SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15 (d) of
the Securities Exchange Act of 1934

For the Fiscal year ended December 31, 2000 Commission file number 0-17071

FIRST MERCHANTS CORPORATION

(Exact name of registrant as specified in its charter)

Indiana	35-1544218
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 East Jackson Muncie, Indiana	47305-2814 (Zip Code)

(Address of principal executive offices)

Registrant's telephone number, including area code: (765) 747-1500

Securities registered pursuant to Section 12 (b) of the Act: None

Securities registered pursuant to Section
12 (g) of the Act:

Common Stock, $.125 stated value per share

(Title of Class)

Indicate by check mark whether the registrant(1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein,and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value (not necessarily a reliable indication of the price at which more than a limited number of shares would trade) of the voting stock held by non-affiliates of the registrant was $ as of March 6, 2000.

As of March 15,2001 there were 11,588,443 outstanding common shares, without par value, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Documents	Part of Form 10-K Into Which Incorporated
2000 Annual Report to Stockholders	Part II (Items 5, 6, 7, 7A, and 8)
Definitive Proxy Statement for Annual Meeting of Shareholders to be held April 11, 2001	Part III (Items 10 through 13)

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PART I

ITEM 1. BUSINESS

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GENERAL

First Merchants Corporation (the "Corporation") was incorporated under Indiana law on September 20, 1982, as the bank holding company for First Merchants Bank, National Association ("First Merchants"), a national banking association incorporated in 1893. Prior to December 16, 1991, First Merchants' name was The Merchants National Bank of Muncie. On November 30, 1988, the Corporation acquired Pendleton Banking Company ("Pendleton"), a state chartered commercial bank organized in 1872. On July 31, 1991, the Corporation acquired First United Bank ("First United"), a state chartered commercial bank organized in 1882. On August 1, 1996, the Corporation acquired The Union County National Bank of Liberty ("Union County"), a national banking association incorporated in 1872. On October 2, 1996, the Corporation acquired The Randolph County Bank ("Randolph County"), a state chartered commercial bank founded in 1865. On April 1, 1998, Pendleton acquired the Muncie office of Insurance and Risk Management, Inc., which was renamed, on April 1, 1998, First Merchants Insurance Services, Inc. On April 1, 1999, the Corporation acquired The First National Bank of Portland ("First National"), a national banking association incorporated in 1904. On April 21, 1999, the Corporation acquired Anderson Community Bank ("Anderson"), a state charted commercial bank founded in 1995. Pendleton and Anderson were combined on April 21, 1999, to form Madison Community Bank ("Madison"). Decatur Bank and Trust Company ("Decatur")a state chartered commrcial bank organized in was acquired on June 1, 2000. On January 19, 2000, First Merchants Reinsurance Company was formed to underwrite accident, health and credit life insurance.

As of December 31, 2001, the Corporation had consolidated assets of $1.621 billion, consolidated deposits of $1.288 billion and stockholders' equity of $156.1 million.

The Corporation is headquartered in Muncie, Indiana, and is presently engaged in conducting commercial banking business through the offices of its seven banking subsidiaries. As of December 31, 2000, the Corporation and its subsidiaries had 619 full-time equivalent employees.

Through its subsidiaries, the Corporation offers a broad range of financial services, including: accepting time and transaction deposits; making consumer, commercial, agri-business and real estate mortgage loans; issuing credit cards; renting safe deposit facilities; providing personal and corporate trust services; and providing other corporate services, letters of credit, repurchase agreements and personal and commercial lines insurance.

Acquisition Policy and Pending Transactions

The Corporation anticipates that it will continue its policy of geographic expansion through consideration of acquisitions of additional financial institutions. Management of the Corporation periodically engages in reviewing and analyzing potential acquisitions.

At the present time, management of the Corporation has signed definitive agreements with Francor Financial, Inc. regarding its affiliation with the Corporation. See note 2 on page 29 of exhibit 13.

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COMPETITION

The Corporation's banking subsidiaries are located in Adams, Delaware, Fayette, Hamilton, Henry, Jay, Madison, Wayne, Randolph, and Union counties in Indiana and Butler county in Ohio. In addition to the competition provided by the lending and deposit gathering subsidiaries of national manufacturers, retailers, insurance companies and investment brokers, the banking subsidiaries compete vigorously with other banks thrift institutions, credit unions and finance companies located within their service areas.

REGULATION AND SUPERVISION

OF FIRST MERCHANTS AND SUBSIDIARIES

BANK HOLDING COMPANY REGULATION

First Merchants is registered as a bank holding company and is subject to the regulations of the Federal Reserve Board ("Federal Reserve") under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). Bank holding companies are required to file periodic reports with and are subject to periodic examination by the Federal Reserve. The Federal Reserve has issued regulations under the BHC Act requiring a bank holding company to serve as a source of financial and managerial strength to its subsidiary banks. Thus, it is the policy of the Federal Reserve that, a bank holding company should stand ready to use its resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity. Additionally, under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), a bank holding company is required to guarantee the compliance of any subsidiary bank that may become "undercapitalized" (as defined in the FDICIA) with the terms of any capital restoration plan filed by such subsidiary with its appropriate federal banking agency up to the lesser of (i) an amount equal to 5% of the institution's total assets at the time the institution became undercapitalized, or (ii) the amount that is necessary (or would have been necessary) to bring the institution into compliance with all applicable capital standards as of the time the institution fails to comply with such capital restoration plan. Under the BHC Act, the Federal Reserve has the authority to require a bank holding company to terminate any activity or relinquish control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) upon the determination that such activity constitutes a serious risk to the financial stability of any bank subsidiary.

The BHC Act prohibits First Merchants from doing any of the following without the prior approval of the Federal Reserve:

1. Acquiring direct or indirect control of more than 5% of the outstanding shares of any class of voting stock or substantially all of the assets of any bank or savings association.

2. Merging or consolidating with another bank holding company.

3. Engaging in or acquiring ownership or control of more than 5% of the outstanding shares of any class of voting stock of any company engaged in a nonbanking business unless such business is determined by the Federal Reserve to be closely related to banking.

The BHC Act does not place territorial restrictions on such nonbanking-related activities.

CAPITAL ADEQUACY GUIDELINES FOR BANK HOLDING COMPANIES

Bank holding companies are required to comply with the Federal Reserve's risk-based capital guidelines. These guidelines require a minimum ratio of capital to risk-weighted assets of 8% (including certain off-balance sheet activities such as standby letters of credit). At least half of the total required capital must be "Tier 1 capital," consisting principally of common shareholders' equity, noncumulative perpetual preferred stock, a limited amount of cumulative perpetual preferred stock and minority interest in the equity accounts of consolidated subsidiaries, less certain goodwill items. The remainder may consist of a limited amount of subordinate debt and intermediate-term preferred stock, certain hybrid capital instruments and other debt securities, cumulative perpetual preferred stock, and a limited amount of the general loan loss allowance.

In addition to the risk-based capital guidelines, the Federal Reserve has adopted a Tier 1 (leverage) capital ratio under which the bank holding company must maintain a minimum level of Tier 1 capital to average total consolidated assets. The ratio is 3% in the case of bank holding companies which have the highest regulatory examination ratings and are not contemplating significant growth or expansion. All other bank holding companies are expected to maintain a ratio of at least 1% to 2% above the stated minimum.

The following are the Corporation's regulatory capital ratios as of December 31, 2000:

	Corporation	Regulatory Minimum Requirement
Tier 1 Capital:	11.7%	4.0%
Total Capital:	12.7%	8.0%

BANK REGULATION

First Merchants Bank, National Association, The Union County National Bank, and The First National Bank of Portland are national banks and are supervised, regulated and examined by the Office of the Comptroller of the Currency (the "OCC"). First United Bank, The Madison Community Bank, The Randolph County Bank and Decatur Bank and Trust Company are state banks chartered in Indiana and are supervised, regulated and examined by the Indiana Department. In addition, four of First Merchants' subsidiaries, The Madison Community Bank, First United Bank, The Randolph County Bank and Decatur Bank and Trust Company, are supervised and regulated by the FDIC. Each regulator has the authority to issue cease-and-desist orders if it determines that activities of the bank regularly represent an unsafe and unsound banking practice or a violation of law.

Both federal and state law extensively regulate various aspects of the banking business such as reserve requirements, truth-in-lending and truth-in-savings disclosure, equal credit opportunity, fair credit reporting, trading in securities and other aspects of banking operations. Current federal law also requires banks, among other things, to make deposited funds available within specified time periods.

Insured state-chartered banks are prohibited under FDICIA from engaging as the principal in activities that are not permitted for national banks, unless (i) the FDIC determines that the activity would pose no significant risk to the appropriate deposit insurance fund, and (ii) the bank is, and continues to be, in compliance with all applicable capital standards.

BANK CAPITAL REQUIREMENTS

The FDIC and the OCC have adopted risk-based capital ratio guidelines to which state-chartered banks and national banks are subject. The guidelines establish a framework that makes regulatory capital requirements more sensitive to differences in risk profiles. Risk-based capital ratios are determined by allocating assets and specified off-balance sheet commitments to four risk-weighted categories, with higher levels of capital being required for the categories perceived as representing greater risk.

Like the capital guidelines established by the Federal Reserve, these guidelines divide a bank's capital into tiers. Banks are required to maintain a total risk-based capital ratio of 8%. The FDIC or OCC may, however, set higher capital requirements when a bank's particular circumstances warrant. Banks experiencing or anticipating significant growth are expected to maintain capital ratios, including tangible capital positions, well above the minimum levels.

In addition, the FDIC and the OCC established guidelines prescribing a minimum Tier 1 leverage ratio (Tier 1 capital to adjusted total assets as specified in the guidelines). These guidelines provide for a minimum Tier 1 leverage ratio of 3% for banks that meet specified criteria, including that they have the highest regulatory rating and are not experiencing or anticipating significant growth. All other banks are required to maintain a Tier 1 leverage ratio of 3% plus an additional 100 to 200 basis points.

All of First Merchants' affiliate banks exceed the risk-based capital guidelines of the FDIC and/or the OCC as of December 31, 2000.

The Federal Reserve, the FDIC and the OCC have adopted rules to incorporate market and interest rate risk components into their risk-based capital standards. Amendments to the risk-based capital requirements, incorporating market risk, became effective January 1, 1998. Under the new market risk requirements, capital will be allocated to support the amount of market risk related to a financial institution's ongoing trading activities.

FDICIA

FDICIA requires, among other things, federal bank regulatory authorities to take "prompt corrective action" with respect to banks which do not meet minimum capital requirements. For these purposes, FDICIA establishes five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. The FDIC has adopted regulations to implement the prompt corrective action provisions of FDICIA.

"Undercapitalized" banks are subject to growth limitations and are required to submit a capital restoration plan. A bank's compliance with such plan is required to be guaranteed by the bank's parent holding company. If an "undercapitalized" bank fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. "Significantly undercapitalized" banks are subject to one or more restrictions, including an order by the FDIC to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cease receipt of deposits from correspondent banks, and restrictions on compensation of executive officers. "Critically undercapitalized" institutions may not, beginning 60 days after become "critically undercapitalized," make any payment of principal or interest on certain subordinated debt or extend credit for a highly leveraged transaction or enter into any transaction outside the ordinary course of business. In addition, "critically undercapitalized" institutions are subject to appointment of a receiver or conservator.

FDICIA continued

As of December 31, 2000, each bank subsidiary of First Merchants is "well capitalized" based on the "prompt corrective action" ratios and deadlines described above. It should be noted, however, that a bank's capital category is determined solely for the purpose of applying the OCC's (or the FDIC's) "prompt corrective action" regulations and that the capital category may not constitute an accurate representation of the bank's overall financial condition or prospects.

DEPOSIT INSURANCE

First Merchants' affiliated banks are insured up to regulatory limits by the FDIC and, accordingly, are subject to deposit insurance assessments to maintain the Bank Insurance Fund (the "BIF") and the Savings Association Insurance Fund ("SAIF") administered by the FDIC. The FDIC has adopted regulations establishing a permanent risk-related deposit insurance assessment system. Under this system, the FDIC places each insured bank in one of nine risk categories based on (i) the bank's capitalization, and (ii) supervisory evaluations provided to the FDIC by the institution's primary federal regulator. Each insured bank's insurance assessment rate is then determined by the risk category in which it is classified by the FDIC.

Effective January 1, 1997, the annual insurance premiums on bank deposits insured by the BIF and the SAIF vary between $0.00 per $100 of deposits for banks classified in the highest capital and supervisory evaluation categories to $0.27 per $100 of deposits for banks classified in the lowest capital and supervisory evaluation categories.

The Deposit Insurance Funds Act of 1996 provides for assessments to be imposed on insured depository institutions with respect to deposits insured by the BIF and the SAIF (in addition to assessments currently imposed on depository institutions with respect to BIF- and SAIF-insured deposits) to pay for the cost of Financing Corporation ("FICO") funding. The FDIC established the FICO assessment rates effective January 1, 1997 at $0.013 per $100 annually for BIF-assessable deposits and $0.0648 per $100 annually for SAIF-assessable deposits. The FICO assessments do not vary depending upon a depository institution's capitalization or supervisory evaluations.

BROKERED DEPOSITS

Under FDIC regulations, no FDIC-insured depository institution can accept brokered deposits unless it (i) is well capitalized, or (ii) is adequately capitalized and received a waiver from the FDIC. In addition, these regulations prohibit any depository institution that is not well capitalized from (a) paying an interest rate on deposits in excess of 76 basis points over certain prevailing market rates or (b) offering "pass through" deposit insurance on certain employee benefit plan accounts unless it provides certain notice to affected depositors.

INTERSTATE BANKING AND BRANCHING

Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Riegle-Neal") subject to certain concentration limits, required regulatory approvals and other requirements, (i) bank holding companies such as First Merchants is permitted to acquire banks and bank holding companies located in any state; (ii) any bank that is a subsidiary of a bank holding company is permitted to receive deposits, renew time deposits, close loans, service loans and receive loan payments as an agent for any other bank subsidiary of that holding company; and (iii) banks are permitted to acquire branch offices outside their home states by merging with out-of-state banks, purchasing branches in other states, and establishing de novo branch offices in other states.

FINANCIAL SERVICES MODERNIZATION ACT

On November 12, 1999, President Clinton signed into law the Gramm-Leach-Bliley Act of 1999 (the "Financial Services Modernization Act"). The general effect of the Financial Services Modernization Act is to establish a comprehensive framework to permit affiliations among commercial banks, insurance companies, securities firms, and other financial service providers by revising and expanding the existing BHC Act. Under this legislation, bank holding companies would be permitted to conduct essentially unlimited securities and insurance activities as well as other activities determined by the Federal Reserve Board to be financial in nature or related to financial services. As a result, First Merchants would be able to provide securities and insurance services. Furthermore, under this legislation, First Merchants would be able to acquire, or be acquired by, brokerage and securities firms and insurance underwriters. In addition, the Financial Services Modernization Act broadens the activities that may be conducted by national banks through the formation of financial subsidiaries. Finally, the Financial Services Modernization Act modifies the laws governing the implementation of the Community Reinvestment Act and addresses a variety of other legal and regulatory issues affecting both day-to-day operations and long-term activities of financial institutions.

