

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): January 23, 2007

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

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))

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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On January 23 2007, First Merchants Corporation issued a press release to report its financial results for the fourth quarter ended December 31, 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 January 23, 2007, 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: January 23, 2007

EXHIBIT INDEX

Exhibit No.

99.1

Description

Press Release, dated January 23, 2007, issued by
First Merchants Corporation.

First Merchants Corporation

Exhibit No. 99.1

Press Release, dated January 23, 2007

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

January 23, 2007

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 2006 EARNINGS PER SHARE

First Merchants Corporation (NASDAQ - FRME) has reported December 31, 2006 diluted earnings per share totaling \$1.64, a \$.01 increase over 2005 earnings per share of \$1.63. Net Income for 2006 totaled \$30.2 million.

Fourth quarter diluted earnings per share totaled \$.42, a \$.01 increase from fourth quarter earnings per share of \$.41 in 2005. Net income for the quarter totaled \$7.7 million.

Total assets again reached record levels totaling \$3.55 billion at year-end, an increase of \$318 million, or 9.8 percent from December 31, 2005. Loans and investments, the Corporation's primary earning assets, totaled \$3.16 billion, an increase of \$266 million or 9.2 percent over the prior year.

Net-Interest margin declined by 26 basis points in 2006, from 3.97 percent in 2005 to 3.71 percent in 2006. As a result, net-interest income declined by \$1,034,000 despite strong improvements in earning assets as the Corporation's volume variance totaled a positive \$6,987,000 mitigated by a negative rate variance of \$8,021,000. The decline in net-interest margin represents \$.26 in earnings per share for the year.

Non-interest income declined by \$104,000 during 2006. Core non-interest income improved by \$607,000 as earnings on cash surrender value of bank owned life insurance increased by \$619,000, insurance commission increased by \$481,000 and other customer fees improved by \$423,000. Positive advances in non-interest income were mitigated by reduced gains from the sale of mortgage loans totaling \$731,000 and one time gains in 2005 of \$711,000.

Year-to-date operating expense increased by a modest 2.2 percent as management continues the process of streamlining its operating structure.

The allowance for loan losses increased during the year by \$1.35 million as the Corporation's provision for loan losses declined by \$2.1 million. As of December 31, 2006, non-performing loans totaled 87 basis points of average total loans and the allowance for loan losses as a percent of total loans equaled .99 percent.

Michael L. Cox, President and Chief Executive Officer, stated that, "Margin compression resulting from the inversion of the yield curve and competition masked much of the Corporation's success during the year. The Corporation's balance sheet is diversified, short in average life and generally very well structured. Consequently, the management team and Board of Directors of First Merchants are pleased with the overall success of the year and believe when evaluating 2006 that it is important to acknowledge the impact of margin compression." Cox also added, that "Balance sheet growth, credit quality, expense management, talent acquisition and infrastructure improvements represent the success of many key initiatives and that management is diligently executing a plan to produce a positive 2007."

CONFERENCE CALL

First Merchants Corporation will conduct a conference call at 2:30 p.m. Eastern Daylight Time on Wednesday, January 24, 2007. To participate, dial (Toll Free) 877-407-9210 and reference First Merchants Corporation's fourth quarter earnings. A replay will be available until January 31, 2007. To access replay, 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 # 226600.

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., Madison Community Bank, N.A., United Communities National Bank, First National Bank, Decatur Bank & Trust Company, N.A., Frances Slocum Bank, N.A., Lafayette Bank & Trust Company, N.A., Commerce National 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 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,	
	2006	2005
Assets		
Cash and due from banks	\$ 89,957	\$ 70,417
Interest-bearing time deposits	11,284	8,748
Investment securities	465,217	434,266
Mortgage loans held for sale	5,413	4,910
Loans	2,692,601	2,457,427
Less: Allowance for loan losses	(26,540)	(25,188)
	-----	-----
Net loans	2,666,061	2,432,239
Premises and equipment	42,393	39,417
Federal Reserve and Federal Home Loan Bank stock	23,691	23,200
Interest receivable	24,345	19,690
Core deposit intangibles and goodwill	138,638	138,833
Cash surrender value of life insurance	64,213	43,579
Other assets	23,658	21,780
	-----	-----
Total assets	\$ 3,554,870	\$ 3,237,079
	=====	=====
Liabilities		
Deposits		
Noninterest-bearing	\$ 362,058	\$ 314,335
Interest-bearing	2,388,480	2,068,241
	-----	-----
Total deposits	2,750,538	2,382,576
Borrowings	440,764	508,236
Interest payable	9,326	5,874
Other liabilities	26,917	26,997
	-----	-----
Total liabilities	3,227,545	2,923,683
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 -- 18,439,843 and 18,416,714 shares	2,305	2,302
Additional paid-in capital	146,460	145,682
Retained earnings	187,965	174,717
Accumulated other comprehensive loss	(9,405)	(9,305)
	-----	-----
Total stockholders' equity	327,325	313,396
	-----	-----
Total liabilities and stockholders' equity	\$ 3,554,870	\$ 3,237,079
	=====	=====

