of available-for-sale securities	(24)	456	(2)	1,188
Commission income	690	671	3,821	3,088
Earnings on cash surrender value of life insurance	386	439	1,667	1,798
Net gains and fees on sales of loans	676	801	2,902	3,629
Other income	516	415	2,456	1,498
Total other income	8,129	8,671	34,717	34,554
Other expenses				
Salaries and employee benefits	12,596	13,309	54,059	52,479
Net occupancy expenses	1,428	1,328	5,796	5,308
Equipment expenses	1,952	1,879	7,562	7,665
Marketing expense	625	521	2,012	1,709
Outside data processing fees	989	1,158	4,010	4,920
Printing and office supplies	400	397	1,369	1,580
Core deposit amortization	767	802	3,102	3,375
Other expenses	4,469	4,272	16,047	14,606
Total other expenses	23,226	23,666	93,957	91,642
Income before income tax	11,084	10,890	43,535	42,596
Income tax expense	3,553	3,422	13,296	13,185
Net income	\$ 7,531	\$ 7,468	\$ 30,239	\$ 29,411
Per Share Data				
Basic Net Income	.41	.41	1.64	1.59
Diluted Net Income	.41	.40	1.63	1.58
Cash Dividends Paid	.23	.23	.92	.92
Average Diluted Shares Outstanding (in thousands)	18,558	18,721	18,596	18,667

CONSOLIDATED BALANCE SHEETS

(in thousands)	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
Assets					
Cash and due from banks	\$ 70,417	\$ 81,310	\$ 71,498	\$ 67,904	\$ 69,960
Federal funds sold				22,075	
	-----	-----	-----	-----	-----
Cash and cash equivalents	70,417	81,310	71,498	89,979	69,960
Interest-bearing time deposits	8,748	10,708	9,255	10,737	9,343
Investment securities	434,266	436,794	420,685	409,820	421,535
Mortgage loans held for sale	4,910	5,026	1,356	3,084	3,367
Loans	2,457,427	2,443,931	2,440,906	2,414,099	2,428,051
Less: Allowance for loan losses	(25,188)	(25,149)	(25,091)	(24,488)	(22,548)
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Net loans	2,432,239	2,418,782	2,415,815	2,389,611	2,405,503
Premises and equipment	39,417	38,473	37,240	37,525	38,254
Federal Reserve and Federal Home Loan Bank stock	23,200	23,165	23,054	22,883	22,858
Interest receivable	19,690	19,561	16,950	16,606	17,318
Core deposit intangibles and goodwill	138,833	139,597	139,799	140,578	141,284
Cash surrender value of life insurance	43,579	43,230	42,827	42,426	42,061
Other assets	21,780	21,792	22,819	24,337	20,185
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Total assets	\$ 3,237,079	\$ 3,238,438	\$ 3,201,298	\$ 3,187,586	\$ 3,191,668
	=====	=====	=====	=====	=====
Liabilities					
Deposits					
Noninterest-bearing	\$ 314,335	\$ 346,318	\$ 363,654	\$ 333,614	\$ 330,685
Interest-bearing	2,068,241	2,118,975	2,040,624	2,118,605	2,077,465
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Total deposits	2,382,576	2,465,293	2,404,278	2,452,219	2,408,150
Borrowings	508,236	423,959	454,400	391,193	440,891
Interest payable	5,874	5,643	5,068	6,562	4,411
Other liabilities	26,997	25,153	24,194	27,014	23,613
	-----	-----	-----	-----	-----
Total liabilities	2,923,683	2,920,048	2,887,940	2,876,988	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					
	2,302	2,313	2,302	2,312	2,322
Additional paid-in capital	145,682	148,004	146,057	148,347	150,862
Retained earnings	174,717	171,419	167,452	163,761	161,459
Accumulated other comprehensive loss	(9,305)	(3,346)	(2,453)	(3,822)	(40)
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Total stockholders' equity	313,396	318,390	313,358	310,598	314,603
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Total liabilities and stockholders' equity	\$ 3,237,079	\$ 3,238,438	\$ 3,201,298	\$ 3,187,586	\$ 3,191,668
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NON-PERFORMING ASSETS

(in thousands)	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
90 days past due	\$ 3,965	\$ 3,560	\$ 3,696	\$ 1,948	\$ 1,907
Non-accrual loans	10,030	11,757	11,626	13,272	15,355
Other real estate	2,835	3,023	1,804	2,003	1,650
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Total non-performing assets	\$ 16,830	\$ 18,340	\$ 17,126	\$ 17,223	\$ 18,912
	=====	=====	=====	=====	=====
Average total loans for the quarter	\$2,447,794	\$2,444,131	\$2,430,081	\$2,414,050	\$2,409,170
Total non-performing assets as a percent of average total loans	.69%	.75%	.70%	.71%	.79%
Restructured loans	\$ 310	\$ 454	\$ 531	\$ 337	\$ 2,019

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)