A bank holding company may become a financial holding company if each of its subsidiary banks is well capitalized, is well managed and has at least a satisfactory rating under the Community Reinvestment Act, by filing a declaration that the bank holding company wishes to become a financial holding company. Also effective March 11, 2000, no regulatory approval is required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board. The Federal Reserve Bank of Chicago approved First Merchants Corporation's application to become a Financial Holding Company effective September 13, 2000.

ADDITIONAL MATTERS

In addition to the matters discussed above, First Merchants' affiliate banks are subject to additional regulation of their activities, including a variety of consumer protection regulations affecting their lending, deposit and collection activities and regulations affecting secondary mortgage market activities.

The earnings of financial institutions are also affected by general economic conditions and prevailing interest rates, both domestic and foreign, and by the monetary and fiscal policies of the United States Government and its various agencies, particularly the Federal Reserve.

Additional legislation and administrative actions affecting the banking industry may be considered by the United States Congress, state legislatures and various regulatory agencies, including those referred to above. It cannot be predicted with certainty whether such legislation or administrative action will be enacted or the extent to which the banking industry in general or First Merchants and its affiliate banks in particular would be affected thereby.

STATISTICAL DATA

The following tables set forth statistical data relating the Corporation and its subsidiaries.

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS" EQUITY;
INTEREST RATES AND INTEREST DIFFERENTIAL

The daily average balance sheet amounts, the related interest income or expense, and average rates earned or paid are presented in the following table.

	2000			1999			1998		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Balance	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
				(Dollars in Thousands)					
Assets:									
Federal funds sold	$ 9,938	$ 666	6.7%	$ 14,369	$ 657	4.6%	$ 23,236	$ 1,026	4.4%
Interest-bearing deposits......	1,807	103	5.7	1,105	59	5.3	654	30	4.6
Federal Reserve and Federal Home Loan Bank stock.	6,456	585	9.1	5,121	446	8.7	4,322	398	9.2
Securities: (1)									
Taxable	235,745	14,478	6.1	256,424	15,459	6.0	189,285	11,596	6.1
Tax-exempt	95,836	7,057	7.4	111,437	8,066	7.2	100,304	7,547	7.5
Total Securities............	331,581	22,889	6.9	367,861	23,525	6.4	289,589	19,143	6.6
Mortgage loans held for sale.....	75	8	10.7	125	15	12.0	773	98	12.7
Loans: (2)									
Commercial	492,793	45,373	9.2	415,840	35,616	8.6	379,897	33,902	8.9
Bankers' acceptance and Commercial paper purchased...				371	18	4.9	1,366	67	4.9
Real estate mortgage...........	372,104	29,795	8.0	332,670	26,604	8.0	320,194	26,484	8.3
Installment	233,189	20,622	8.8	183,095	16,113	8.8	165,349	15,420	9.3
Tax-exempt	5,852	478	8.2	3,615	358	9.9	3,511	360	10.3
Total loans	1,103,938	96,276	8.7	935,591	78,709	8.4	870,317	76,233	8.8
Total earning assets.........	$1,453,795	$119,165	8.2	$1,324,172	$103,411	7.8	$1,188,981	$ 96,928	8.2
Net unrealized gain (loss) on securities Available for sale..............	(13,421)			(47)			3,041		
Allowance for loan losses........	(11,570)			(10,821)			(8,769)		
Cash and due from banks..........	39,250			36,873			31,015		
Premises and equipment	22,349			19,794			18,706		
Other assets	42,308			27,259			21,249		
Total assets	$1,532,711			$1,397,230			$1,254,223		
Liabilities:									
Interest-bearing deposits:									
NOW accounts	$ 168,773	$ 2,920	1.7%	$ 152,268	$ 2,642	1.7%	$ 145,224	$ 2,977	2.1%
Money market deposit accounts	193,932	9,000	4.6	177,091	6,804	3.8	146,745	5,921	4.0
Savings deposits	98,988	2,477	2.5	95,344	2,399	2.5	91,842	2,388	2.6
Certificates and other time deposits	612,605	35,210	5.7	518,624	26,694	5.1	519,625	28,587	5.5
Total interest-bearing deposits.................	1,074,298	49,607	4.6	943,327	38,539	4.1	903,436	39,873	4.4
Borrowings	169,869	10,939	6.4	154,839	8,359	5.4	78,737	4,592	5.8
Total interest-bearing liabilities..................	1,244,167	60,546	4.9	1,098,166	46,898	4.3	982,173	44,465	4.5
Noninterest-bearing deposits.....	134,717			129,747			113,193		
Other liabilities	12,381			19,590			10,805		
Total liabilities...........	1,391,265			1,247,503			1,106,171		
Stockholders' equity	141,446			149,727			148,052		
Total liabilities and stockholders' Equity........	$1,532,711	60,546	4.2(3)	$1,397,230	46,898	3.5(3)	$1,254,223	44,465	3.7(3)
Net interest income		$ 58,619	4.0		$ 56,513	4.3		$ 52,463	4.4

(1) Average balance of securities is computed based on the average of the historical amortized cost balances without the effects of the fair value adjustment.

(2) Nonaccruing loans have been included in the average balances.

(3) Total interest expense divided by total earning assets adjustment to convert tax exempt investment securities to fully taxable equivalent basis, using marginal rate of 35% for 1998, 1999, and 2000............................

	2000	1999	1998
	$2,637	$2,948	$2,767

STATISTICAL DATA (continued)

ANALYSIS OF CHANGES IN NET INTEREST INCOME

The following table presents net interest income components on a tax-equivalent basis and reflects changes between periods attributable to movement in either the average balance or average interest rate for both earning assets and interest-bearing liabilities. The volume differences were computed as the difference in volume between the current and prior year times the interest rate of the prior year, while the interest rate changes were computed as the difference in rate between the current and prior year times the volume of the prior year. Volume/rate variances have been allocated on the basis of the absolute relationship between volume variances and rate variances.

	2000 Compared to 1999 Increase (Decrease) Due To			1999 Compared to 1998 Increase (Decrease) Due To		
	Volume	Rate	Total	Volume	Rate	Total
	(Dollars in Thousands on Fully Taxable Equivalent Basis)					
Interest income:						
Federal funds sold	$ (240)	$ 249	$ 9	$ (404)	$ 35	$ (369)
Interest-bearing deposits	(32)	76	44	23	6	29
Federal Reserve and Federal Home Loan Bank stock	120	19	139	70	(22)	48
Securities	(2,271)	281	(1,990)	5,024	(642)	4,382
Mortgage loans held for sale	(5)	(2)	(7)	(78)	(5)	(83)
Loans	14,593	2,966	17,559	5,569	(3,093)	2,476
Totals	12,165	3,589	15,754	10,204	(3,721)	6,483
Interest expense:						
NOW accounts	286	(8)	278	139	(474)	(335)
Money market deposit accounts	689	1,507	2,196	1,177	(294)	883
Savings deposits	91	(13)	78	89	(78)	11
Certificates and other time deposits	5,181	3,335	8,516	(55)	(1,838)	(1,893)
Borrowings	864	1,716	2,580	4,132	(365)	3,767
Totals	7,111	(6,537)	13,648	5,482	(3,049)	2,433
Change in net interest income (fully taxable equivalent basis)	$ 5,054	$ (2,948)	$ 2,106	$ 4,722	$ (672)	$ 4,050
Tax equivalent adjustment using marginal rate of 35% for 1998, 1999, and 2000			311			(181)
Change in net interest income			$ 2,417			$ 3,869

STATISTICAL DATA (continued)

INVESTMENT SECURITIES

The amortized cost, gross unrealized gains, gross unrealized losses and approximate market value of the investment securities at the dates indicated were:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
Available for sale at December 31, 2000:				
U.S. Treasury	$ 2,997			$ 2,997
Federal agencies	55,403	$ 268	$ 155	55,516
State and municipal	81,370	1,045	103	82,312
Mortgage-backed securities	127,907	139	922	127,124
Other asset-backed securities	19,924	10	148	19,786
Corporate obligations	7,238	9	395	6,852
Marketable equity securities	1,277		134	1,143
Total available for sale	296,116	1,471	1,857	295,730
Held to maturity at December 31, 2000:				
U.S. Treasury	250			250
State and municipal	11,645	131	36	11,740
Mortgage-backed securities	338			338
Total held to maturity	12,233	131	36	12,328
Total investment securities	$308,349	$ 1,602	$ 1,893	$308,058
Available for sale at December 31, 1999:				
U.S. Treasury	$ 7,337	$ 3	$ 72	$ 7,268
Federal agencies	61,215	50	1,199	60,066
State and municipal	94,598	568	945	94,221
Mortgage-backed securities	141,673	58	4,332	137,399
Other asset-backed securities	21,773		758	21,015
Corporate obligations	9,082	4	140	8,946
Marketable equity securities	915		162	753
Total available for sale	336,593	683	7,608	329,668
Held to maturity at December 31, 1999:				
U.S. Treasury	250		2	248
State and municipal	13,243	77	13	13,307
Mortgage-backed securities	311	1	1	311
Other asset-backed securities	499		81	418
Total held to maturity	14,303	78	97	14,284
Total investment securities	$ 350,896	$ 761	$ 7,705	$343,952

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STATISTICAL DATA (continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at December 31, 1998:				
U.S. Treasury..............................	$ 22,275	$ 120		$ 22,395
Federal agencies...........................	61,605	627	$ 32	62,200
State and municipal........................	93,198	2,778	21	95,955
Mortgage-backed securities.................	128,610	440	198	128,852
Other asset-backed securities..............	265	1	11	255
Corporate obligations......................	18,624	143	8	18,759
Marketable equity securities...............	1,200		108	1,092
Total available for sale................	325,777	4,109	378	329,508
Held to maturity at December 31, 1998:				
U.S. Treasury..............................	249	4		253
Federal agencies...........................	500	1		501
State and municipal........................	18,335	370	1	18,704
Mortgage-backed securities.................	864	3		867
Other asset-backed securities..............	1,761	2	27	1,736
Total held to maturity..................	21,709	380	28	22,061
Total investment securities.............	$ 347,486	$ 4,489	$ 406	$351,569

	Cost		
	2000	1999	1998
Federal Reserve and Federal Home Loan Bank stock at December 31:			
Federal Reserve Bank stock	$ 493	$ 493	$ 493
Federal Home Loan Bank stock	6,691	5,365	3,962
Total	$7,185	$5,858	$4,455

The Fair value of Federal Reserve and Federal Home Loan Bank stock approximates cost.

The maturity distribution (dollars in thousands) and average yields for the securities portfolio at December 31, 2000 were:

Securities available for sale December 31, 2000:

	Within 1 Year		1-5 Years		5-10 Years	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
U.S. Treasury......................	$ 2,997	5.7%				
Federal Agencies...................	18,713	5.7	$22,589	6.3%	$12,252	6.6%
State and Municipal................	15,873	6.4	37,243	7.0	17,886	7.9
Corporate Obligations..............	2,753	6.4	4,099	6.7		
Total..........................	$40,336	6.0%	$63,931	6.8%	$30,138	7.2%

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STATISTICAL DATA (continued)

	Due After Ten Years		Marketable Equity, Mortgage and Other Asset-Backed Securities		Total	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
U.S. Treasury........................					$ 2,997	5.7%
Federal Agencies.....................	$ 1,962	7.1%			55,516	6.2
State and Municipal..................	11,310	7.8			82,312	7.1
Corporate Obligations................					6,852	6.5
Marketable Equity Security...........			$ 1,143	5.0%	1,143	5.0
Mortgage-backed securities...........			127,124	6.5	127,124	6.5
Other asset-backed securities........			19,786	6.5	19,786	6.5
Total............................	$ 13,272	7.7%	$ 148,053	6.5%	$295,730	6.6%

Securities held to maturity at December 31, 1999:

	Within 1 Year		1-5 Years		5-10 Years	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
U.S. Treasury........................	250	5.4%				
State and Municipal..................	$ 3,013	6.3	$ 5,473	8.1%	$2,401	8.0%
Total............................	$ 3,263	6.2%	$ 5,473	8.1%	$2,401	8.0%

	Due After Ten Years		Mortgage and other Asset-backed		Total	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
U.S. Treasury........................					$ 250	5.4%
State and Municipal..................	$ 758	8.9%			11,645	7.6
Mortgage-backed securities...........			$ 338	8.0%	338	8.0
Total............................	$ 758	8.9%	$ 338	8.0%	$12,233	7.6%

*Interest yields on state and municipal securities are presented on a fully taxable equivalent basis using a 35% rate.

Federal Reserve and Federal Home Loan Bank stock at December 31, 2000:

	Amount	Yield
Federal Reserve Bank Stock...........	$ 493	6.0%
Federal Home Loan Bank stock.........	6,691	8.3
Total............................	$7,185	8.1%

STATISTICAL DATA (continued)

LOAN PORTFOLIO

TYPES OF LOANS

The loan portfolio at the dates indicated is presented below:

	2000	1999	1998	1997	1996
			(Dollars in Thousands)		
Loans at December 31:					
Commercial and industrial loans	$ 258,405	$224,712	$188,841	$178,696	$157,317
Bankers acceptances and loans to financial institutions			900	705	625
Agricultural production financing and other loans to farmers	24,547	21,547	21,951	16,764	18,906
Real estate loans:					
Construction	45,412	31,996	31,719	22,710	14,533
Commercial and farmland	167,317	150,544	137,671	142,394	133,435
Residential	466,660	380,596	361,611	331,405	290,705
Individuals' loans for Household and other Personal expenditures	201,629	181,906	143,075	139,620	126,718
Tax-exempt loans	6,093	4,070	2,652	2,598	1,643
Other loans	5,523	3,552	2,073	3,782	1,672
	1,175,586	998,923	890,493	838,674	745,554
Unearned interest on loans		(28)	(137)	(487)	(1,364)
Total loans	$1,175,586	$998,895	$890,356	$838,187	$744,190

Residential Real Estate Loans Held for Sale at December 31, 2000, 1999, 1998, 1997, and 1996 were $0, $61,000, $775,800, $471,400 and $284,020.

MATURITIES AND SENSITIVITIES OF LOANS TO CHANGES IN INTEREST RATES

Presented in the table below are the maturities of loans (excluding commercial real estate, banker acceptances, farmland, residential real estate and individuals' loans) outstanding as of December 31, 2000. Also presented are the amounts due after one year classified according to the sensitivity to changes in interest rates.

