



First Merchants Announces 8.9% Increase in Cash Earnings Per Share

October 24, 2001

First Merchants Corporation (NASDAQ - FRME) has reported that 2001 third quarter cash basis diluted earnings per share increased 8.9% to \$.49, up from \$.45 in the prior year. GAAP basis diluted earnings per share amounted to \$.47, 9.3% above the same quarter in 2000 at \$.43.

Year to date cash basis diluted earnings reached \$1.42 per share compared to \$1.31 in 2000, an 8.4% increase. GAAP basis diluted earnings per share amounted to \$1.35, 6.3% ahead of \$1.27 reported in 2000.

Prior period per share earnings have been restated for the 5% stock dividend paid in September, 2001.

Michael L. Cox, President and Chief Executive Officer commented that, "interest margins continued to improve in the 3rd quarter," but that "going forward, our industry will be challenged to achieve margin growth in this interest rate environment." Cox added, "all of our banks have committed themselves to serving our customers well in these trying political and economic times. We will continue to strive to provide the very best in community banking services." The company also reported that revenues from mortgage banking activities reached \$823,000, a 256% increase over the prior year.

Detailed financial results are reported on the attached pages.

First Merchants Corporation is an East Central Indiana Financial Holding Company. Its subsidiaries include First Merchants Bank in Delaware County and Hamilton Counties, the Madison Community Bank in Madison County, First United Bank in Henry County, Union County National Bank, The Randolph County Bank, the First National Bank of Portland in Jay County, Decatur Bank & Trust Company in Adams County, and Frances Slocum Bank in Wabash. The Corporation also operates First Merchants Insurance Services, a full-service property casualty, personal lines and healthcare insurer, headquartered in Muncie, Indiana.

The corporation recently announced the acquisition of Lafayette Bancorporation. Upon completion of the merger, Lafayette Bank and Trust Company (\$750 million in assets) will continue to operate as the largest community bank in the greater Lafayette area.

First Merchants Corporation common stock is traded over-the-counter on the NASDAQ National Market System under the symbol FRME and is rated A+ by Standard and Poor's Corporation. Quotations are carried in daily newspapers and can be found on the company's Internet Web page.

(<http://firstmerchants.com>). Nine brokerage firms make a market in First Merchants Corporation stock: Herzog, Heine, Geduld, Inc.; Howe Barnes Investments, Inc.; Keefe, Bruyette & Woods, Inc.; Knight Securities L.P.; Midwest Research First Tennessee; Natcity Investments Inc.; Sandler O'Neill & Partners; Sherwood Securities Corp.; and Spear, Leeds & Kellogg.

CONSOLIDATED BALANCE SHEET

(in thousands)

	September 30,	
	2001	2000
Assets		
Cash and due from banks	\$ 46,149	\$ 43,473
Federal funds sold	18,525	750
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Cash and cash equivalents	64,674	44,223
Interest-bearing time deposits	3,119	1,251
Investment securities	250,022	318,488
Mortgage loans held for sale		
Loans, net of allowance for loan losses of \$14,907 and \$12,232	1,347,561	1,153,198
Premises and equipment	27,184	23,810
Federal Reserve and Federal Home Loan Bank stock	7,856	7,189
Interest receivable	13,556	13,353
Core deposit intangibles and goodwill	32,795	21,218
Cash surrender value of life insurance	6,387	6,221
Other assets	8,517	11,987
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Total assets	\$ 1,761,671	\$ 1,600,938
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Liabilities		
Deposits		
Noninterest-bearing	\$ 163,689	\$ 143,542
Interest-bearing	1,224,881	1,097,579
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Total deposits	1,388,570	1,241,121
Borrowings	182,455	195,652
Interest payable	6,593	6,062
Other liabilities	6,468	5,233
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Total liabilities	1,584,086	1,448,068

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 - 12,700,322 and 12,269,181 shares	1,584	1,461
Additional paid-in capital	50,817	43,332
Retained earnings	121,711	111,089
Accumulated other comprehensive income	3,473	(3,012)
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Total stockholders' equity	177,585	152,870
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Total liabilities and stockholders' equity	\$ 1,761,671	\$ 1,600,938
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FINANCIAL HIGHLIGHTS

