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FIRST MERCHANTS CORP
Form 11-K
June 29, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-17071

A. Full title of the plan and the address of the plan, if different from that of the Issuer named below:

First Merchants Corporation
Retirement Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal office:

First Merchants Corporation
200 East Jackson Street
Muncie, Indiana 47305

First Merchants Corporation Retirement Savings Plan
EIN 35-1544218 PN 002

Accountants' Report and Financial Statements
December 31, 2004 and 2003

First Merchants Corporation
Retirement Savings Plan
December 31, 2004 and 2003

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[LETTERHEAD OF BKD LLP]

Administrative Committee
First Merchants Corporation
Retirement Savings Plan
Muncie, Indiana

We have audited the accompanying statements of net assets available for benefits of First Merchants Corporation Retirement Savings Plan (Plan) as of December 31, 2004 and 2003, and the related statements of changes in net assets available for benefits for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2004 and 2003, and the changes in net assets available for benefits for the years ended December 31, 2004 and 2003 in conformity with U. S. generally accepted accounting principles.

The accompanying supplemental schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ BKD, LLP

Indianapolis, Indiana
April 26, 2005

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Federal Employer Identification Number: 44-0160260

First Merchants Corporation
 Retirement Savings Plan
 Statements of Net Assets Available for Benefits
 December 31, 2004 and 2003

	2004	2003

Assets		
Investments		
Common stock	\$ 1,030,460	\$ 619,177
Mutual funds	19,364,358	15,705,757
Collective investment fund	1,189,461	1,222,302
Money market funds	513,096	433,587

Total investments	22,097,375	17,980,823
Accrued Income Receivable	9,924	353
Cash	60,744	1,464

Total assets	22,168,043	17,982,640
Liabilities		
Excess contributions refund	15,042	--

Net Assets Available for Benefits	\$ 22,153,001	\$ 17,982,640
	=====	

See Notes to Financial Statements

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First Merchants Corporation
 Retirement Savings Plan
 Statements of Changes in Net Assets Available for Benefits
 Years Ended December 31, 2004 and 2003

	2004	2003

Investment Income		
Net appreciation in fair value of investments	\$ 1,701,917	\$ 2,725,365
Interest and dividends	627,209	335,636

Net investment income	2,329,126	3,061,001

Contributions		
Participants	1,554,532	1,415,358
Employer	241,128	220,350
Rollovers	754,966	60,813
Transfer from another plan	220,791	413,545

	2,771,417	2,110,066

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Total additions	5,100,543	5,171,067
Deductions - benefits paid to participants	930,182	1,015,584
Net Increase	4,170,361	4,155,483
Net Assets Available for Benefits, Beginning of Year	17,982,640	13,827,157
Net Assets Available for Benefits, End of Year	\$ 22,153,001	\$ 17,982,640

See Notes to Financial Statements

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First Merchants Corporation
Retirement Savings Plan
Notes to Financial Statements
December 31, 2004 and 2003

Note 1: Description of Plan

The following description of First Merchants Corporation Retirement Savings Plan (Plan) provides only general information. Participants should refer to the Plan Document and Summary Plan Description for a more complete description of the Plan's provisions, which are available from the plan administrator.

General

The Plan is a defined-contribution plan sponsored by First Merchants Corporation (Corporation) for the benefit of all employees who are age 18 or older. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Merchants Trust Company is the trustee of the Plan. PrimeVest Financial Services is the custodian for a majority of the Plan's assets.

Contributions

The Plan permits eligible employees through a salary deferral election to have the Corporation make annual contributions of up to the limit allowed by the Internal Revenue Code. Employee rollover contributions are also permitted. The Corporation makes matching contributions of its employees' salary deferral amounts of 25% of the first 5% of employees' eligible compensation. Company profit-sharing contributions are discretionary as determined by the Company's Board of Directors. Contributions are subject to certain limitations.

The Plan document also includes an automatic deferral feature whereby a participant is treated as electing to defer 3% of eligible compensation unless the participant made an affirmative election otherwise.

Participant Investment Account Options

Investment account options available include various funds including a Corporation common stock fund. Each participant has the option of

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directing his contributions into any of the separate investment accounts and may change the allocation daily.