	Maturing			
	Within 1 Year	1-5 Years	Over 5 Years	Total
		(Dollars in Thousands)		
Commercial and industrial loans	$ 185,980	$ 48,087	$ 24,338	$ 258,405
Agricultural production financing And other loans to farmers	21,148	2,750	649	24,547
Real estate - Construction	33,824	10,979	609	45,412
Tax-exempt loans	443	3,485	2,165	6,093
Other loans	1,492	4,017	14	5,523
Total	$ 242,887	$ 69,318	$ 27,775	$ 339,980

STATISTICAL DATA (continued)

	Maturing	
	1 - 5 Years	Over 5 Years
	(Dollars in Thousands)	
Loans maturing after one Year with:		
Fixed rates.............................	$ 43,242	$ 27,346
Variable rate...........................	26,076	429
Total.................................	$ 69,318	$ 27,775

RISK ELEMENTS

	December 31				
	2000	1999	1998	1997	1996
	(Dollars in Thousands)				
Nonaccruing loans.........................	$2,370	$1,280	$1,073	$2,146	$3,547
Loans contractually past due 90 days or more other than nonaccruing............................	2,465	2,327	2,334	2,034	1,790
Restructured loans........................	3,085	908	1,110	469	1,766

Nonaccruing loans are loans which are reclassified to a nonaccruing status when in management's judgment the collateral value and financial condition of the borrower do not justify accruing interest. Interest previously recorded but not deemed collectible is reversed and charged against current income. Interest income on these loans is then recognized when collected.

Restructured loans are loans for which the contractual interest rate has been reduced or other concessions are granted to the borrower because of a deterioration in the financial condition of the borrower resulting in the inability of the borrower to meet the original contractual terms of the loans.

Interest income of $302,000 for the year ended December 31, 2000, was recognized on the nonaccruing and restructured loans listed in the table above, whereas interest income of $308,000 would have been recognized under their original loan terms.

Potential problem loans:

Management has identified certain other loans totaling $10,635,000 as of December 31, 2000, not included in the risk elements table, or impaired loan table, about which there are doubts as to the borrowers' ability to comply with present repayment terms.

The Banks generate commercial, mortgage and consumer loans from customers located primarily in central and east central Indiana and Butler County, Ohio. The Banks' loans are generally secured by specific items of collateral, including real property, consumer assets, and business assets. Although the Banks have diversified loan portfolio, a substantial portion of their debtors' ability to honor their contracts is dependent upon economic conditions in the automotive and agricultural industries.

STATISTICAL DATA (continued)

SUMMARY OF LOAN LOSS EXPERIENCE

The following table summarizes the loan loss experience for the years indicated.

	2000	1999	1998	1997	1996
	(Dollars in Thousands)				
Allowance for loan losses:					
Balance at January 1	$ 10,128	$ 9,209	$ 8,429	$ 8,010	$ 7,702
Chargeoffs:					
Commercial	974	361	794	543	873
Real estate mortgage	43	40	44	31	14
Installment	1,274	1,368	1,393	1,375	945
Total chargeoffs	2,291	1,769	2,231	1,949	1,832
Recoveries:					
Commercial	171	114	325	364	106
Real estate mortgage	1	32	20	1	7
Installment	407	301	294	268	237
Total recoveries	579	447	639	633	350
Net chargeoffs	1,712	1,322	1,592	1,316	1,482
Provisions for loan losses	2,625	2,241	2,372	1,735	1,790
Allowance acquired in purchase	1,413				
Balance at December 31	$12,454	$10,128	$ 9,209	$ 8,429	$ 8,010
Ratio of net chargeoffs during the period to average loans outstanding during the period	.16%	.14%	.18%	.16%	.21%
Peer Group	.18%	.21%	.26%	.29%	.26%

STATISTICAL DATA (continued)

Allocation of the Allowance for Loan Losses at December 31:

Presented below is an analysis of the composition of the allowance for loan losses and per cent of loans in each category to total loans:

	2000		1999	
	Amount	Per Cent	Amount	Per Cent
	(Dollars in Thousands)			
Balance at December 31:				
commercial, financial and agricultural	$ 4,400	24.7%	$ 3,344	24.6%
Real estate - construction	78	3.9	3	3.2
Real estate - mortgage	1,554	53.9	1,297	53.2
Installment	4,612	17.6	3,909	18.6
Tax-exempt loans	10	.5	5	.4
Unallocated	1,800	N/A	1,570	N/A
Totals	$ 12,454	100.0%	$ 10,128	100.0%

	1998		1997	
	Amount	Per Cent	Amount	Per Cent
	(Dollars in Thousands)			
Balance at December 31:				
commercial, financial and agricultural	$ 2,950	23.7%	$ 3,226	23.4%
Real estate - construction	4	3.6	4	2.7
Real estate - mortgage	1,313	56.1	1,319	56.5
Installment	3,509	16.3	2,117	17.1
Tax-exempt loans	5	.3	5	.3
Unallocated	1,428	N/A	1,758	N/A
Totals	$ 9,209	100.0%	$ 8,429	100.0%

	1996	
	Amount	Per Cent
	(Dollars in Thousands)	
Balance at December 31:		
commercial, financial and agricultural	$ 3,537	23.5%
Real estate - construction	4	2.0
Real estate - mortgage	1,259	57.0
Installment	1,906	17.3
Tax-exempt loans	19	.2
Unallocated	1,285	N/A
Totals	$ 8,010	100.0%

STATISTICAL DATA (continued)

Loan Loss Chargeoff Procedures

The Banks have weekly meetings at which loan delinquencies, maturities and problems are reviewed. The Board of Directors receive and review reports on loans monthly.

The Executive Committee of First Merchants' Board meets bimonthly to approve or disapprove all new loans in excess of $1,000,000 and the Board reviews all commercial loans in excess of $50,000 which were made or renewed during the preceding month. Madison's and First United's loan committees, consisting of all loan officers and the president, meet as required to approve or disapprove any loan which is in excess of an individual loan officer's lending limit.

The Loan/Discount Committee of Union County's Board meets monthly to approve or disapprove all loans to borrowers with aggregate loans in excess of $300,000. The Loan Committee of Randolph County's Board meets weekly to approve or disapprove any loan which is in excess of an individual loan officer's lending limit.

All chargeoffs are approved by the senior loan officer and are reported to the Banks' Boards. The Banks charge off loans when a determination is made that all or a portion of a loan is uncollectible or as a result of examinations by regulators and the independent auditors.

Provision for Loan Losses

In banking, loan losses are one of the costs of doing business. Although the Banks' management emphasize the early detection and chargeoff of loan losses, it is inevitable that at any time certain losses exist in the portfolio which have not been specifically identified. Accordingly, the provision for loan losses is charged to earnings on an anticipatory basis, and recognized loan losses are deducted from the allowance so established. Over time, all net loan losses must be charged to earnings. During the year, an estimate of the loss experience for the year serves as a starting point in determining the appropriate level for the provision. However, the amount actually provided in any period may be greater or less than net loan losses, based on management's judgment as to the appropriate level of the allowance for loan losses. The determination of the provision in any period is based on management's continuing review and evaluation of the loan portfolio, and its judgment as to the impact of current economic conditions on the portfolio. The evaluation by management includes consideration of past loan loss experience, changes in the composition of the loan portfolio, and the current condition and amount of loans outstanding.

Impaired loans are measured by the present value of expected future cash flows, or the fair value of the collateral of the loans, if collateral dependent. Information on impaired loans is summarized below:

	2000	1999	1998
	(Dollars in Thousands)		
For the year ending December 31:			
Impaired loans with an allowance	$ 7,862	$ 2,742	$ 2,105
Impaired loans for which the discounted cash flows or collateral value exceeds the carrying value of the loan	6,977	4,398	6,982
Total impaired loans	$ 14,839	$ 7,140	$ 9,087
Allowance for impaired loans (included in the Corporation's allowance for loan losses)	$ 2,253	$ 1,061	$ 795
Average balance of impaired loans	15,053	8,770	8,881
Interest income recognized on impaired loans	1,361	705	873
Cash basis interest included above	1,080	637	745

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STATISTICAL DATA (continued)

DEPOSITS

The following table shows the average amount of deposits and average rate of interest paid thereon for the years indicated.

	2000		1999		1998	
	Amount	Rate	Amount	Rate	Amount	Rate
	(Dollars in Thousands)					
Balance at December 31:						
Noninterest bearing deposits.......	$ 134,717		$ 129,747		$ 113,193	
NOW accounts.......................	168,773	1.7%	152,268	1.7%	145,224	2.1%
Money market deposit accounts....	193,932	4.6	177,091	3.8	146,745	4.0
Savings deposits...................	98,988	2.5	95,344	2.5	91,842	2.6
Certificates of deposit and other time deposits.............	612,605	5.7	518,624	5.1	519,625	5.5
Total deposits.................	$1,209,015	4.1%	$1,073,074	3.6%	$ 1,016,629	3.9%

As of December 31, 2000, certificates of deposit and other time deposits of $100,000 or more mature as follows:

	3 Months or less	Maturing 3-6 Months	6-12 Months	Over 12 Months	Total
	(Dollars in Thousands)				
Certificates of deposit and other time deposits..........	$ 74,194	$ 38,434	$ 48,469	$ 35,313	$199,410
Per cent.......................	40%	19%	24%	17%	100%

RETURN ON EQUITY AND ASSETS

	2000	1999	1998
Return on assets (net income divided by average total assets)..........................	1.30%	1.37%	1.43%
Return on equity (net income divided by average equity)................................	14.10	12.75	12.09
Dividend payout ratio (dividends per share divided by net income per share)..........	51.43	53.16	52.03
Equity to assets ratio (average equity divided by average total assets)...............	9.23	10.72	11.80

STATISTICAL DATA (continued)

SHORT-TERM BORROWINGS

	2000	1999	1998
		(Dollars in Thousands)	
Balance at December 31:			
Securities sold under repurchase agreements (short-term portion)........	$ 31,956	$ 15,271	$ 11,598
Federal funds purchased..................	975	28,885	15,170
U.S. Treasury demand notes...............	4,968	9,506	2,629
Total short-term borrowings.........	$ 37,899	$ 53,662	$ 29,397

Securities sold under repurchase agreements are borrowings maturing within one year and are secured by U.S. Treasury and Federal agency obligations.

Pertinent information with respect to short-term borrowings is summarized below:

	2000	1999	1998
		(Dollars in Thousands)	
Weighted average interest rate on outstanding balance at December 31:			
Securities sold under repurchase agreements(short-term portion)..............	6.2%	4.7%	5.1%
Total short-term borrowings.....................	5.6	5.3	5.3
Weighted average interest rate during the year:			
Securities sold under repurchase Agreements (short-term portion).............	5.6%	4.5%	5.1%
Total short-term borrowings.....................	5.0	4.5	5.0
Highest amount outstanding at any month end During the year:			
Securities sold under repurchase Agreements (short-term portion).............	$ 14,505	$ 19,700	$ 27,002
Total short-term borrowings.....................	56,099	55,893	67,968
Average amount outstanding during the year:			
Securities sold under repurchase Agreements (short-term portion).............	$ 12,116	$ 17,696	$ 24,526
Total short-term borrowings.....................	33,165	36,157	44,467

ITEM 2. PROPERTIES.

The headquarters of the Corporation and First Merchants are located in a five-story building at 200 East Jackson Street, Muncie, Indiana. This building and eight branch buildings are owned by First Merchants; four remaining branches of First Merchants are located in leased premises.

The principal offices of Madison are located at 19 West 10th Street, Anderson, Indiana. Madison also operates branches. All of Madison's properties are owned by Madison and are located in Madison County, Indiana. Two automated dispensers are located in Madison County, Indiana.

The principal offices of First United are located at 790 West Mill Street, Middletown, Indiana. First United also operates two branches. All of First United's properties are owned by First United and are located in Henry County, Indiana.

The principal office of Randolph County is located at 122 West Washington Street, Winchester, Indiana. This building is owned by Randolph County and is located in Randolph County, Indiana.

The principal office of Union County is located at 107 West Union, Liberty, Indiana. Union County also operates five branches. One of Union County's branches is located in Union County, one branch is located in Wayne County, two branches are located in Fayette County and one branch is located in Butler County, Ohio.

The principal office of Decatur is located at 520 North 13th Street, Decatur, Indiana. Decatur also operates three branches. All of Decatur's properties are located in Adams County, Indiana.

None of the properties owned by the banks are subject to any major encumbrances. The net investment of the Corporation and subsidiaries in real estate and equipment at December 31, 2000 was $23,868,000.

ITEM 3. LEGAL PROCEEDINGS.

There is no pending legal proceeding, other than ordinary routine litigation incidental to the business of the Corporation or its subsidiaries, of a material nature to which the Corporation or its subsidiaries is a party or of which any of their properties are subject. Further, there is no material legal proceeding in which any director, officer, principal shareholder, or affiliate of the Corporation, or any associate of any such director, officer or principal shareholder, is a party, or has a material interest, adverse to the Corporation.

None of the routine legal proceedings, individually or in the aggregate, in which the Corporation or its affiliates are involved are expected to have a material adverse impact on the financial position or the results of operations of the Corporation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted during the fourth quarter of 2000 to a vote of security holders, through the solicitation of proxies or otherwise.

SUPPLEMENTAL INFORMATION - EXECUTIVE OFFICERS OF THE REGISTRANT.

The names, ages, and positions with the Corporation and subsidiary banks of all executive officers of the Corporation are listed below.

Name and Age	Offices with the Corporation And Subsidiary Banks	Principal Occupation During Past Five Years
Michael L. Cox 56	President, Chief Executive Officer Corporation and First Merchants	Chief Executive Officer of the Corporation since April 1999; President First Merchants from April 1999 to September 2000; President and Chief Operating Officer, Corporation since August 1998 and May, 1994 to April 1999 respectively; President and Chief Operating Officer, First Merchants from April, 1996 to April 1999; Director, Corporation and First Merchants since December, 1984
Roger M. Arwood 49	Executive Vice President, Corporation and President and CEO First Merchants since September 19, 2000	President and chief Executive Officer First Merchants since September 2000, Bank of America from 1983 to February 2000. Executive Vice President of the Corporation and First Merchants since February of 2000; Executive Vice President,
Larry R. Helms 60	Executive Vice President, Corporation and First Merchants since September 2000; General Counsel and Secretary, Corporation	Executive Vice President, Corporation since September 2000; Senior Vice President General Counsel, Corporation 1982 to September 2000 Corporation since 1990 and Secretary since January 1, 1997; Senior Vice President, First Merchants since January 1979; Director of First United Bank since 1991 and Pendleton Banking Company since 1992
James L. Thrash 51	Senior Vice President, Corporation and First Merchants; Chief Financial Officer, Corporation	Senior Vice President and Chief Financial Officer of the Corporation since 1990; Senior Vice President, First Merchants since 1990
Roy A. Eon 49	Senior Vice President of Operations and Technology, Corporation and First Merchants since January 8, 2001	Senior Vice President One Valley Bancorp; Senior Vice President and National Manager of Deposit Operations, Banc One Corporation; Senior Vice President State Operations Manager for Kentucky, Banc One Corporation.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The information required under this item is incorporated by reference to page 41 of the Corporation's 2000 Annual Report to Stockholders under the caption "Stockholder Information," Exhibit 13.

ITEM 6. SELECTED FINANCIAL DATA.

The information required under this item is incorporated by reference to page 2 of the Corporation's 2000 Annual Report to Stockholders - Financial Review under the caption "Five-Year Summary of Selected Financial Data," Exhibit 13.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information required under this item is incorporated by reference to page 3 through 10 of the Corporation's 2000 Annual Report to Stockholders - Financial Review under the caption "Management's Discussion and Analysis," Exhibit 13.

