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FIRST MERCHANTS CORP
Form 11-K
June 28, 2004

U. S. 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, 2003

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, 2003 and 2002

First Merchants Corporation
Retirement Savings Plan

December 31, 2003 and 2002

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Independent Accountants' Report

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 as of December 31, 2003 and 2002, and the related statements of changes in net assets available for benefits for the years then ended. 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 auditing standards generally accepted in the United States of America. 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

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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 First Merchants Corporation Retirement Savings Plan as of December 31, 2003 and 2002, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplemental schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are 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. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

[OBJECT OMITTED]

Indianapolis, Indiana
April 28, 2004

Federal Employer Identification Number: 44-0160260

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First Merchants Corporation Retirement Savings Plan

Statements of Net Assets Available for Benefits December 31, 2003 and 2002

Assets	2003	2002
Investments, at fair value		
Common stock	\$ 619,177	\$ 397,275
Mutual funds	15,705,757	11,411,166
Collective investment fund	1,222,302	988,210
Money market funds	433,587	1,012,993
Total investments	17,980,823	13,809,644
Accrued income receivable	353	4,906

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Cash	1,464	12,607
	-----	-----
Net Assets Available for Benefits	\$ 17,982,640	\$ 13,827,157
	=====	=====

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First Merchants Corporation
Retirement Savings Plan

Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2003 and 2002

	2003	

Investment Income (Loss)		
Net appreciation (depreciation) in fair value of investments	\$ 2,725,365	\$
Interest and dividends	335,636	

Net investment income (loss)	3,061,001	

Contributions		
Participants	1,415,358	
Employer	220,350	
Rollovers	60,813	
Transfer from another plan	413,545	

Total additions	5,171,067	

Deductions		
Benefits paid directly to participants	1,015,584	
Administrative expenses		

Total deductions	1,015,584	

Net Increase	4,155,483	
Net Assets Available for Benefits, Beginning of Year	13,827,157	

Net Assets Available for Benefits, End of Year	\$ 17,982,640	\$
	=====	

First Merchants Corporation
Retirement Savings Plan

Notes to Financial Statements
December 31, 2003 and 2002

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 have completed one year of service and are age eighteen or older. As of July 1, 2002, employees are eligible on their date of hire. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). First Merchants Bank, N.A. (Bank) was the trustee of the Plan. Effective January 1, 2003, the Corporation named Merchants Trust Company 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 limitations of the Economic Growth and Tax Relief Act of 2001 (EGTRRA). As discussed in Note 6, the Plan was amended during 2002 to provide for automatic enrollment and deferral of 3% of compensation upon a participant's date of hire unless they affirmatively elect to not participate or to contribute a different percentage to the Plan. 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.

Participant Investment Account Options

Investment account options available include various funds including a Corporation stock fund. Each participant has the option of directing his contributions into any of the separate investment accounts and, effective in 2002, may change the allocation daily.

Participant Accounts

Each participant's account is credited with the participant's

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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, 2003 and 2002

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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First Merchants Corporation
Retirement Savings Plan

Notes to Financial Statements
December 31, 2003 and 2002

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.

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 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.

Reclassifications

Certain reclassifications have been made to the 2002 financial statement to conform to the 2003 financial statement presentation. These reclassifications had no effect on the change in net assets available for benefits.

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First Merchants Corporation
Retirement Savings Plan

Notes to Financial Statements
December 31, 2003 and 2002

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Note 3: Investments

At December 31, 2003, 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 (depreciated) in fair value as follows:

	2003	
	Net Appreciation in Fair Value During Year	

Investments at estimated fair value as determined by quoted prices in an active market		
Common stock	\$ 76,195	\$
Mutual funds	2,649,170	
Investments at contract value		
Federated Capital Preservation Fund		
Investments at cost, which approximates market		
Money market funds	----- \$ 2,725,365 =====	\$
	2002	
	Net Appreciation (Depreciation) in Fair Value During Year	

Investments at estimated fair value as determined by quoted prices in an active market		
Common stock	\$ (14,413)	\$
Mutual funds	137,222	
Investments at cost, which approximates market		
Money market funds		

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Investments at contract value

Federated Capital Preservation Fund

Investments at estimated fair value and cost which approximates market

Collective investment funds

(750,930)

\$ (628,121) \$
=====

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First Merchants Corporation
Retirement Savings Plan

Notes to Financial Statements
December 31, 2003 and 2002

Interest and dividends realized on the Plan's investments for the years ended 2003 and 2002 were \$335,636 and \$199,247, respectively.