Participant Accounts

Each participant's account is credited with the participant's contribution, the Corporation's contribution and plan earnings. Allocations of Plan earnings are based on participant account balances, as defined. The benefits to which a participant is entitled is the benefit that can be provided from the participant's vested account.

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First Merchants Corporation
Retirement Savings Plan
Notes to Financial Statements
December 31, 2004 and 2003

Vesting

Participants are immediately vested in their voluntary contributions and rollover contribution accounts plus earnings thereon. Vesting in the Corporation's contribution portion of their accounts plus earnings thereon is based on years of continuous service. A participant is fully vested after five years of credited service. The nonvested balance is forfeited upon termination of service. Forfeitures are used to reduce the Corporation's contribution.

Payment of Benefits

Upon termination of service, participants may elect to receive a lump-sum amount or installments equal to the value of their accounts. Withdrawals other than for termination are permitted under circumstances provided by the Plan.

Plan Termination

Although it has not expressed any intent to do so, the Corporation has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

Note 2: Summary of Significant Accounting Policies

Method of Accounting

The accompanying financial statements are prepared on the accrual method of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and changes in net assets available for benefits. Actual results could differ from those estimates.

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Valuation of Investments and Income Recognition

Quoted market prices, if available, are used to value investments. The Federated Capital Preservation Fund is carried at contract value. Money market funds are valued at cost, which approximates market. Investment in the Corporation's unrestricted common stock is valued at the quoted market price.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis.

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First Merchants Corporation
Retirement Savings Plan
Notes to Financial Statements
December 31, 2004 and 2003

Plan Tax Status

The Plan obtained its latest determination letter in September 2001, in which the Internal Revenue Service stated that the Plan and related trust, as then designed, were in compliance with the applicable requirements of the Internal Revenue Code and therefore not subject to tax. The Plan has been amended and restated since receiving the determination letter. However, the Plan administrator believes that the Plan and related trust are currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Administrative Expenses

Administrative expenses may be paid by the Corporation or the Plan, at the Corporation's discretion.

Note 3: Investments

The Plan's investments are held by PrimeVest Financial Services, Inc. and the Corporation. The investment contract included in Plan assets may be subject to withdrawal charges upon contract termination. Crediting interest rates on the guaranteed interest portion of the investment contract are determined by the issuer. The Plan's investments (including investments bought, sold, and held during the year) appreciated in fair value as follows:

2004	
Net Appreciation in Fair Value During Year	Fair Value at End of Year

Investments at estimated fair value as determined by quoted

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prices in an active market		
Common stock	\$ 107,194	\$ 1,030,460
Mutual funds	1,594,723	19,364,358
Investments at contract value		
Federated Capital Preservation Fund	--	1,189,461
Investments at cost, which approximates market		
Money market funds	--	513,096
	-----	-----
	\$ 1,701,917	\$ 22,097,375
	=====	=====

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First Merchants Corporation
Retirement Savings Plan
Notes to Financial Statements
December 31, 2004 and 2003

	2003	
	Net Appreciation in Fair Value During Year	Fair at of
	-----	-----
Investments at estimated fair value as determined by quoted prices in an active market		
Common stock	\$ 76,195	\$ 6
Mutual funds	2,649,170	15,7
Investments at contract value		
Federated Capital Preservation Fund	--	1,2
Investments at cost, which approximates market		
Money market funds	--	4
	-----	-----
	\$ 2,725,365	\$ 17,9
	=====	=====

Interest and dividends realized on the Plan's investments for the years ended 2004 and 2003 were \$627,209 and \$335,636, respectively.

Information on the Federated Capital Preservation Fund carried at contract value is as follows:

	2004	2003
	-----	-----
Average yield	3.72%	4.50%
Crediting interest rate at December 31	3.41%	4.02%

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Fair value \$ 1,175,000 \$ 1,262,000
----- -----

The fair values of individual investments that represented 5% or more of the Plan's assets were as follows:

	2004	2003
	-----	-----
American Funds Amcap Fund	\$ 3,524,022	\$ 3,030,000
Franklin Short-Intermediate U. S. Government Securities Fund	1,198,797	1,140,000
Goldman Sachs Mid Cap Fund	2,050,028	2,050,000
MFS Value Fund	3,096,735	2,560,000
Oppenheimer Main Street Income and Growth Fund	1,651,649	1,330,000
PIMCO Total Return Fund	1,918,245	1,890,000
Oppenheimer Small Cap. Value Fund	1,487,941	980,000
Federated Capital Preservation Fund (at contract value)	1,189,461	1,220,000
American Century Equity Income Fund	--	1,390,000