ITEM 7A. QUNTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information required under this item is incorporated by reference to page 5 and 19 of the Corporation's 2000 Annual Report to Stockholders - Financial Review under the caption "Management's Discussion and Analysis," Exhibit 13.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and supplementary data required under this item are incorporated herein by reference to pages 11 through 39 of the Corporation's 2000 Annual Report to Stockholders - Financial Review, Exhibit 13.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

In connection with its audits for the two most recent fiscal years ended December 31, 2000, there have been no disagreements with the Corporation's independent certified public accountants on any matter of accounting principles or practices, financial statement disclosure or audit scope or procedure, nor have there been any changes in accountants.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required under this item relating to directors is incorporated by reference to the Corporation's 2000 Proxy Statement furnished to its stockholders in connection with an annual meeting to be held April 11, 2001 (The "2000 Proxy Statement"), under the caption "Election of Directors," which Proxy Statement has been filed with the Commission. The information required under this item relating to executive officers is set forth in part I, "Supplemental Information - Executive Officers of the Registrant" of this annual report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

The information required under this item is incorporated by reference to the Corporation's 2000 Proxy Statement, under the captions, "Compensation of Directors" and "Compensation of Executive Officers," which Proxy Statement has been filed with the Commission.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required under this item is incorporated by reference to the Corporation's 2000 Proxy Statement, under the caption, "Security Ownership of Certain Beneficial Owners and Management," which Proxy Statement has been filed with the Commission.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required under this item is incorporated by reference to the Corporation's 2000 Proxy Statement, under the caption "Interest of Management in Certain Transactions," which Proxy Statement has been filed with the Commission.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 2. Financial statement schedules:

All schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or related notes.

(a) 3. Exhibits:

Exhibit No:	Description of Exhibit:
3a	First Merchants Corporation Articles of Incorporation and the Articles and amendment thereto is incorporated by reference to registrant's Form 10-Q for quarter ended June 30, 1999.
3b	First Merchants Corporation Bylaws and amendments thereto is incorporated by reference to registrant's Form 10-Q for quarter ended June 30, 1997.
10a	First Merchants Corporation and First Merchants Bank, National Association Management Incentive Plan is incorporated by reference to registrant's Form 10-K for year ended December 31, 1996.
10b	First Merchants Bank, National Association Unfunded Deferred Compensation Plan, as amended is incorporated by reference to registrant's Form 10-K for year ended December 31, 1996.
10c	First Merchants Corporation 1994 Stock Option Plan is incorporated by reference to Registrant's Form 10-K for year ended December 31, 1993.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K (continued)

10d	First Merchants Corporation Change of Control Agreements are incorporated by reference to registrant's Form 10-Q for quarter ended June 30, 1999.
10e	First Merchants Corporation Unfunded Deferred Compensation Plan is incorporated by reference to registrant's Form 10-K for year ended December 31, 1996
10f	First Merchants Corporation Supplemental Executive Retirement Plan and amendments thereto is incorporated by reference to registrant's Form 10-K for year ended December 31, 1997.
10g	First Merchants Corporation 1999 Long-term Equity Incentive Plan is incorporated by reference to registrant's registration statement on Form S-8 (see File No. 333-80117) effective on June 7, 1999.
13	2000 Annual Report to Stockholders (except for the Pages and information thereof expressly incorporated by reference in this Form 10-K, the Annual Report to Stockholders is provided solely for the information of the Securities and Exchange Commission and is not deemed "filed" as part of this Form 10-K)
21	Subsidiaries of Registrant
23	Consent of Independent Auditors
24	Limited Power of Attorney
27	Financial Data Schedule, year ended December 31, 2000
99.1	Financial statements and independent auditor's report for First Merchants Corporation Employee Stock Purchase Plan

(b) Reports on Form 8-K:

None

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 30th day of March, 2001.

FIRST MERCHANTS CORPORATION

By /s/ Michael L.Cox

Michael L. Cox, President
& Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

KNOW ALL MEN BY THESE PRESENTS that the undersigned directors and officers of First Merchants Corporation, an Indiana corporation, hereby constitute and appoint James L. Thrash, the true and lawful agent and attorney-in-fact of the undersigned with full power and authority in said agent and attorney-in-fact to sign for the undersigned and in their respective names as directors and officers of the Corporation the Form 10-K of the Corporation to be filed with the Securities and Exchange Commission, Washington, D.C., under the Securities Exchange Act of 1934, as amended, and to sign any amendment to such Form 10-K, hereby ratifying and confirming all acts taken by such agent and attorney-in-fact, as herein authorized.

Dated: February 13, 2001

/s/ Michael L. Cox Michael L. Cox Officer	/s/ Stefan S. Anderson Stefan S. Anderson Director
/s/ James L. Thrash James L. Thrash Officer	/s/ Roger M. Arwood Roger M. Arwood Director
	/s/ James F. Ault James F. Ault Director
	/s/ Dennis A. Bieberich Dennis A. Bieberich Director
	/s/ Frank A. Bracken Frank A. Bracken Director
	/s/ Thomas B. Clark Thomas B. Clark Director
	/s/ Michael L. Cox Michael L. Cox Director
	/s/ Barry Hudson Barry Hudson Director
	/s/ Norman M. Johnson Norman M. Johnson Director
	/s/ George A. Sissel George A. Sissel Director
	Robert M. Smitson Director
	/s/ John E. Worthen John E. Worthen Director

* By James L. Thrash as Attorney-in Fact pursuant to a limited Power of Attorney executed by the directors listed above, which Power of Attorney has been filed with the Securities and Exchange Commission.

By /s/ James L. Thrash

James L. Thrash
As Attorney-in-Fact
March

INDEX TO EXHIBITS

(a) 3. Exhibits:

Exhibit No:	Description of Exhibit:
10.1	First Merchants Corporation Management Incentive Compensation Program
10.5	First Merchants Corporation Change of Control Agreements
13	2000 Annual Report to Stockholders (Except for the Pages and information thereof expressly incorporated by reference in this Form 10-K, the Annual Report to Stockholders is provided solely for the information of the Securities and Exchange Commission and is not deemed "filed" as part of this Form 10-K.)
21	Subsidiaries of Registrant
23	Consent of Independent Auditors
24	Limited Power of Attorney
99.1	Financial statements and independent auditor's report for First Merchants Corporation Employee Stock Purchase Plan

Senior Management Incentive
Compensation Program
Adopted May 22, 2000
Amended February 7, 2001

I. Purpose

The Board of Directors of the Corporation has established an executive compensation program, which is designed to provide incentives to executive officers to achieve short-term and long-term corporate strategic management goals, with the ultimate objective of obtaining a superior return on the shareholders' investment. The purpose of restructuring the plan is to: (1) incorporate modern incentive plan techniques; (2) simplify administration of the plan; (3) incorporate executive retention features; and (4) to more closely align the interests of executives with those of shareholders.

II. Administration

This plan will be administered solely by the Compensation Committee of FMC with supporting documentation and recommendations provided by the Chief Executive Officer (CEO) of FMC. The Committee will annually review the targets for applicability and competitiveness.

III. Covered Individuals by Title and Position Description

A. Chief Executive Officer of FMC;
B. Chief Executive Officer of FMB with Holding Company responsibilities;
C. Executive Vice President (EVP) of FMB with Holding Company responsibilities;
D. Administrative Officers of FMB with Holding Company responsibilities;
E. Division Heads of FMB with Holding Company responsibilities;
F. Division Heads of FMB as determined by the CEO;
G. Affiliate Bank CEO; and
H. Non-Bank Affiliate CEOs.

IV. Supporting Recommendation

In support of this calendar year, it is recommended that future grants of Incentive Stock Options and Non-Qualified Stock Options will have the vesting date extended from six months to two years. This time extension will add an element of retention in the officer's employment arrangement. Voluntary termination or termination for cause, excluding retirement, death or disabuility6, prior to vesting will cause options to be canceled.

V. Implementation of New Plan

To avoid an unintended reduction in benefit and to allow the Corporation to effectively implement and "grow into" this restructured plan, it is recommended that the first year award, inclusive of deferred stock units, to carryover participants be not less than an amount that would have been earned by applying the formulas and schedules in effect for the calendar year 1999.

VI. Implementation Parameters

A. Payouts to participants on the earnings component will be determined by changes in "operating earnings" (net income plus or minus non-operating items including goodwill amortization). FMC CEO earnings component payouts will be determined by changes in FMC EPS calculated on both GAAP and "cash basis".

B. As the restructured plan is implemented, an averaging technique incorporated in the old plan will be used. To calculate the payouts in year one of the new plan, the average of the prior two year payouts will weight 40% and the current year will weight at 60%. In year two, and each year thereafter, the weighting will be 60% for the current year and 40% for the prior year.

C. Each participant, except the CEO of FMC and CEO of FMB, will have an incentive bonus based on 70% of performance standards for the respective group and 30% based on individual benchmarks as determined by the CEO.

D. To further the purpose of executive retention, two-thirds of the bonus will be paid in cash at the end of the plan year and one-third in deferred stock units payable two years after date of grant, unless the deferred component is less than $1,000 in which event the entire bonus will be paid in cash. When paid, the value of the deferred stock units will be equal to the fair market value of First Merchants Corporation stock on that date plus accumulated dividends. Termination for cause or voluntary termination, excluding retirement, death or disability, prior to vesting will cancel these deferred stock units.

E. Participants may elect to defer all or part of the cash bonus to be paid at a future time determined by participant. Such deferral elections must be made no later than November 30 of each year and will be credited quarterly an interest factor equivalent to the current five-year Treasury bond.

VII. Plan Structure

All payouts will be determined from the attached schedules of percentage change in EPS (Section VIII, B) and ROE attainment (Section VIII, C).

A. CEO of FMC
   1. Target bonus of 45% of base compensation
   2. A weighting of % change in:
      a. Operating EPS at 40%
      b. Diluted GAAP EPS at 30%; and
      c. 30% based on a target ROE of 15%.

B. CEO of FMB
   1. Target bonus of 40% of base compensation
   2. A weight of % change in
      a. FMB operating earnings at 70%; and
      b. FMC operating earnings at 30%.

C. EVP of FMB with Holding Company responsibilities
   1. Target bonus of 30% of base compensation
   2. A weighting of % change in:
      a. FMB operating earnings at 50%;
      b. FMC operating earnings at 20%; and
      c. Personal objectives at 30%.

D. FMB Administrative Officers with Holding Company responsibilities
   1. Target bonus of 25% of base compensation
   2. A weighting of % change in:
      a. FMB operating earnings at 50%;
      b. FMC operating earnings at 20%; and
      c. Personal objectives at 30%.

E. Division Heads of FMB with Holding Company responsibilities
   1. Target bonus of 15% of base compensation
   2. A weighting of % change in:
      a. FMB operating earnings at 50%;
      b. FMC operating earnings at 20%; and
      c. Personal objectives at 30%

F. Division Heads of FMB
   1. Target bonus of 10% of base compensation
   2. A weighting of % change in:
      a. FMB operating earnings at 70%; and
      b. Personal objectives at 30%

G. Affiliate Bank CEOs
   1. Target bonus of 25% of base compensation
   2. A weighting of % change in:
      a. Affiliate bank operating earnings at 50%;
      b. FMC operating earnings at 20%; and
      c. Personal objectives at 30%.

H. Non-Bank Affiliate CEOs
   1. Target bonus of 25% of base compensation
   2. A weighting of % change in:
      a. Affiliate operating earnings at 70%; and
      b. Personal objectives at 30%.

I. President - FMBHC
   1. Target bonus of 25% of base compensation
   2. Weighting % as follows:
      a. 50% on attainment of $20 million in deposits at 12/31/01
      b. 20% on attainment of pre-tax loss of no more than $450,000
      c. Personal objectives at 30%.

J. Division Heads of FMBHC as determined by CEO
   1. Target bonus of 10% of base compensation
   2. A weighting of % change in:
      a. FMBHC operating EPS at 70%; and
      b. Personal objectives at 30%.

VIII. Supporting Parameters

A. Individual components are weighted consistently at 30%. They will consist of three objectives selected by each supervisor and employee and weighted at 10% each. These objectives must be measurable with both beginning points and standards targets cited. Partial completion of objectives will not qualify for pay out.

B. Schedule Determining both Operating earnings and EPS and GAAP earnings and EPS Payouts for Year 2000:

	Operating Earnings % Change*	Payout %
	<3%	0%
	3%	30%
	4%	40%
	5%	50%
	6%	60%
	7%	70%
	8%	80%
	9%	90%
Target	10%	100%
	12%	120%
	14%	140%
	16%	160%
	18%	180%
	20%	200%

*Operating earnings adds back charges for amortization of goodwill and other non-operating expenses as determined by the Committee.

C. Schedule Determining ROE Payouts

	Operating ROE*	Payout %
	<10%	0%
	10%	10%
	11%	20%
	12%	40%
	13%	60%
	14%	80%
Target	15%	100%
	16%	120%
	17%	140%
	18%	160%
	19%	180%
	20%	200%

*Operating earnings adds back charges for amortization of goodwill and other non-operating expenses as determined by the Committee.

Approved by the Compensation Committee:

May 22, 2000 (original approval)

February 7, 2001 (amended)

CHANGE OF CONTROL AGREEMENT

This Agreement is made and entered into this _____ day of _______________, 1999, by and between First Merchants Corporation, an Indiana corporation (hereinafter referred to as "Corporation"), and First Merchants Bank, National Association (hereinafter referred to as "Bank"), a wholly-owned subsidiary of the Corporation, both with their principal offices located at 200 East Jackson Street, Muncie, Indiana, and ______________ (hereinafter referred to as "Executive"), of Muncie, Indiana.

WHEREAS, the Corporation and the Bank consider the continuance of proficient and experienced management to be essential to protecting and enhancing the best interests of the Corporation, the Bank, and the Corporation's shareholders; and

WHEREAS, the Corporation and the Bank desire to assure the continued services of the Executive on behalf of the Corporation and the Bank; and

WHEREAS, the Corporation and the Bank recognize that if faced with a proposal for a Change of Control, as hereinafter defined, the Executive will have a significant role in helping the Board of Directors assess the options and advising the Board of Directors on what is in the best interests of the Corporation, the Bank, and the Corporation's shareholders; and it is necessary for the Executive to be able to provide this advice and counsel without being influenced by the uncertainties of the Executive's own situation; and

WHEREAS, the Corporation and the Bank desire to provide fair and reasonable benefits to the Executive on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings herein contained and the continued employment of the Executive by the [Corporation] [Bank] as _____________________________________, the Corporation, the Bank, and the Executive, each intending to be legally bound, covenant and agree as follows:

1. TERM OF AGREEMENT.

This Agreement shall continue in effect through December 31, 1999; provided, however, that commencing on December 31, 1999 and each December 31 thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than October 31, 1999 or October 31 immediately preceding any December 31 thereafter, the Corporation or the Bank shall have given the Executive notice that it does not wish to extend this Agreement; and provided further, that if a Change of Control of the Corporation or the Bank, as defined in Section 2, shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of not less than twenty-four (24) months beyond the month in which such Change of Control occurred.