FINANCIAL HIGHLIGHTS

(In thousands)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2006	2005	2006	2005
NET CHARGE OFF'S	\$ 1,680	\$ 1,906	\$ 4,906	\$ 5,714
AVERAGE BALANCES				
Total Assets	\$3,499,774	\$3,160,619	\$3,371,386	\$3,179,464
Total Loans	2,653,700	2,447,794	2,569,847	2,434,134
Total Deposits	2,755,145	2,414,251	2,568,070	2,418,752
Total Stockholders' Equity	326,158	317,510	319,519	315,525
FINANCIAL RATIOS				
Return on Average Assets	.88%	.95%	.90%	.95%
Return on Avg. Stockholders' Equity	9.39	9.49	9.45	9.58
Avg. Earning Assets to Avg. Assets	90.87	91.47	91.15	90.93
Allowance for Loan Losses as %				
Of Total Loans	.99	1.02	.99	1.02
Net Charge Off's as % Of Avg. Loans				
(Annualized)	.25	.31	.19	.23
Dividend Payout Ratio	56.10	56.10	56.10	56.44
Avg. Stockholders' Equity to Avg. Assets	9.32	10.05	9.48	9.92
Tax Equivalent Yield on Earning Assets	7.07	6.62	6.92	6.26
Cost of Supporting Liabilities	3.53	2.59	3.21	2.29
Net Int. Margin (FTE) on Earning Assets	3.54	4.03	3.71	3.97

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2006	2005	2006	2005
Interest income				
Loans receivable				
Taxable	\$ 49,293	\$ 41,930	\$186,768	\$ 158,436
Tax exempt	240	160	828	643
Investment securities				
Taxable	3,219	2,480	12,316	9,612
Tax exempt	1,660	1,672	6,565	6,374
Federal funds sold	332	74	373	264
Deposits with financial institutions	110	202	500	695
Federal Reserve and Federal Home Loan Bank stock	318	296	1,256	1,185
Total interest income	55,172	46,814	208,606	177,209
Interest expense				
Deposits	22,690	13,414	74,314	46,121
Federal funds purchased	93	163	1,842	623
Securities sold under repurchase agreements	488	647	3,228	1,612
Federal Home Loan Bank advances	2,672	2,410	10,734	9,777
Subordinated debentures, revolving credit lines and term loans	2,046	1,910	8,124	7,432
Other borrowings	67	144	269	515
Total interest expense	28,056	18,688	98,511	66,080
Net interest income	27,116	28,126	110,095	111,129
Provision for loan losses	1,245	1,945	6,258	8,354
Net interest income after provision for loan losses	25,871	26,181	103,837	102,775
Other income				
Fiduciary activities	1,862	1,762	7,625	7,481
Service charges on deposit accounts	3,010	2,691	11,262	11,298
Other customer fees	1,387	1,432	5,517	5,094
Net realized gains on sales of available-for-sale securities	(4)	(24)	(4)	(2)
Commission income	881	690	4,302	3,821
Earnings on cash surrender value of life insurance	712	386	2,286	1,667
Net gains and fees on sales of loans	613	676	2,171	2,902
Other income	309	516	1,454	2,456
Total other income	8,770	8,129	34,613	34,717
Other expenses				
Salaries and employee benefits	14,157	12,596	56,125	54,059
Net occupancy expenses	1,498	1,428	5,886	5,796
Equipment expenses	1,956	1,952	7,947	7,562
Marketing expense	508	625	1,932	2,012
Outside data processing fees	804	989	3,449	4,010
Printing and office supplies	401	400	1,496	1,369
Core deposit amortization	781	767	3,066	3,102
Other expenses	4,315	4,469	16,156	16,047
Total other expenses	24,420	23,226	96,057	93,957
Income before income tax	10,221	11,084	42,393	43,535
Income tax expense	2,562	3,553	12,195	13,296
Net income	\$ 7,659	\$ 7,531	\$ 30,198	\$ 30,239
Per Share Data				
Basic Net Income	.42	.41	1.64	1.64
Diluted Net Income	.42	.41	1.64	1.63
Cash Dividends Paid	.23	.23	.92	.92
Average Diluted Shares Outstanding (in thousands)	18,498	18,558	18,467	18,596