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2001	2000	2001	2000
NET CHARGE OFF'S	\$ 706	\$ 542	\$ 2,003	\$ 1,057
AVERAGE BALANCES				
Total Assets	\$1,778,372	\$1,625,776	\$1,655,135	\$1,519,355
Total Loans	1,348,373	1,152,981	1,243,778	1,079,618
Total Deposits	1,401,622	1,237,549	1,300,405	1,184,036
Total Stockholders' Equity	168,372	150,041	162,977	137,792
FINANCIAL RATIOS				
Return on Average Assets	1.35%	1.30%	1.35%	1.32%
Return on Avg. Shareholders' Equity	14.30	14.06	13.66	14.61
Avg. Earning Assets to Avg. Assets	92.91	95.27	93.40	95.00
Allowance for Loan Losses as %				
Of Total Loans	1.09	1.06	1.09	1.06
Net Charge Off's as % Of Avg. Loans				
(Annualized)	.21	.15	.21	.18
Dividend Payout Ratio	48.94	51.11	49.63	50.00
Avg. Stockholders' Equity to Avg. Assets	9.47	9.23	9.85	9.07
Tax Equivalent Yield on Earning Assets	7.79	8.20	8.00	8.10
Cost of Supporting Liabilities	3.46	4.24	3.77	4.07
Net Int. Margin (FTE) on Earning Assets	4.33	3.96	4.23	4.03

CONSOLIDATED STATEMENT OF INCOME

(in thousands, except share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2001	2000	2001	2000
Interest income				
Loans receivable				
Taxable	\$ 27,152	\$ 25,522	\$ 77,322	\$ 69,870
Tax exempt	106	76	310	224
Investment securities				
Taxable	3,027	3,623	9,343	11,001
Tax exempt	1,032	1,175	3,083	3,444
Federal funds sold	109	28	404	276
Deposits with financial institutions	12	28	32	61
Federal Reserve and Federal Home Loan Bank stock	120	164	419	411
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Total interest income	31,558	30,616	90,913	85,287
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Interest expense				
Deposits	11,670	13,028	35,817	35,713
Securities sold under repurchase agreements	817	1,129	2,665	3,181
Federal Home Loan Bank advances	1,715	1,691	4,836	3,662
Other borrowings	94	1,354	373	1,254

Total interest expense	14,296	16,202	43,691	43,810
Net interest income	17,262	14,414	47,222	41,477
Provision for loan losses	1,023	603	2,371	1,747
Net interest income after provision for loan losses	16,239	13,811	44,851	39,730
Other income				
Fiduciary activities	1,347	1,244	4,117	3,750
Service charges on deposit accounts	1,503	1,236	4,106	3,483
Other customer fees	840	964	2,462	2,664
Net realized gains (losses) on sales of available-for-sale securities	(167)	5	(167)	(180)
Commission income	519	608	1,465	1,543
Other income	589	322	1,659	923
Total other income	4,631	4,379	13,642	12,183
Other expenses				
Salaries and employee benefits	6,450	5,430	18,094	16,073
Net occupancy expenses	721	621	2,037	1,806
Equipment expenses	1,141	1,085	3,282	3,072
Marketing expense	287	250	760	754
Deposit insurance expense	76	63	216	178
Outside data processing fees	480	505	1,255	1,246
Printing and office supplies	288	288	799	849
Goodwill and core deposit amortization	480	347	1,181	563
Other expenses	2,057	1,604	5,335	4,940
Total other expenses	11,980	10,193	32,959	29,481
Income before income tax	8,890	7,997	25,534	22,432
Income tax expense	2,870	2,722	8,834	7,334
Net income	\$ 6,020	\$ 5,275	\$ 16,700	\$ 15,098
Per Share Data				
Diluted Cash Earnings	\$.49	\$.45	\$ 1.42	\$ 1.31
Basic Net Income	.48	.43	1.36	1.28
Diluted Net Income	.47	.43	1.35	1.27
Cash Dividends Paid	.23	.22	.67	.64

For more information, contact:

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<http://firstmerchants.com>