2. DEFINITIONS.

For purposes of this Agreement, the following definitions shall apply:

A. CAUSE: "Cause" shall mean:

(1) professional incompetence;

(2) willful misconduct;

(3) personal dishonesty;

(4) breach of fiduciary duty involving personal profit;

(5) intentional failure to perform stated duties;

(6) willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist orders; and

(7) any intentional material breach of any term, condition or covenant of this Agreement.

B. CHANGE OF CONTROL: "Change of Control" shall mean:

(1) any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 ["Exchange Act"]), other than the Corporation, is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Corporation or the Bank representing twenty-five percent (25%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities;

(2) persons constituting a majority of the Board of Directors of the Corporation or the Bank were not directors of the respective Board for at least the twenty-four (24) preceding months;

(3) the stockholders of the Corporation or the Bank approve a merger or consolidation of the Corporation or the Bank with any other corporation, other than (a) a merger or consolidation which would result in the voting securities of the Corporation or the Bank outstanding immediately

prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Corporation or the Bank or such surviving entity outstanding immediately after such a merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of the Corporation or the Bank (or similar transaction) in which no person acquires fifty percent (50%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities; or

(4) the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or the Bank or an agreement for the sale or disposition by the Corporation or the Bank of all or substantially all of the Corporation's or the Bank's assets.

C. DATE OF TERMINATION: "Date of Termination" shall mean the date stated in the Notice of Termination (as hereinafter defined) or thirty (30) days from the date of delivery of such notice, as hereinafter defined, whichever comes first.

D. DISABILITY: "Disability" shall mean the definition of such term as used in the disability policy then in effect for the Corporation or the Bank, and a determination of full disability by the Corporation or the Bank; provided that in the event there is no disability insurance then in force, "disability" shall mean incapacity due to physical or mental illness which will have caused the Executive to have been unable to perform his duties with the Corporation and/or the Bank on a full time basis for one hundred eighty (180) consecutive calendar days.

E. NOTICE OF TERMINATION: "Notice of Termination" shall mean a written notice, communicated to the other parties hereto, which shall indicate the specific termination provisions of this Agreement relied upon and set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated.

F. RETIREMENT: "Retirement" shall mean termination of employment by the Executive in accordance with the Corporation's or the Bank's normal retirement policy generally applicable to its salaried employees in effect at the time of a Change of Control.

3. Termination.

A. GENERAL. If any of the events described in Section 2 constituting a Change in Control of the Corporation or the Bank shall have occurred, the Executive shall be entitled to the benefits described in Section 4 upon the subsequent termination of the Executive's employment during the term of this

Agreement, unless such termination is (a) because of the death or Disability of the Executive, (b) by the Corporation or the Bank for Cause, or (c) by the Executive other than on account of Constructive Termination (as hereinafter defined).

B. If, following a Change of Control, the Executive's employment shall be terminated for Cause, the Corporation and/or the Bank shall pay him his salary through the Date of Termination at the rate in effect on the date of the Notice of Termination, and the Corporation and the Bank shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment shall be terminated as a result of death or Disability, compensation to the Executive shall be made pursuant to the Corporation's and the Bank's then existing policies on death or Disability, and the Corporation and the Bank shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment is terminated by and at the request of the Executive as a result of Retirement, compensation to the Executive shall be made pursuant to the Corporation's and the Bank's normal retirement policy generally applicable to its salaried employees at the time of the Change of Control, and the Corporation and the Bank shall have no further obligations under this Agreement.

C. CONSTRUCTIVE TERMINATION. The Executive shall be entitled to terminate his employment upon the occurrence of Constructive Termination. For purposes of this Agreement, "Constructive Termination" shall mean, without the Executive's express written consent, the occurrence, after a Change of Control of the Corporation or the Bank, of any of the following circumstances:

(1) the assignment to the Executive of any duties inconsistent (unless in the nature of a promotion) with the position in the Corporation or the Bank that the Executive held immediately prior to the Change of Control of the Corporation or the Bank, or a significant adverse reduction or alteration in the nature or status of the Executive's position, duties or responsibilities or the conditions of the Executive's employment from those in effect immediately prior to such Change of Control;

(2) a reduction in the Executive's annual base salary, as in effect immediately prior to the Change of Control of the Corporation or the Bank or as the same may be adjusted from time to time, except for across-the-board salary reductions similarly affecting all management personnel of the Corporation or the Bank;

(3) the Bank and/or the Corporation requires the Executive to e relocated anywhere other than their offices in Muncie, Indiana;

(4) the taking of any action to deprive the Executive of any material fringe benefit enjoyed by him at the time of the Change of Control, or the failure to provide him with the number of paid vacation days to which he is entitled on the basis of years of service with the Corporation and/or the Bank and in accordance with the Corporation's or the Bank's normal vacation policy in effect at the time of the Change of Control;

(5) the failure to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Corporation's or the Bank's life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change of Control of the Corporation or the Bank, or the taking of any action which would directly or indirectly materially reduce any of such benefits; or

(6) the failure of the Corporation or the Bank to continue this Agreement in effect, or to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 hereof.

4. COMPENSATION UPON TERMINATION.

Following a Change of Control, if his employment by the Corporation or the Bank shall be terminated by the Executive on account of Constructive Termination or by the Corporation or the Bank other than for Cause, death, Disability, or Retirement (by and at the request of the Executive), then the Executive shall be entitled to the benefits provided below:

A. No later than the fifth day following the Date of Termination, the Corporation or the Bank shall pay to the Executive his full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which the Executive is entitled under any incentive, bonus or other compensation plan of the Corporation or the Bank in effect at the time such payments are due;

B. In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination, no later than the fifth day following the Date of Termination, the Corporation or the Bank shall pay to the Executive a lump sum severance payment, in cash, equal to ________ (____) times the sum of (a) the Executive's annual base salary rate as in effect on the date of the

Notice of Termination, and (b) the largest bonus received by he Executive during the two (2) years immediately preceding the Date of Termination under the Corporation's Management Incentive Plan covering the Executive;

C. During the period beginning with the Executive's Date of Termination and continuing until the earlier of (a) the second anniversary of such Date of Termination, or (b) Executive's sixty-fifth (65th) birthday, the Corporation or the Bank shall arrange to provide the Executive with life, disability, accident and health insurance benefits substantially similar to those which the Executive was receiving immediately prior to he Notice of Termination and shall pay the same percentage of the cost of such benefits as the Corporation or the Bank was paying on the Executive's behalf on the date of such Notice;

D. In lieu of shares of common stock of the Corporation ("Corporation Shares") issuable upon the exercise of outstanding options ("Options"), if any, granted to the Executive under any Corporation stock option plan (which Options shall be cancelled upon the making of the payment referred to below), the Executive shall receive an amount in cash equal to the product of (a) the excess of the higher of the closing price of Corporation Shares as reported on the NASDAQ National Market System, the American Stock Exchange or the New York Stock Exchange, wherever listed, on or nearest the Date of Termination or the highest per share price for Corporation Shares actually paid in connection with any Change of Control of the Corporation, over the per share exercise price of each Option held by the Executive (whether or not then fully exercisable), times (b) the number of Corporation Shares covered by each such Option;

E. If the payments or benefits, if any, received or to be received by the Executive (whether under this Agreement or under any other plan, arrangement, or agreement between the Executive and the Corporation or the Bank), in connection with termination or Constructive Termination of the Executive's employment following a Change of Control, constitute an "excess parachute payment" within the meaning ofss.280G of the Internal Revenue Code ("Code"), the Corporation or the Bank shall pay to the Executive, no later than the fifth day following the Date of Termination, an additional amount (as determined by the Corporation's independent public accountants) equal to the excise tax, if any, imposed on the "excess parachute payment" underss.4999 of the Code; provided, however, if the amount of such excise tax is finally determined to be more or less than the amount paid to the Executive hereunder, the Corporation or the Bank (or the Executive if the finally determined amount is less than the original amount paid) shall pay the difference between the amount originally paid and the finally determined amount to the other party no later than the fifth day following the date such final determination is made;

F. The Corporation or the Bank shall pay to the Executive all reasonable legal fees and expenses incurred by the Executive as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement), unless the decision-maker in any proceeding, contest, or dispute arising hereunder makes a formal finding that the Executive did not have a reasonable basis for instituting such proceeding, contest, or dispute;

G. The Corporation or the Bank shall provide the Executive with individual out- placement services in accordance with the general custom and practice generally accorded to an executive of the Executive's position.

5. SUCCESSORS; BINDING AGREEMENT.

A. The Corporation or the Bank shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation or the Bank to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation or the Bank would be required to perform it if no such succession had taken place. Failure of the Corporation or the Bank to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Corporation or the Bank in the same amount and on the same terms to which the Executive would be entitled hereunder if the Executive terminates his employment on account of Constructive Termination following a Change of Control of the Corporation or the Bank, except that for the purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "the Corporation or the Bank" shall mean the Corporation or the Bank and any successor to their business and/or assets as aforesaid which assumes and agrees to perform this Agreement, by operation of law or otherwise.

B. This Agreement shall inure to the benefit of and be enforceable by the Executive and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the devisee, legatee or other designee or, if there is no such designee, to his estate.

6. GUARANTEE BY CORPORATION AND BANK.

In consideration of the value of the continued employment of the Executive by the Corporation or the Bank, and the benefits derived by the Corporation and the Bank from the Executive's employment by the Corporation or the Bank, the Corporation and the Bank hereby unconditionally and fully guarantee and endorse the obligations of the other hereunder, and agree to be fully bound by the terms of this Agreement in the event that the other fails to perform, honor, or otherwise complete fully its obligations hereunder.

7. MISCELLANEOUS.

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Corporation. No waiver by either party hereto at the time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar of dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Indiana without regard to its conflicts of law principles. All references to a section of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such section. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Corporation and the Bank under Section 4 shall survive the expiration of the term of this Agreement.

8. VALIDITY.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. COUNTERPARTS.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

10. ARBITRATION.

Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Muncie, Indiana in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Executive shall be entitled to seek specific performance of his right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

11. ENTIRE AGREEMENT.

This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

IN WITNESS WHEREOF, the Corporation and the Bank have caused this Agreement to be executed by their duly authorized officers, and the Executive has hereunder subscribed his name, this _______ day of ______________________, 1999.

"CORPORATION" "EXECUTIVE"

FIRST MERCHANTS CORPORATION

By ______________________________ By ______________________________
Stefan S. Anderson, ________________
Chairman of the Board

"BANK"

FIRST MERCHANTS BANK, NATIONAL ASSOCIATION

By ______________________________
Stefan S. Anderson,
Chairman of the Board

SCHEDULE A TO FIRST MERCHANTS CORPORATION
CHANGE OF CONTROL AGREEMENT

The Corporation's Change of Control Agreement covering Roger M. Arwood, Larry R. Helms, Jack L. Demaree, and Roy A. Eon are all in the form of Exhibit 10.1. The multiples of the executives' annual base salaries are as follows: Roger M. Arwood 299 percent, Jack L. Demaree 200 percent, Larry R. Helms 200 percent, and Roy A.Eon 200 percent.

Financial Review

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(in thousands, except share data)	2000	1999	1998	1997	1996
Operations					
Net Interest Income					
Fully Taxable Equivalent (FTE) Basis	$ 58,619	$ 56,513	$ 52,463	$ 49,403	$ 45,431
Less Tax Equivalent Adjustment	2,637	2,948	2,767	2,611	2,312
Net Interest Income	55,982	53,565	49,696	46,792	43,119
Provision for Loan Losses	2,625	2,241	2,372	1,735	1,790
Net Interest Income					
After Provision for Loan Losses	53,357	51,324	47,324	45,057	41,329
Total Other Income	16,634	14,573	12,880	10,146	9,317
Total Other Expenses	40,083	36,710	32,741	30,016	27,596
Income Before Income Tax Expense	29,908	29,187	27,463	25,187	23,050
Income Tax Expense	9,968	10,099	9,556	8,704	8,006
Net Income	$ 19,940	$ 19,088	$ 17,907	$ 16,483	$ 15,044
Per share data (1)					
Basic Net Income	$ 1.76	$ 1.59	$ 1.50	$ 1.40	$ 1.29
Diluted Net Income	1.75	1.58	1.48	1.38	1.27
Cash Dividends Paid (2)	.90	.84	.77	.69	.59
December 31 Book Value	13.44	11.55	12.85	11.95	11.10
December 31 Market Value (Bid Price)	22.63	25.56	26.00	24.33	16.83
Average balances					
Total Assets	$1,532,691	$1,397,230	$1,254,223	$1,151,081	$1,079,816
Total Loans	1,104,013	935,716	870,317	799,430	698,417
Total Deposits	1,209,015	1,073,074	1,016,629	825,808	778,096
Securities Sold Under Repurchase Agreements					
(long-term portion)	68,732	62,686	37,238		
Total Federal Home Loan Bank Advances	80,008	57,062	30,742	19,746	9,192
Total Stockholders' Equity	141,446	149,727	148,052	135,958	125,907
Year-end balances					
Total Assets	$1,621,063	$1,474,048	$1,362,527	$1,181,359	$1,112,672
Total Loans	1,175,586	998,895	890,356	838,658	744,474
Total Deposits	1,288,299	1,147,203	1,085,952	976,972	918,876
Securities Sold Under Repurchase Agreements					
(long-term portion)	32,500	35,000	48,836		
Total Federal Home Loan Bank Advances	93,182	73,514	47,067	25,500	10,150
Total Stockholders' Equity	156,063	126,296	153,891	141,794	130,250
Financial ratios					
Return on Average Assets	1.30%	1.37%	1.43%	1.43%	1.39%
Return on Average Stockholders' Equity (3)	14.10	12.75	12.09	12.12	11.95
Average Earning Assets to Total Assets	94.85	94.77	94.80	94.62	94.39
Allowance for Loan Losses as % of Total Loans	1.06	1.01	1.03	1.01	1.08
Dividend Payout Ratio	51.43	53.16	52.03	50.00	46.46
Average Stockholders' Equity to Average Assets	9.23	10.72	11.80	11.81	11.66
Tax Equivalent Yield on Earning Assets (4)	8.19	7.81	8.15	8.34	8.10
Cost of Supporting Liabilities	4.16	3.54	3.74	3.80	3.64
Net Interest Margin on Earning Assets	4.03	4.27	4.41	4.54	4.46

(1) Restated for 3-for-2 stock split distributed October, 1998.

(2) Dividends per share is for First Merchants Corporation only, not restated for pooling transactions.

(3) Average stockholders' equity is computed by averaging the last five quarters ending balance.

(4) Average earning assets include the average balance of securities classified as available for sale, computed based on the average of the historical amortized cost balances without the effects of the fair value adjustment.

MANAGEMENT'S DISCUSSION & ANALYSIS

The Corporation's financial data for periods prior to mergers, which were accounted for as pooling of interests, has been restated.

RESULTS OF OPERATIONS

Net income for the year 2000 reached $19,940,000, up from $19,088,000 in 1999. Diluted earnings per share totaled $1.75, a 10.8% increase over $1.58 reported for 1999. Cash basis earnings per share were $1.81, an increase of 13.1% over the 1999 level of $1.60. In 2000, First Merchants Corporation ("Corporation") recorded the twenty-fifth consecutive year of improvement in net income on both an aggregate and per share basis.