CONSOLIDATED BALANCE SHEETS

(in thousands)

	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005
Assets					
Cash and due from banks	\$ 89,957	\$ 65,641	\$ 71,275	\$ 59,176	\$ 70,417
Interest-bearing time deposits	11,284	8,717	8,529	9,104	8,748
Investment securities	465,217	468,074	466,882	441,651	434,266
Mortgage loans held for sale	5,413	3,395	5,338	5,170	4,910
Loans	2,692,601	2,641,644	2,591,440	2,491,488	2,457,427
Less: Allowance for loan losses	(26,540)	(26,975)	(25,884)	(25,623)	(25,188)
Net loans	2,666,061	2,614,669	2,565,556	2,465,865	2,432,239
Premises and equipment	42,393	40,511	41,122	39,029	39,417
Federal Reserve and Federal Home Loan Bank stock	23,691	23,620	23,889	23,421	23,200
Interest receivable	24,345	23,946	19,539	19,035	19,690
Core deposit intangibles and goodwill	138,638	136,666	137,429	138,174	138,833
Cash surrender value of life insurance	64,213	63,539	44,358	43,964	43,579
Other assets	23,658	23,261	24,346	25,346	21,780
Total assets	\$ 3,554,870	\$ 3,472,039	\$ 3,408,263	\$ 3,269,935	\$ 3,237,079
Liabilities					
Deposits					
Noninterest-bearing	\$ 362,058	\$ 324,601	\$ 340,046	\$ 325,548	\$ 314,335
Interest-bearing	2,388,480	2,369,690	2,195,354	2,120,524	2,068,241
Total deposits	2,750,538	2,694,291	2,535,400	2,446,072	2,382,576
Borrowings	440,764	419,146	527,347	469,002	508,236
Interest payable	9,326	10,236	6,927	6,412	5,874
Other liabilities	26,917	26,075	25,585	31,711	26,997
Total liabilities	3,227,545	3,149,748	3,095,259	2,953,197	2,923,683
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	2,305	2,292	2,282	2,305	2,302
Additional paid-in capital	146,460	143,688	142,037	146,374	145,682
Retained earnings	187,965	184,555	181,042	177,975	174,717
Accumulated other comprehensive loss	(9,405)	(8,244)	(12,357)	(9,916)	(9,305)
Total stockholders' equity	327,325	322,291	313,004	316,738	313,396
Total liabilities and stockholders' equity	\$ 3,554,870	\$ 3,472,039	\$ 3,408,263	\$ 3,269,935	\$ 3,237,079

NON-PERFORMING ASSETS

(in thousands)

	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005
90 days past due	\$ 2,870	\$ 4,253	\$ 8,818	\$ 5,188	\$ 3,965
Non-accrual loans	17,926	16,524	12,611	11,424	10,030
Other real estate	2,160	2,194	2,497	3,209	2,835
Total non-performing assets	\$ 22,956	\$ 22,971	\$ 23,926	\$ 19,821	\$ 16,830
Average total loans for the quarter	\$2,653,700	\$2,613,805	\$2,534,675	\$2,474,759	\$2,447,794
Total non-performing assets as a percent of average total loans	.87%	.87%	.94%	.80%	.69%
Restructured loans	\$ 84	\$ 93	\$ 111	\$ 114	\$ 310

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)