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

	2003

Average yield	4.50%
Crediting interest rate at December 31	4.02%
Fair value	\$ 1,262,000

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

	2003

Federated Prime Cash Obligations Fund	\$
American Funds Amcap Fund	3,037,555
American Century Equity Income Fund	1,394,376
Federated Capital Preservation Fund	1,222,302
Franklin Short-Intermediate U. S. Government Securities Fund	1,146,707

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MFS Value Fund	2,565,200
PIMCO Total Return Fund	1,892,358
Oppenheimer Main Street Income and Growth Fund	1,337,599
Oppenheimer Small Cap. Value Fund	989,621

Note 4: Nonparticipant-directed Investments

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments, is as follows:

	2003

Net Assets	
Federated Prime Cash Obligations	\$ -----
	\$ 0
	=====
	2003

Transfers in	\$ 713,074
Transfers out	(713,074)

	\$ 0
	=====

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First Merchants Corporation
Retirement Savings Plan

Notes to Financial Statements
December 31, 2003 and 2002

Note 5: 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

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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 invested in First Merchants Bank, N.A. Temporary Fund II, Intermediate Growth Fund for Tax Exempt Account Intermediate Term Income Fund for Tax Exempt Accounts through July 2002. The Plan continues to invest in First Merchants Corporation common stock.

Activity at fair value was as follows:

	First Merchants Corporation Common Stock -----
Balance, January 1, 2002	\$ 134,872
Changes	262,403 -----
Balance, December 31, 2002	397,275
Changes	221,902 -----
Balance, December 31, 2003	\$ 619,177 =====

The Corporation provides certain administrative services at no cost to the Plan. Fees for certain trust and administrative services provided by the trustee were paid by the Plan through July 2002 and were \$24,484. The trustee no longer charges the Plan administrative fees.

Note 6: Plan Amendments

Effective January 1, 2002, the Plan was amended to provide participants the opportunity to increase their contributions in accordance with the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).

Effective July 1, 2002, the Plan was amended to automatically enroll employees in the Plan as of their date of hire unless they affirmatively elect not to participate. Also, on July 1, 2002, the Plan was converted from a quarterly to a daily valuation. As part of the conversion, all of the previous fund options were replaced.

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.

Supplemental Schedules

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First Merchants Corporation
Retirement Savings PlanSchedule H, Line 4i - Schedule of Assets Held for Investment Purposes
at End of Year

December 31, 2003

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

	Common Stock	
	*First Merchants Corporation	24,271 shares
	Mutual Funds	
	AIM Small Cap. Equity Fund	31,661 shares
	American Funds Amcap. Fund	180,270 shares
	American Century Equity Income Fund	179,226 shares
	American High Income Trust Fund	21,531 shares
	Federated Max-Cap Index Fund	26,730 shares
	Fidelity Advisor International Capital Appreciation Fund	4,469 shares
	Franklin Short-Intermediate U. S. Government Securities Fund	110,366 shares
	Franklin Templeton Foreign Fund	18,877 shares
	MFS Value Fund	126,116 shares
	MFS Mid-Cap. Growth Fund	71,432 shares

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Oppenheimer Main Street Income and Growth Fund	40,780 shares
Oppenheimer Small Cap. Value Fund	36,652 shares
PIMCO Foreign Bond Fund	7,421 shares
PIMCO Total Return Fund	176,691 shares
Putnam Capital Opportunities Fund	35,158 shares
Putnam International Voyager Fund	11,584 shares
Putnam Small Cap. Growth Fund	32,855 shares
Collective Investment Fund	
Federated Capital Preservation Fund	122,230 shares
Money Market Fund	
Federated Prime Cash Obligations Fund	433,587 shares

*Party-in-interest

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First Merchants Corporation
Retirement Savings Plan

Schedule H, Line 4j - Schedule of Reportable Transactions
(Transactions in Excess of 5% of Plan Assets at Beginning of Year)
Year Ended December 31, 2003
Employer Identification Number: 35-1544218 Plan Number: 002

(a)	(b)	(c)	(d)	(e)	(f)
Identity of Party Involved	Description of Assets	Purchase Price	Selling Price	Lease Rental	Expenses Incurred With Transaction
Issuer	Federated Prime Cash Obligations Fund				
	Purchases	\$ 133,668			\$
	Sales		\$ 713,074		

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

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 28, 2004, of our audit on the financial statements of First Merchants Corporation Retirement Savings Plan for the year ended December 31, 2003, which report is included in its Annual Report on Form 11-K.

BKD, LLP

Indianapolis, Indiana
June 28, 2004

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: 06/28/04

By: /s/ Kimberly J. Ellington

Kimberly J. Ellington
First Merchants Corporation
Retirement Savings Plan