Return on equity was 14.10 percent in 2000, up from 1999 and 1998 figures of 12.75 percent and 12.09 percent.

Return on assets was 1.30 percent in 2000, 1.37 percent in 1999 and 1.43 percent in 1998.

CAPITAL

The Corporation's capital strength continues to exceed regulatory minimums and management believes that its strong capital continues to be a distinct advantage in the competitive environment in which the Corporation operates.

The Corporation's Tier I capital to average assets ratio was 8.7 percent at year-end 2000, and 9.2 percent at December 31, 1999. At December 31, 2000, the Corporation had a Tier I risk-based capital ratio of 11.7 percent, total risk-based capital ratio of 12.7 percent, and a leverage ratio of 8.7 percent. Regulatory capital guidelines require a Tier I risk-based capital ratio of 4.0 percent and a total risk-based capital ratio of 8.0 percent.

The Corporation has an employee stock purchase plan and an employee stock option plan. Activity under these plans is described in Note 14 to the Consolidated Financial Statements. The transactions under these plans have not had a material effect on the Corporation's capital position.

ASSET QUALITY/PROVISION FOR LOAN LOSSES

The Corporation's asset quality and loan loss experience have consistently been superior to that of its peer group, as summarized in the table on the following page. Asset quality has been a major factor in the Corporation's ability to generate consistent profit improvement.

The allowance for loan losses is maintained through the provision for loan losses, which is a charge against earnings.

The amount provided for loan losses and the determination of the adequacy of the allowance are based on a continuous review of the loan portfolio, including an internally administered loan "watch" list and an independent loan review provided by an outside accounting firm. The evaluation takes into consideration identified credit problems, as well as the possibility of losses inherent in the loan portfolio that are not specifically identified.

At December 31, 2000, non-performing loans totaled $7,920,000, an increase of $3,405,000. Impaired loans included in the table below totaled $1,900,000.

At December 31, 2000, impaired loans totaled $14,839,000, an increase of $7,699,000. The increase was primarily attributable to two loans totaling $5,525,000. One loan totaling $4,040,000 is current and is not included in the non-performing asset table below but has a specific reserve of $595,000 allocated to the loan due to inadequate cash flow. The second loan totaling $1,485,000 is collateral dependant with no reserve. An allowance for losses was not deemed necessary for impaired loans totaling $6,977,000, but an allowance of $2,253,000 was recorded for the remaining balance of impaired loans of $7,862,000. The average balance of impaired loans for 2000 was $15,053,000.

At December 31, 2000, the allowance for loan losses was $12,454,000, up $2,326,000 from year end 1999. As a percent of loans, the allowance was 1.06 percent, up from 1.01 percent at year-end 1999.

The provision for loan losses in 2000 was $2,625,000, up $384,000 or 17% from $2,241,000 in 1999.

The following table summarizes the risk elements for the Corporation.

(dollars in thousands)	December31, 2000	December31, 1999
Non-accrual loans	$2,370	$1,280
Loans contractually past due 90 days or more other than non-accruing	2,465	2,327
Restructured loans	3,085	908
Total	$7,920	$4,515

MANAGEMENT'S DISCUSSION & ANALYSIS

The table below presents loan loss experience for the years indicated and compares the Corporation's loss experience to that of its peer group.

(Dollars in Thousands)	2000	1999	1998
Allowance for loan losses:			
Balance at January 1	$10,128	$ 9,209	$ 8,429
Chargeoffs	2,291	1,769	2,231
Recoveries	579	447	639
Net chargeoffs	1,712	1,322	1,592
Provision for loan losses	2,625	2,241	2,372
Allowance acquired in acquisition	1,413		
Balance at December 31	$12,454	$10,128	$ 9,209
Ratio of net chargeoffs during the period to average loans outstanding during the period	.16%	.14%	.18%
Peer Group	NA	.29%	.26%

LIQUIDITY, INTEREST SENSITIVITY AND DISCLOSURES ABOUT MARKET RISK

Asset/Liability Management has been an important factor in the Corporation's ability to record consistent earnings growth through periods of interest rate volatility and product deregulation. Management and the Board of Directors monitor the Corporation's liquidity and interest sensitivity positions at regular meetings to ensure that changes in interest rates will not adversely affect earnings. Decisions regarding investment and the pricing of loan and deposit products are made after analysis of reports designed to measure liquidity, rate sensitivity, the Corporation's exposure to changes in net interest income given various rate scenarios and the economic and competitive environments.

It is the objective of the Corporation to monitor and manage risk exposure to net interest income caused by changes in interest rates. It is the goal of the Corporation's Asset/Liability function to provide optimum and stable net interest income. To accomplish this, management uses two asset liability tools. GAP/Interest Rate Sensitivity Reports and Net Interest Income Simulation Modeling are both constructed, presented and monitored quarterly.

The Corporation's liquidity and interest sensitivity position at December 31, 2000, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk. The table below presents the Corporation's interest rate sensitivity analysis as of December 31, 2000.

INTEREST RATE SENSITIVITY ANALYSIS
(dollars in thousands)

At December 31, 2000

	1-180 DAYS	181-365 DAYS	1-5 YEARS	BEYOND 5 YEARS	TOTAL
Rate-Sensitive Assets:					
Federal funds sold and interest-bearing deposits	$ 15,783				$ 15,783
Investment securities	71,246	$ 53,741	$ 143,131	$ 39,845	307,963
Loans	403,634	107,434	509,733	154,785	1,175,586
Federal Reserve and Federal Home Loan Bank stock	7,185				7,185
Total rate-sensitive assets	497,848	161,175	652,864	194,630	1,506,517
Rate-Sensitive Liabilities:					
Interest-bearing deposits	486,294	278,891	365,464	597	1,131,246
Securities sold under repurchase agreements	12,156	19,800	32,500		64,456
Other short-term borrowings	5,943				5,943
Federal Home Loan Bank advances	23,719	26,631	29,121	13,711	93,182
Total rate-sensitive liabilities	528,112	325,322	427,085	14,308	1,294,827
Interest rate sensitivity gap by period	$ (30,264)	$ (164,147)	$ 225,779	$ 180,322	
Cumulative rate sensitivity gap	(30,264)	(194,411)	31,368	211,960	
Cumulative rate sensitivity gap ratio					
at December 31, 2000	94.3%	77.2%	102.4%	116.3%	
at December 31, 1999	72.9 %	69.5%	98.1%	115.0%	

The Corporation had a cumulative negative gap of $195,294,000 in the one-year horizon at December 31, 2000, just over 12.2 percent of total assets. Net interest income at financial institutions with negative gaps tends to increase when rates decrease and decrease as interest rates increase.

The Corporation places its greatest credence in net interest income simulation modeling. The GAP/Interest Rate Sensitivity Report is known to have two major shortfalls. The GAP/ Interest Rate Sensitivity Report fails to precisely gauge how often an interest rate sensitive product reprices nor is it able to measure the magnitude of potential future rate movements.

The Corporation's asset liability process monitors simulated net interest income under three separate interest rate scenarios; rising (rate shock), falling (rate shock) and flat. Net interest income is simulated over an 18-month horizon. By policy, the difference between the best performing and the worst performing rate scenarios are not allowed to show a variance greater than 5 percent.

Assumed interest rate changes are simulated to move incrementally over 18 months. The total rate movement (beginning point minus ending point) to noteworthy interest rate indexes are as follows:

	RISING	FALLING
Prime	200 Basis Points	(200)Basis Points
Federal Funds	200	(200)
90-Day T-Bill	200	(200)
One-Year T-Bill	200	(200)
Three-Year T-Bill	200	(200)
Five-Year T-Note	200	(200)
Ten-Year T-Note	200	(200)
Interest Checking	67	(67)
MMIA Savings	200	(200)
Money Market Index	200	(200)
Regular Savings	67	(67)

MANAGEMENT'S DISCUSSION & ANALYSIS

Results for the flat, rising (rate shock), and falling (rate shock) interest rate scenarios are listed below. The net interest income shown represents cumulative net interest income over an 18-month time horizon. Balance sheet assumptions are the same under both scenarios:

	FLAT/BASE	RISING	FALLING
Net Interest Income (dollars in thousands)	$ 57,657	$ 55,554	$ 57,713
Change vs. Flat/Base Scenario		$ (2,104)	$ 55
Percent Change		-3.65%	.10%

EARNING ASSETS

Earning assets increased $130.7 million during 2000. The table below reflects the earning asset mix for the years 2000 and 1999 (at December 31).

Loans grew by $176.7 million while investment securities declined by $36.1 million. The acquisition of Decatur Bank & Trust Company combined with increased loan demand resulted in a 17.7% increase in the Corporations loan portfolio. The decline in investment securities was the result of the Corporation partially funding it's loan growth, and cash portion of the acquisition and stock repurchases with investment run off.

EARNING ASSETS
(dollars in millions)

	December 31, 2000	December 31, 1999
Federal funds sold and interest-bearing time deposits	$ 15.8	$ 27.1
Securities available for sale	295.7	329.7
Securities held to maturity	12.2	14.3
Loans	1,175.6	998.9
Federal Reserve and Federal Home Loan Bank stock	7.2	5.8
Total	$1,506.5	$1,375.8

DEPOSITS AND BORROWINGS

The table below reflects the level of deposits and borrowed funds (Federal funds purchased, repurchase agreements, U.S. Treasury demand notes and Federal Home Loan Bank advances) based on year-end levels at December 31, 2000 and 1999.

As of December 31 (dollars in millions)

	DEPOSITS	SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	OTHER SHORT-TERM BORROWINGS	FEDERAL HOME LOAN BANK ADVANCES
2000	$1,288.3	$64.5	$ 5.9	$93.2
1999	$1,147.2	$78.0	$38.4	$73.5

MANAGEMENT'S DISCUSSION & ANALYSIS

NET INTEREST INCOME

Net interest income is the primary source of the Corporation's earnings. It is a function of net interest margin and the level of average earning assets.

The table below reflects the Corporation's asset yields, interest expense, and net interest income as a percent of average earning assets for the three-year period ending in 2000.

In 2000, asset yields increased 38 basis points (FTE) and interest cost increased 62 basis points, resulting in a 24 basis point (FTE) decline in net interest income.

(dollars in thousands)

	INTEREST INCOME (FTE) as a Percent of Average Earning Assets	INTEREST EXPENSE as a Percent of Average Earning Assets	NET INTEREST INCOME (FTE)as a Percent of Average Earning Assets	AVERAGE EARNING ASSETS	NET INTEREST INCOME On a Fully Taxable Equivalent Basis
2000	8.19%	4.16%	4.03%	$1,453,795	$58,619
1999	7.81	3.54	4.27	1,324,172	56,513
1998	8.15	3.74	4.41	1,188,981	52,463

Average earning assets include the average balance of securities classified as available for sale, computed based on the average of the historical amortized cost balances without the effects of the fair value adjustment.

OTHER INCOME

The Corporation has placed emphasis on the growth of non-interest income in recent years by offering a wide range of fee-based services. Fee schedules are regularly reviewed by a pricing committee to ensure that the products and services offered by the Corporation are priced to be competitive and profitable.

Other income in 2000 amounted to $16,634,000 or 14.1 percent higher than in 1999. The increase of $2,061,000 is primarily attributable to the following factors:

1. Other customer fees increased $430,000, or 13.9 percent, due to increased fees from electronic card usage and price adjustments.

2. Commission income increased $421,000, or 27.5 percent, due to increased sales initiatives in 2000.

3. Revenues from fiduciary activity grew $372,000, or 8.1 percent, due to strong new business activity and markets.

4. Service charges on deposit accounts increased $326,000 or 7.3 percent due to increased number of accounts and price adjustments.

5. Other income increased $876,000, or 135.2 percent due primarily to $209,000 of new revenue resulting from First Merchants Reinsurance Company and a $147,000 gain on sale of a Bank building in 2000.

OTHER INCOME continued

Other income in 1999 amounted to $14,573,000 or 13.1 percent higher than in 1998. The increase of $1,693,000 is primarily attributable to the following factors:

1. Service charges on deposit accounts increased $744,000 or 20.1 percent due to increased number of accounts and price adjustments.

2. Other customer fees increased $462,000, or 17.6 percent, due to increased fees from electronic card usage and price adjustments.

3. Commission income increased $455,000, or 42.4 percent, due to the acquisition of the Muncie office of Insurance & Risk Management, Inc., renamed First Merchants Insurance Services, on April 1, 1998.

4. Revenues from fiduciary activity grew $391,000, or 9.3 percent, due to strong new business activity and markets.

5. Other income decreased $489,000, or 43.0 percent due primarily to a $442,000 gain on sale of a Bank building in 1998.

The Corporation's emphasis to increase revenue from non-interest income resulted in a 13.1% rise for 1999 to $14.6 million, following a double-digit increase in 1998.

OTHER EXPENSES

Total "other expenses" represent non-interest operating expenses of the Corporation. Those expenses amounted to $40,083,000 in 2000, an increase of 9.2 percent from the prior year, or $3,373,000.

Three major areas account for most of the increase:

1. Salary and benefit expenses, which account for over one-half of the Corporation's non-interest operating expenses, grew by $1,598,000, or 8.1 percent, due to normal salary increases and staff additions and the additional salary cost related to Decatur Bank and Trust Company.
2. Equipment expenses increased $584,000, or 15.7 percent, reflecting the Corporation's capital investments in it's operation center and it's efforts to improve efficiency and provide electronic service delivery to its customers.

Total "other expenses" in 1999 amounted to $36,710,000, an increase of 12.1 percent from the prior year, or $3,969,000.

Three major areas account for most of the increase:

1. Salary and benefit expenses, which account for over one-half of the Corporation's non-interest operating expenses, grew by $1,514,000, or 8.3 percent, due to normal salary increases and staff additions.
2. Non-recurring merger related costs in 1999 were $804,000 representing just over 5 cents per share.
3. Equipment expenses increased $552,000, or 17.5 percent, reflecting the Corporation's efforts to improve efficiency and provide electronic service delivery to its customers.

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INCOME TAXES

The decrease in 2000 tax expense of $131,000 is attributable primarily to decreased state taxes as a result of changes in the state tax laws. The increase in 1999 tax expense of $543,000 is attributable primarily to a $1,724,000 increase in net pre-tax income, mitigated somewhat by a $336,000 increase in tax-exempt income and increased tax credits of $204,000.

ACCOUNTING MATTERS

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

During 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement requires companies to record derivatives on the balance sheet at their fair value. Statement No. 133 also acknowledges that the method of recording a gain or loss depends on the use of the derivative.

The new Statement applies to all entities. If hedge accounting is elected by the entity, the method of assessing the effectiveness of the hedging derivative and the measurement approach of determining the hedge's ineffectiveness must be established at the inception of the hedge.

Statement No. 133 amends Statement No. 52 and supersedes Statements No. 80, 105 and 119. Statement No. 107 is amended to include the disclosure provisions about the concentrations of credit risk from Statement No. 105. Several Emerging Issues Task Force consensuses are also changed or nullified by the provisions of Statement No. 133.