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First Merchants Corporation
 Retirement Savings Plan
 Notes to Financial Statements
 December 31, 2004 and 2003

Note 4: Party-in-Interest Transactions

Party-in-interest transactions include those with fiduciaries or employees of the Plan, any person who provides services to the Plan, an employer whose employees are covered by the Plan, an employee organization whose members are covered by the Plan, a person who owns 50 percent or more of such an employer or employee association, or relatives of such persons.

The Plan invests in First Merchants Corporation common stock. Activity at fair value was as follows:

	First Merchants Corporation Common Stock

Balance, January 1, 2003	\$ 397,275
Changes	221,902

Balance, December 31, 2003	619,177
Changes	411,283

Balance, December 31, 2004	\$ 1,030,460
	=====

The Corporation provides certain administrative services at no cost to the Plan.

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Note 5: Plan Amendments

In September 2003, employees of Frances Slocum Bank (Frances Slocum Bank & Trust Company Profit Sharing Plan) were added to the Plan, and assets of \$413,545 were transferred into the Plan.

In February 2004, participants of a Commerce National Bank subsidiary 401(k) plan were transferred into the Plan. Assets transferred totaled \$220,791.

Note 6: Subsequent Events

Effective March 1, 2005, the Plan was amended and restated to allow the employees of Lafayette Bank and Trust Company, Commerce National Bank, First Merchants Insurance Services and Indiana Title Insurance Company to become participants in the Plan. Approximately \$10,500,000 was transferred into the Plan from these 401(k) plans and approximately 400 new participants were added to the Plan. The Plan's name was also changed to First Merchants Corporation Retirement Income and Savings Plan and the employer matching contribution changed to 50% of the first 6% of employees' eligible compensation. There were also additional employer contribution provisions added to the Plan.

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Supplemental Schedule

First Merchants Corporation
 Retirement Savings Plan
 Schedule H, Line 4i - Schedule of Assets Held for Investment Purposes
 at End of Year
 December 31, 2004
 Employer Identification Number: 35-1544218 Plan Number: 002

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment Including Par or Maturity Value	(e) Current Value

	Common Stock		
	*First Merchants Corporation	36,412 shares	\$ 1,030
	Mutual Funds		
	AIM Small Cap Equity Fund	34,521 shares	441
	American Funds Amcap. Fund	193,947 shares	3,524
	American High Income Trust Fund	30,780 shares	388
	Federated Max-Cap Index Fund	31,545 shares	769
	Fidelity Advisor International Capital Appreciation Fund	5,764 shares	97
	Franklin Short-Intermediate U. S. Government Securities Fund	117,760 shares	1,198
	Franklin Templeton Foreign Fund	23,196 shares	285

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Goldman Sachs Mid Cap Fund	61,729 shares	2,050
ING Index Plus Mid Cap Fund	33,980 shares	544
MFS Value Fund	134,000 shares	3,096
MFS Mid-Cap Growth Fund	81,195 shares	722
Oppenheimer Main Street Income and Growth Fund	46,578 shares	1,651
Oppenheimer Small Cap Value Fund	47,599 shares	1,487
PIMCO Foreign Bond Fund	5,297 shares	55
PIMCO Total Return Fund	179,779 shares	1,918
Putnam International Voyager Fund	14,399 shares	351
Putnam Small Cap Growth Fund	36,209 shares	781

		19,364

Collective Investment Fund		
Federated Capital Preservation Fund	118,946 shares	1,189

Money Market Fund		
Federated Prime Cash Obligations Fund	513,096 shares	513

		\$ 22,097
		=====

* Party-in-interest

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Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement of First Merchants Corporation on Form S-8 (File Number 333-50484) of our report dated April 26, 2005, of our audit on the financial statements of First Merchants Corporation Retirement Savings Plan for the year ended December 31, 2004, which report is included in its Annual Report on Form 11-K.

/s/ BKD, LLP

BKD, LLP

Indianapolis, Indiana
June 27, 2005

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: 06/29/05

By: /s/ Kimberly J. Ellington

Kimberly J. Ellington
First Merchants Corporation