	Three Months Ended				
	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
Interest Income					
Loans receivable					
Taxable	\$ 41,930	\$ 40,853	\$ 38,831	\$ 36,822	\$ 36,363
Tax exempt	160	160	189	134	138
Investment securities					
Taxable	2,480	2,427	2,376	2,329	2,224
Tax exempt	1,672	1,595	1,554	1,553	1,569
Federal funds sold	74	51	112	27	92
Deposits with financial institutions	202	185	166	142	167
Federal Reserve and Federal Home Loan Bank stock	296	296	285	308	297
Total interest income	46,814	45,567	43,513	41,315	40,850
Interest expense					
Deposits	13,414	12,172	10,729	9,806	9,288
Securities sold under repurchase agreements	647	523	193	249	183
Federal Home Loan Bank advances	2,410	2,549	2,443	2,375	2,418
Subordinated debentures, revolving credit					
Lines and term loans	1,910	1,894	1,839	1,789	1,717
Other borrowings	307	289	388	154	126
Total interest expense	18,688	17,427	15,592	14,373	13,732
Net interest income	28,126	28,140	27,921	26,942	27,118
Provision for loan losses	1,945	1,794	1,948	2,667	1,233
Net interest income after provision for loan losses	26,181	26,346	25,973	24,275	25,885
Other income					
Fiduciary activities	1,762	1,794	1,963	1,962	1,897
Service charges on deposit accounts	2,691	2,836	3,048	2,723	2,924
Other customer fees	1,432	1,389	1,188	1,085	1,068
Net realized gains (losses) on sales of available-for-sale securities	(24)	16	6		456
Commission income	690	870	757	1,504	671
Earnings on cash surrender value of life insurance	386	441	439	401	439
Net gains and fees on sales of loans	676	770	779	677	801
Other income	516	664	582	694	415
Total other income	8,129	8,780	8,762	9,046	8,671
Other expenses					
Salaries and employee benefits	12,596	13,384	13,258	14,821	13,309
Net occupancy expenses	1,428	1,570	1,422	1,376	1,328
Equipment expenses	1,952	1,901	1,852	1,857	1,879
Marketing expense	625	446	526	415	521
Outside data processing fees	989	979	1,033	1,009	1,158
Printing and office supplies	400	328	304	337	397
Core deposit amortization	767	770	778	787	802
Other expenses	4,469	3,923	4,026	3,629	4,272
Total other expenses	23,226	23,301	23,199	24,231	23,666
Income before income tax	11,084	11,825	11,536	9,090	10,890
Income tax expense	3,553	3,605	3,615	2,523	3,422
Net income	\$ 7,531	\$ 8,220	\$ 7,921	\$ 6,567	\$ 7,468
Per Share Data					
Basic Net Income	\$.41	\$.45	\$.43	\$.35	\$.41
Diluted Net Income	.41	.44	.43	.35	.40
Cash Dividends Paid	.23	.23	.23	.23	.23
Average Diluted Shares Outstanding (in thousands)	18,558	18,590	18,536	18,697	18,721
FINANCIAL RATIOS					
Return on Average Assets	.95%	1.03%	.99%	.83%	.94%
Return on Avg. Stockholders' Equity	9.49	10.38	10.13	8.33	9.46
Avg. Earning Assets to Avg. Assets	91.47	90.83	90.81	90.61	91.38
Allowance for Loan Losses as % Of Total Loans	1.02	1.03	1.03	1.01	.93

Net Charge Off's as % Of Avg. Loans (Annualized)	.31	.28	.22	.12	.65
Dividend Payout Ratio	56.10	52.27	53.49	65.71	57.50
Avg. Stockholders' Equity to Avg. Assets	10.05	9.89	9.80	9.97	9.92
Tax Equivalent Yield on Earning Assets	6.62	6.40	6.14	5.90	5.74
Cost of Supporting Liabilities	2.59	2.40	2.15	2.01	1.89
Net Int. Margin (FTE) on Earning Assets	4.03	4.00	3.99	3.89	3.85

LOANS

(in thousands)	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
Commercial and industrial loans	\$ 461,102	\$ 476,010	\$ 463,002	\$ 447,552	\$ 451,227
Agricultural production financing and other loans to farmers	95,130	94,262	93,274	83,800	98,902
Real estate loans:					
Construction	174,783	171,667	166,367	170,498	164,738
Commercial and farmland	734,865	719,154	723,099	726,345	709,163
Residential	751,217	746,777	759,003	760,560	761,163
Individuals' loans for household and other personal expenditures	200,139	186,792	182,362	187,552	198,532
Tax exempt loans	8,263	12,439	14,135	10,592	8,203
Lease financing receivables, net of unearned income	8,713	9,538	10,533	10,704	11,311
Other loans	23,215	27,292	29,131	16,496	24,812
	-----	-----	-----	-----	-----
Allowance for loan losses	2,457,427 (25,188)	2,443,931 (25,149)	2,440,906 (25,091)	2,414,099 (24,488)	2,428,051 (22,548)
	-----	-----	-----	-----	-----
Total loans	<u>\$2,432,239</u>	<u>\$2,418,782</u>	<u>\$2,415,815</u>	<u>\$2,389,611</u>	<u>\$2,405,503</u>
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DEPOSITS

(in thousands)	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
Demand deposits	\$ 690,923	\$ 697,597	\$ 720,263	\$ 686,695	\$ 703,989
Savings deposits	566,212	568,366	593,770	655,643	634,132
Certificates and other time deposits of \$100,000 or more	264,665	320,640	234,988	285,878	258,362
Other certificates and time deposits	860,776	878,690	855,257	824,003	811,667
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	<u>\$2,382,576</u>	<u>\$2,465,293</u>	<u>\$2,404,278</u>	<u>\$2,452,219</u>	<u>\$2,408,150</u>
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