Statement No. 133 was originally effective for all fiscal years beginning after June 15, 1999 and was amended. It is now effective for all fiscal years beginning after June 15, 2000 and is not expected to have a material impact on the operations of the Corporation. The Statement may not be applied retroactively to financial statements of prior periods.

INFLATION

Changing prices of goods, services and capital affect the financial position of every business enterprise. The level of market interest rates and the price of funds loaned or borrowed fluctuate due to changes in the rate of inflation and various other factors, including government monetary policy.

Fluctuating interest rates affect the Corporation's net interest income, loan volume and other operating expenses, such as employee salaries and benefits, reflecting the effects of escalating prices, as well as increased levels of operations and other factors. As the inflation rate increases, the purchasing power of the dollar decreases. Those holding fixed-rate monetary assets incur a loss, while those holding fixed-rate monetary liabilities enjoy a gain. The nature of a bank holding company's operations is such that there will be an excess of monetary assets over monetary liabilities, and, thus, a bank holding company will tend to suffer from an increase in the rate of inflation and benefit from a decrease.

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors First Merchants Corporation
Muncie, Indiana

We have audited the accompanying consolidated balance sheet of First Merchants Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

The consolidated financial statements as of December 31, 1999 and for the two years then ended have been restated to reflect the pooling-of-interests with Jay Financial Corporation and Anderson Community Bank as described in Note 2 to the consolidated financial statements. We did not audit the 1998 financial statements of Jay Financial Corporation and Anderson Community Bank, which statements reflect total revenues of $15,588,000 for the year ended December 31, 1998. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for First Merchants Corporation as of December 31, 1999 and for the two years then ended, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. 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, based on our audits and the reports of other auditors the consolidated financial statements described above present fairly, in all material respects, the consolidated financial position of First Merchants Corporation and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with generally accepted accounting principles.

OLIVE LLP

Indianapolis, Indiana
January 22, 2001, except for
note 19 as to which the date
is February 8, 2001

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET
(in thousands, except share data)

	December 31, 2000	December 31, 1999
Assets		
Cash and due from banks	$ 52,563	$ 58,893
Federal funds sold	14,900	25,400
Cash and cash equivalents	67,463	84,293
Interest-bearing time deposits	883	1,730
Investment securities		
Available for sale	295,730	329,668
Held to maturity (fair value of $12,328 and $14,284)	12,233	14,303
Total investment securities	307,963	343,971
Mortgage loans held for sale		61
Loans, net of allowance for loan losses of $12,454 and $10,128	1,163,132	988,767
Premises and equipment	23,868	20,073
Federal Reserve and Federal Home Loan Bank stock	7,185	5,858
Interest receivable	13,135	11,279
Core deposit intangibles and goodwill	21,055	2,885
Cash surrender value of life insurance	6,312	3,227
Other assets	10,067	11,904
Total assets	$ 1,621,063	$ 1,474,048
Liabilities		
Deposits		
Noninterest-bearing	$ 157,053	$ 140,547
Interest-bearing	1,131,246	1,006,656
Total deposits	1,288,299	1,147,203
Borrowings	163,581	189,862
Interest payable	6,335	4,599
Other liabilities	6,785	6,088
Total liabilities	1,465,000	1,347,752
COMMITMENTS AND CONTINGENT LIABILITIES		
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 -- 11,611,732 and 10,936,617 shares	1,451	1,367
Additional paid-in capital	41,665	25,481
Retained earnings	113,244	103,640
Accumulated other comprehensive loss	(297)	(4,192)
Total stockholders' equity	156,063	126,296
Total liabilities and stockholders' equity	$ 1,621,063	$ 1,474,048

See notes to consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME
(in thousands, except share data)

	Year Ended December 31, 2000	1999	1998
Interest income			
Loans receivable			
Taxable	$ 95,798	$ 78,366	$ 75,971
Tax exempt	311	233	234
Investment securities			
Taxable	14,478	15,459	11,596
Tax exempt	4,587	5,243	4,906
Federal funds sold	666	657	1,026
Deposits with financial institutions	103	59	30
Federal Reserve and Federal Home Loan Bank stock	585	446	398
Total interest income	116,528	100,463	94,161
Interest expense			
Deposits	49,607	38,539	39,873
Securities sold under repurchase agreements	4,263	4,273	2,015
Federal Home Loan Bank advances	5,315	3,260	1,923
Other borrowings	1,361	826	654
Total interest expense	60,546	46,898	44,465
Net interest income	55,982	53,565	49,696
Provision for loan losses	2,625	2,241	2,372
Net interest income after provision for loan losses	53,357	51,324	47,324
Other income			
Fiduciary activities	4,972	4,600	4,209
Service charges on deposit accounts	4,776	4,450	3,706
Other customer fees	3,519	3,089	2,627
Net realized gains (losses) on sales of available-for-sale securities	(107)	257	127
Commission income	1,950	1,529	1,074
Other income	1,524	648	1,137
Total other income	16,634	14,573	12,880
Other expenses			
Salaries and employee benefits	21,418	19,820	18,306
Net occupancy expenses	2,471	2,139	2,064
Equipment expenses	4,299	3,715	3,163
Marketing expense	1,010	869	903
Deposit insurance expense	240	129	125
Outside data processing fees	1,736	1,647	1,465
Printing and office supplies	1,144	1,275	984
Merger-related expenses		804	
Goodwill and core deposit amortization	896	223	214
Other expenses	6,869	6,089	5,517
Total other expenses	40,083	36,710	32,741
Income before income tax	29,908	29,187	27,463
Income tax expense	9,968	10,099	9,556
Net income	$ 19,940	$ 19,088	$ 17,907
Net income per share:			
Basic	$ 1.76	$ 1.59	$ 1.50
Diluted	1.75	1.58	1.48

See notes to consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31,

(in thousands)	2000	1999	1998
Net income	$ 19,940	$ 19,088	$ 17,907
Other comprehensive income, net of tax:			
Unrealized gains (loss) on securities available for sale:			
Unrealized holding gains (loss) arising during the period, net of income tax (expense) benefit of $(2,610), $4,258,$(499)	3,831	(6,249)	731
Less: Reclassification adjustment for gains (loss) included in net income, net of income tax (expense) benefit of $43, $(103), $(51)	(64)	154	76
	3,895	(6,403)	655
COMPREHENSIVE INCOME	$ 23,835	$ 12,685	$ 18,562

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(in thousands, except share data)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
Balances, January 1, 1998	7,910,448	$ 1,054	$ 30,238	$ 108,947	$ 1,556	$ 141,795
Net income for 1998				17,907		17,907
Cash dividends ($ .77 per share)				(7,934)		(7,934)
Other comprehensive income, net of tax					655	655
Stock issued under employee benefit plans	14,471	2	383			385
Stock issued under dividend reinvestment and stock purchase plan	19,092	2	677			679
Stock options exercised	52,460	19	463			482
Stock redeemed	(2,000)		(72)			(72)
Three-for-two stock split	3,981,769	420	(420)			
Cash paid in lieu of issuing fractional shares	(285)		(6)			(6)
Balances, December 31, 1998	11,975,955	1,497	31,263	118,920	2,211	153,891
Net income for 1999				19,088		19,088
Cash dividends ($ .84 per share)				(9,759)		(9,759)
Other comprehensive loss, net of tax					(6,403)	(6,403)
Stock issued under employee benefit plans	20,870	3	454			457
Stock issued under dividend reinvestment and stock purchase plan	30,227	4	718			722
Stock options exercised	55,234	6	265			271
Stock redeemed	(1,145,669)	(143)	(7,384)	(24,609)		(32,136)
Tax benefit of stock dispositions			165			165
Balances, December 31, 1999	10,936,617	1,367	25,481	103,640	(4,192)	126,296
Net income for 2000				19,940		19,940
Cash dividends ($ .90 per share)				(10,331)		(10,331)
Other comprehensive income, net of tax					3,895	3,895
Stock issued under employee benefit plans	26,778	3	478			481
Stock issued under dividend reinvestment and stock purchase plan	35,611	5	806			811
Stock options exercised	33,906	4	506			510
Stock redeemed	(292,000)	(37)	(6,670)	(5)		(6,712)
Issuance of stock related to acquisition	870,957	109	21,068			21,177
Cash paid in lieu of fractional shares	(137)		(4)			(4)
Balances, December 31, 2000	11,611,732	$ 1,451	$ 41,665	$ 113,244	$ (297)	$ 156,063

See notes to consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands, except share data)	Year Ended December 31, 2000	1999	1998
Operating activities:			
Net income	$ 19,940	$ 19,088	$ 17,907
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	2,625	2,241	2,372
Depreciation and amortization	3,198	2,517	2,394
Amortization of goodwill and intangibles	896	232	214
Deferred income tax	(767)	(1,122)	153
Securities amortization, net	72	358	221
Securities losses (gains), net	107	(257)	(127)
Gain on sale of premises and equipment	(105)	(4)	(442)
Mortgage loans originated for sale	(2,111)	(6,179)	(10,251)
Proceeds from sales of mortgage loans	2,172	6,894	9,946
Net change in			
Interest receivable	(825)	(482)	(448)
Interest payable	1,479	465	37
Other adjustments	3,104	1,932	(2,535)
Net cash provided by operating activities	29,785	25,683	19,441
Investing activities:			
Net change in interest-bearing deposits	1,330	(722)	(524)
Purchases of			
Securities available for sale	(11,437)	(148,210)	(193,728)
Securities held to maturity		(2,667)	(90)
Proceeds from maturities of			
Securities available for sale	49,975	120,509	88,439
Securities held to maturity	5,617	7,226	14,325
Proceeds from sales of			
Securities available for sale	14,654	19,627	7,394
Net change in loans	(87,658)	(109,861)	(53,761)
Acquisition of insurance subsidiary			(1,254)
Purchase of Federal Home Loan Bank stock	(712)	(1,403)	(402)
Purchases of premises and equipment	(4,409)	(3,679)	(5,231)
Proceeds from sale of fixed assets	449	56	1,347
Other investing activities	280		(645)
Net cash used by investing activities	(31,911)	(119,124)	(144,130)
Financing activities:			
Net change in			
Demand and savings deposits	772	17,411	16,439
Certificates of deposit and other time deposits	33,268	43,840	92,541
Repurchase agreements and other borrowings	(51,385)	49,713	37,656
Federal Home Loan Bank advances	199,396	314,500	27,657
Repayment of Federal Home Loan Bank advances	(181,510)	(288,054)	(6,089)
Cash dividends	(10,331)	(9,759)	(7,934)
Stock issued under employee benefit plans	481	457	385
Stock issued under dividend reinvestment and stock purchase plan	811	722	679
Stock options exercised	510	271	482
Stock redeemed	(6,712)	(32,136)	(72)
Cash paid in lieu of issuing fractional shares	(4)		(6)
Net cash provided (used) by financing activities	(14,704)	96,965	161,738
Net change in cash and cash equivalents	(16,830)	3,524	37,049
Cash and cash equivalents, beginning of year	84,293	80,769	43,720
Cash and cash equivalents, end of year	$ 67,463	$ 84,293	$ 80,769
Additional cash flows information:			
Interest paid	$ 58,810	$ 46,433	$ 45,678
Income tax paid	9,544	10,157	9,861

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(table dollar amounts in thousands, except share data)

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NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of First Merchants Corporation ("Corporation"), and its wholly owned subsidiaries, First Merchants Bank, N.A. ("First Merchants"), Madison Community Bank ("Madison"), First United Bank ("First United"), The Randolph County Bank ("Randolph County"), Union County National Bank ("Union National"), and First National Bank ("First National"), Decatur Bank and Trust Company ("Decatur"), (collectively "the Banks")and First Merchants Insurance Services, Inc. ("FMIS"), and First Merchants Reinsurance Company ("FMRC"), conform to generally accepted accounting principles and reporting practices followed by the banking industry. The more significant of the policies are described below.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Corporation is a bank holding company whose principal activity is the ownership and management of the Banks and operates in a single significant business segment. First Merchants, Union National and First National operate under national bank charters and provide full banking services, including trust services. As national banks, First Merchants, First National and Union National are subject to the regulation of the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation ("FDIC"). Madison, First United, Randolph County and Decatur operate under state bank charters and provide full banking services, including trust services. As state banks, Madison, First United,Randolph County and Decatur are subject to the regulation of the Department of Financial Institutions, State of Indiana, and the FDIC.

The Banks generate commercial, mortgage, and consumer loans and receive deposits from customers located primarily in central and east central Indiana and Butler County, Ohio. The Banks' loans are generally secured by specific items of collateral, including real property, consumer assets, and business assets. Although the Banks have a diversified loan portfolio, a substantial portion of their debtors' ability to honor their contracts is dependent upon economic conditions in the automotive and agricultural industries.

CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and all its subsidiaries, after elimination of all material intercompany transactions.

NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

INVESTMENT SECURITIES-Debt securities are classified as held to maturity when the Corporation has the positive intent and ability to hold the securities to maturity. Securities held to maturity are carried at amortized cost. Debt securities not classified as held to maturity are classified as available for sale. Securities available for sale are carried at fair value with unrealized gains and losses reported separately in accumulated other comprehensive income, net of tax.

Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

LOANS HELD FOR SALE are carried at the lower of aggregate cost or market. Market is determined using the aggregate method. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income based on the difference between estimated sales proceeds and aggregate cost.

LOANS are carried at the principal amount outstanding. Certain nonaccrual and substantially delinquent loans may be considered to be impaired. A loan is impaired when, based on current information or events, it is probable that the Banks will be unable to collect all amounts due (principal and interest) according to the contractual terms of the loan agreement. In applying the provisions of Statement of Financial Accounting Standards ("SFAS") No. 114, the Corporation considers its investment in one-to-four family residential loans and consumer installment loans to be homogeneous and therefore excluded from separate identification for evaluation of impairment. Interest income is accrued on the principal balances of loans, except for installment loans with add-on interest, for which a method that approximates the level yield method is used. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed when considered uncollectable. Interest income is subsequently recognized only to the extent cash payments are received. Certain loan fees and direct costs are being deferred and amortized as an adjustment of yield on the loans.

NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

ALLOWANCE FOR LOAN LOSSES is maintained to absorb losses inherent in the loan portfolio. The allowance is based on ongoing, quarterly assessments of the probable estimated losses inherent in the loan portfolio. The allowance is increased by the provision for loan losses, which is charged against current period operating results and decreased by the amount of chargeoffs, net of recoveries. The Banks' methodology for assessing the appropriateness of the allowance consists of several key elements, which include the formula allowance, specific allowances for identified problem loans, and the unallocated allowance.

The formula allowance is calculated by applying loss factors to outstanding loans and certain unused commitments, in each case based on the internal risk grade of such loans, pools of loans, or commitments. Changes in risk grades of both performing and nonperforming loans affect the amount of the formula allowance. Loss factors are based on our historical loss experience and may be adjusted for significant factors that, in management's judgement, affect the collectibility of the portfolio as of the evaluation date.

Specific allowances are established in cases where management has identified significant conditions or circumstances related to a credit that management believes indicate the probability that a loss has been incurred in excess of the amount determined by the application of the formula allowance.