	Three Months Ended				
	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005
Interest Income					
Loans receivable					
Taxable	\$ 49,293	\$ 48,738	\$ 45,658	\$ 43,079	\$ 41,930
Tax exempt	240	189	231	168	160
Investment securities					
Taxable	3,219	3,289	3,082	2,726	2,480
Tax exempt	1,660	1,645	1,613	1,647	1,672
Federal funds sold	332	13	11	17	74
Deposits with financial institutions	110	144	132	114	202
Federal Reserve and Federal Home Loan Bank stock	318	307	320	311	296
Total interest income	55,172	54,325	51,047	48,062	46,814
Interest expense					
Deposits	22,690	20,291	16,914	14,419	13,414
Federal funds purchased	93	635	625	489	163
Securities sold under repurchase agreements	488	852	1,053	835	647
Federal Home Loan Bank advances	2,672	2,796	2,610	2,656	2,410
Subordinated debentures, revolving credit lines and term loans	2,046	2,067	2,020	1,991	1,910
Other borrowings	67	60	59	83	144
Total interest expense	28,056	26,701	23,281	20,473	18,688
Net interest income	27,116	27,624	27,766	27,589	28,126
Provision for loan losses	1,245	1,558	1,729	1,726	1,945
Net interest income after provision for loan losses	25,871	26,066	26,037	25,863	26,181
Other income					
Fiduciary activities	1,862	1,863	1,949	1,951	1,762
Service charges on deposit accounts	3,010	3,055	2,771	2,426	2,691
Other customer fees	1,387	1,386	1,389	1,355	1,432
Net realized gains (losses) on sales of available-for-sale securities	(4)		(9)	9	(24)
Commission income	881	971	946	1,504	690
Earnings on cash surrender value of life insurance	712	719	432	423	386
Net gains and fees on sales of loans	613	493	511	554	676
Other income	309	348	422	375	516
Total other income	8,770	8,835	8,411	8,597	8,129
Other expenses					
Salaries and employee benefits	14,157	14,033	13,543	14,392	12,596
Net occupancy expenses	1,498	1,477	1,477	1,434	1,428
Equipment expenses	1,956	2,035	2,007	1,949	1,952
Marketing expense	508	586	438	400	625
Outside data processing fees	804	841	921	883	989
Printing and office supplies	401	367	424	304	400
Core deposit amortization	781	762	761	762	767
Other expenses	4,315	3,854	4,323	3,664	4,469
Total other expenses	24,420	23,955	23,894	23,788	23,226
Income before income tax	10,221	10,946	10,554	10,672	11,084
Income tax expense	2,562	3,207	3,263	3,163	3,553
Net income	\$ 7,659	\$ 7,739	\$ 7,291	\$ 7,509	\$ 7,531
Per Share Data					
Basic Net Income	\$.42	\$.42	\$.39	\$.41	\$.41
Diluted Net Income	.42	.42	.39	.41	.41
Cash Dividends Paid	.23	.23	.23	.23	.23
Average Diluted Shares Outstanding (in thousands)	18,498	18,381	18,463	18,526	18,558
FINANCIAL RATIOS					
Return on Average Assets	.88%	.90%	.88%	.93%	.95%
Return on Avg. Stockholders' Equity	9.39	9.72	9.20	9.49	9.49
Avg. Earning Assets to Avg. Assets	90.87	91.26	91.21	91.27	91.47
Allowance for Loan Losses as % Of Total Loans	.99	1.02	1.00	1.03	1.02
Net Charge Off's as % Of Avg. Loans					

(Annualized)	.25	.07	.23	.21	.31
Dividend Payout Ratio	56.10	54.76	58.97	56.10	56.10
Avg. Stockholders' Equity to Avg. Assets	9.32	9.30	9.54	9.78	10.05
Tax Equivalent Yield on Earning Assets	7.07	7.08	6.87	6.64	6.62
Cost of Supporting Liabilities	3.53	3.42	3.07	2.77	2.59
Net Int. Margin (FTE) on Earning Assets	3.54	3.66	3.80	3.87	4.03

LOANS

(in thousands)	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005
Commercial and industrial loans	\$ 537,305	\$ 497,280	\$ 501,238	\$ 486,411	\$ 461,102
Agricultural production financing and other loans to farmers	100,098	104,147	95,352	87,433	95,130
Real estate loans:					
Construction	169,491	175,753	178,254	175,784	174,783
Commercial and farmland	861,429	835,403	813,171	743,905	734,865
Residential	749,921	757,116	744,552	746,410	751,217
Individuals' loans for household and other personal expenditures	223,504	215,237	208,768	202,478	200,139
Tax exempt loans	14,423	16,550	13,656	13,656	8,263
Lease financing receivables, net of unearned income	8,010	8,543	8,589	8,193	8,713
Other loans	28,420	31,615	27,860	27,218	23,215
	-----	-----	-----	-----	-----
Allowance for loan losses	2,692,601 (26,540)	2,641,644 (26,975)	2,591,440 (25,884)	2,491,488 (25,623)	2,457,427 (25,188)
	-----	-----	-----	-----	-----
Total loans	\$2,666,061	\$2,614,669	\$2,565,556	\$2,465,865	\$2,432,239
	=====	=====	=====	=====	=====

DEPOSITS

(in thousands)	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005
Demand deposits	\$ 883,294	\$ 743,154	\$ 758,132	\$ 671,027	\$ 690,923
Savings deposits	507,431	512,112	510,878	526,554	566,212
Certificates and other time deposits of \$100,000 or more	408,910	394,724	313,751	320,213	264,665
Other certificates and time deposits	950,903	1,044,301	952,639	928,278	860,776
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	\$2,750,538	\$2,694,291	\$2,535,400	\$2,446,072	\$2,382,576
	=====	=====	=====	=====	=====