The unallocated allowance is based upon management's evaluation of various conditions, the effects of which are not directly measured in the determination of the formula and specific allowances. The evaluation of the inherent loss with respect to these conditions is subject to a higher degree of uncertainty because they are not identified with specific credits. The conditions evaluated in connection with the unallocated allowance may include existing general economic and business conditions affecting the Banks' key lending areas, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio, specific industry conditions within portfolio segments, recent loss experience in particular segments of the portfolio, duration of the current business cycle, bank regulatory examination results, and findings of an independent third party conducting reviews of the loan portfolio.

NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

PREMISES AND EQUIPMENT are carried at cost net of accumulated depreciation. Depreciation is computed using the straight-line and declining balance methods based on the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred, while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

FEDERAL RESERVE AND FEDERAL HOME LOAN BANK STOCK are required investments for institutions that are members of the Federal Reserve Bank ("FRB") and Federal Home Loan Bank ("FHLB") systems. The required investment in the common stock is based on a predetermined formula.

INTANGIBLE ASSETS are being amortized on both the straight-line and accelerated basis over periods ranging from 7 to 25 years. Such assets are periodically evaluated as to the recoverability of their carrying value.

INCOME TAX in the consolidated statement of income includes deferred income tax provisions or benefits for all significant temporary differences in recognizing income and expenses for financial reporting and income tax purposes. The Corporation files consolidated income tax returns with its subsidiaries.

STOCK OPTIONS are granted for a fixed number of shares to employees. The Corporation accounts for and will continue to account for stock option grants in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees, and accordingly, recognizes compensation expense for the stock option grants which have been granted with an exercise price less than the fair value of the shares at the date of grant.

EARNINGS PER SHARE have been computed based upon the weighted average common and common equivalent shares outstanding during each year and have been restated to give effect to a three-for-two stock split distributed to stockholders on October 23, 1998.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(table dollar amounts in thousands, except share data)

NOTE 2

BUSINESS COMBINATIONS

On May 31, 2000, the Corporation acquired Decatur Financial Inc., the holding company of Decatur Bank and Trust Company. Decatur Bank and Trust Company is a state chartered commercial bank with branches located in east-central Indiana. Decatur Financial Inc. was merged into the Corporation through the exchange of 870,957 shares of newly issued common stock and $12,355,000 of cash. The combination was accounted for under the purchase method of accounting. Decaturs' results of operations are included in the Corporation's consolidated income statement beginning June 1, 2000. The purchase resulted in core deposit intangible of $2,046,000 to be amortized over 10 years using 150% declining balance method. Goodwill of $17,040,000 will be amortized over 20 years straight-line.

The purchase resulted in the Corporation recording net loans of $89,332,000, held to maturity and available for sale securities of $3,921,000 and $14,132,000 respectively, deposit liabilities of $107,056,000 and borrowings of $7,218,000. All assets and liabilities were recorded at fair values as of May 31, 2000. The purchase accounting adjustments will be amortized over the life of the respective asset or liability.

The following proforma discloses including the effect of the purchase accounting adjustments, depict the results of operations as though the merger had taken place at the beginning of each period.

	Year Ended December 31	
	2000	1999
Net Interest Income:..........................	$ 57,849	$ 57,557
Net Income:..................................	$ 19,563	$ 19,474
Net Income per share - combined:		
Basic	$ 1.63	$ 1.51
Diluted	1.62	1.50

On April 1, 1999, the Corporation issued 1,098,795 shares of it common stock in exchange for all of the outstanding shares of Jay Financial Corporation, Portland, Indiana. At December 31, 1998, Jay Financial Corporation had total assets and shareholders' equity of $114,895,000 and $14,903,000, respectively. The transaction was accounted for under the pooling-of-interests method of accounting.

(table dollar amounts in thousands, except share data)

NOTE 2

Business Combinations continued

On April 21, 1999, the Corporation issued 810,642 shares of its common stock in exchange for all of the outstanding shares of Anderson Community Bank, Anderson, Indiana. At December 31, 1998, Anderson Community Bank had total assets and shareholders' equity of $77,984,000 and $7,740,000, respectively. The transaction was accounted for under the pooling-of-interests method of accounting. The financial information contained herein reflects the mergers and reports the financial condition and results of operations as though the Corporations had been combined as of January 1, 1998. Separate operating results of Jay Financial Corporation and Anderson Community Bank for the periods prior to the merger were as follows:

	1999	1998
Net interest income:		
First Merchants Corporation	$ 50,175	$ 41,678
Jay Financial Corporation	2,250	4,824
Anderson Community Bank	1,140	3,194
Combined	$ 53,565	$ 49,696
Net income:		
First Merchants Corporation	$ 17,934	$ 15,399
Jay Financial Corporation	703	1,431
Anderson Community Bank	451	1,077
Combined	$ 19,088	$ 17,907
Net income per share:		
Basic:		
First Merchants Corporation	$ 1.49	$ 1.29
Jay Financial Corporation	.06	.12
Anderson Community Bank	.04	.09
Combined	$ 1.59	$ 1.50
Diluted:		
First Merchants Corporation	$ 1.48	$ 1.27
Jay Financial Corporation	.06	.12
Anderson Community Bank	.04	.09
Combined	$ 1.58	$ 1.48

NOTE 3

RESTRICTION ON CASH AND DUE FROM BANKS

The Banks are required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at December 31, 2000, was $17,170,000.

(table dollar amounts in thousands, except share data)

NOTE 4

INVESTMENT SECURITIES

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Available for sale at December 31, 2000				
U.S. Treasury	$ 2,997			$ 2,997
Federal agencies	55,403	$ 268	$ 155	55,516
State and municipal	81,370	1,045	103	82,312
Mortgage-backed securities	127,907	139	922	127,124
Other asset-backed securities	19,924	10	148	19,786
Corporate obligations	7,238	9	395	6,852
Marketable equity securities	1,277		134	1,143
Total available for sale	296,116	1,471	1,857	295,730
Held to maturity at December 31, 2000				
U.S. Treasury	250			250
State and municipal	11,645	131	36	11,740
Mortgage-backed securities	338			338
Total held to maturity	12,233	131	36	12,328
Total investment securities	$308,349	$ 1,602	$ 1,893	$308,058
Available for sale at December 31, 1999				
U.S. Treasury	$ 7,337	$ 3	$ 72	$ 7,268
Federal agencies	61,215	50	1,199	60,066
State and municipal	94,598	568	945	94,221
Mortgage-backed securities	141,673	58	4,332	137,399
Other asset-backed securities	21,773		758	21,015
Corporate obligations	9,082	4	140	8,946
Marketable equity securities	915		162	753
Total available for sale	336,593	683	7,608	329,668
Held to maturity at December 31, 1999				
U.S. Treasury	250		2	248
State and municipal	13,243	77	13	13,307
Mortgage-backed securities	311	1	1	311
Other asset-backed securities	499		81	418
Total held to maturity	14,303	78	97	14,284
Total investment securities	$350,896	$ 761	$ 7,705	$343,952

(table dollar amounts in thousands, except share data)

NOTE 4

INVESTMENT SECURITIES continued

The amortized cost and fair value of securities available for sale and held to maturity December 31, 2000, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AVAILABLE FOR SALE		HELD TO MATURITY	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Maturity distribution at December 31, 2000:				
Due in one year or less	$ 40,338	$ 40,336	$ 3,263	$ 3,208
Due after one through five years	63,806	63,931	5,473	5,574
Due after five through ten years	29,675	30,138	2,401	2,435
Due after ten years	13,189	13,272	758	773
	147,008	147,677	11,895	11,990
Mortgage-backed securities	127,907	127,124	338	338
Other asset-backed securities	19,924	19,786		
Marketable equity securities	1,277	1,143		
Totals	$296,116	$295,730	$ 12,233	$ 12,328

Securities with a carrying value of approximately $149,266,000 and $161,462,000 were pledged at December 31, 2000 and 1999 to secure certain deposits and securities sold under repurchase agreements, and for other purposes as permitted or required by law.

In addition, all otherwise unpledged securities are pledged as collateral for Federal Home Loan Bank advances with qualified first mortgage loans.

Proceeds from sales of securities available for sale during 2000, 1999 and 1998 were $14,654,000, $19,627,000 and $7,394,000. Gross losses of $107,000 in 2000 and gross gains of $257,000 and $127,000 in 1999 and 1998 were realized on those sales.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(table dollar amounts in thousands, except share data)

NOTE 5

LOANS AND ALLOWANCE

	2000	1999
Loans at December 31:		
Commercial and industrial loans	$ 258,405	$ 224,712
Agricultural production financing and other loans to farmers	24,547	21,547
Real estate loans:		
Construction	45,412	31,996
Commercial and farmland	167,317	150,544
Residential	466,660	380,596
Individuals' loans for household and other personal expenditures	201,629	181,906
Tax-exempt loans	6,093	4,070
Other loans	5,523	3,552
	1,175,586	998,923
Unearned interest on loans		(28)
Allowance for loan losses	(12,454)	(10,128)
Total loans	$1,163,132	$ 988,767

	2000	1999	1998
Allowance for loan losses:			
Balance, January 1	$ 10,128	$ 9,209	$ 8,429
Allowance acquired in acquisition	1,413		
Provision for losses	2,625	2,241	2,372
Recoveries on loans	579	447	639
Loans charged off	(2,291)	(1,769)	(2,231)
Balance, December 31	$ 12,454	$ 10,128	$ 9,209

Information on impaired loans is summarized below:	2000	1999	1998
As of, and for the year ending December 31:			
Impaired loans with an allowance	$ 7,862	$2,742	$2,105
Impaired loans for which the discounted cash flows or collateral value exceeds the carrying value of the loan	6,977	4,398	6,982
Total impaired loans	$14,839	$7,140	$9,087
Allowance for impaired loans (included in the Corporation's allowance for loan losses)	$ 2,253	$1,061	$ 795
Average balance of impaired loans	15,053	8,770	8,881
Interest income recognized on impaired loans	1,361	705	873
Cash basis interest included above	1,080	637	745

The Banks have entered into transactions with certain directors, executive officers, significant stockholders, and their affiliates or associates ("related parties"). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

The aggregate amount of loans, as defined, to such related parties is as follows:

Balances, January 1, 2000	$28,518
New loans, including renewals	17,897
Payments, etc., including renewals	9,158
Balances, December 31, 2000	$37,257

(table dollar amounts in thousands, except share data)

NOTE 6

PREMISES AND EQUIPMENT

	2000	1999
Cost at December 31:		
Land	$ 4,020	$ 3,442
Buildings and leasehold improvements	21,662	18,949
Equipment	24,284	20,393
Total cost	49,966	42,784
Accumulated depreciation and amortization	(26,098)	(22,711)
Net	$ 23,868	$ 20,073

The Corporation is committed under various noncancelable lease contracts for certain subsidiary office facilities. Total lease expense for 2000, 1999 and 1998 was $515,000, $336,000, and $250,000, respectively. The future minimum rental commitments required under the operating leases in effect at December 31, 2000, expiring at various dates through the year 2013 are as follows for the years ending December 31:

2001	$ 337
2002	334
2003	309
2004	277
2005	229
After 2005	1,041
Total future minimum obligations	$2,527

NOTE 7

DEPOSITS

	2000	1999
Deposits at December 31:		
Demand deposits	$ 354,911	$ 300,309
Savings deposits	299,868	283,249
Certificates and other time deposits of $100,000 or more	199,410	197,658
Other certificates and time deposits	434,110	365,987
Total deposits	$1,288,299	$1,147,203

Certificates and other time deposits maturing in years ending December 31:	
2001	$464,842
2002	99,600
2003	41,769
2004	12,033
2005	14,818
After 2005	458
	$633,520

(table dollar amounts in thousands, except share data)

NOTE 8

BORROWINGS

	2000	1999
Borrowings at December 31:		
Securities sold under repurchase agreements	$ 64,456	$ 77,957
Federal funds purchased	975	28,885
U. S. Treasury demand notes	4,968	9,506
Federal Home Loan Bank advances	93,182	73,514
Total borrowings	$163,581	$189,862

Securities sold under repurchase agreements consist of obligations of the Banks to other parties. The obligations are secured by U.S. Treasury, Federal agency obligations and corporate asset-backed securities. The maximum amount of outstanding agreements at any month-end during 2000 and 1999 totaled $80,489,000 and $91,261,000, and the average of such agreements totaled $69,953,000 and $78,877,000.

Maturities of Federal Home Loan Bank advances and securities sold under repurchase agreements as of December 31, 2000, are as follows:

	FEDERAL HOME LOAN BANK ADVANCES		SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	
	AMOUNT	WEIGHTED-AVERAGE INTEREST RATE	AMOUNT	WEIGHTED-AVERAGE INTEREST RATE
Maturities in years ending December 31:				
2001	$50,350	6.71%	$31,956	6.19%
2002	19,790	6.98	9,600	5.49
2003	4,000	6.04	13,800	5.80
2004	1,000	6.83	9,100	5.68
2005	1,500	6.70		
After 2005	16,542	6.00		
Total	$93,182	6.61%	$64,456	5.93%

The terms of a security agreement with the FHLB require the Corporation to pledge, as collateral for advances, qualifying first mortgage loans and all otherwise unpledged investment securities in an amount equal to at least 160 percent of these advances. Advances are subject to restrictions or penalties in the event of prepayment.

NOTE 9

LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheet. The loans are serviced primarily for the Federal Home Loan Mortgage Corporation and the unpaid balances totaled $22,591,000, $22,769,000 and $15,541,000 at December 31, 2000, 1999 and 1998.

The Corporation has adopted SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. The adoption of this statement has had no material impact on the Corporation's financial condition and results of operations for all years presented.

(table dollar amounts in thousands, except share data)

NOTE 10

INCOME TAX

	2000	1999	1998
Income tax expense, for the year ended December 31:			
Currently payable:			
Federal	$ 9,236	$ 8,491	$ 7,269
State	1,499	2,730	2,134
Deferred:			
Federal	(715)	(939)	138
State	(52)	(183)	15
Total income tax expense	$ 9,968	$ 10,099	$ 9,556
Reconciliation of federal statutory to actual tax expense:			
Federal statutory income tax at 34%	$ 10,169	$ 9,924	$ 9,338
Tax-exempt interest	(1,308)	(1,555)	(1,424)
Graduated tax rates	299	291	173
Effect of state income taxes	941	1,656	1,418
Other	(133)	(217)	51
Actual tax expense	$ 9,968	$ 10,099	$ 9,556

Tax expense (benefit) applicable to security gains and losses for the years ended December 31, 2000, 1999 and 1998, was $(43,000), $103,000, and $51,000, respectively.

A cumulative net deferred tax asset is included in other assets. The components of the asset are as follows:

	2000	1999
Deferred tax asset at December 31:		
Assets:		
Differences in accounting for loan losses	$5,110	$4,429
Deferred compensation	923	668
Differences in accounting for pensions and other employee benefits		33
Net unrealized loss on securities available for sale	88	2,736
Other	217	138
Total assets	6,338	8,004
Liabilities:		
Differences in depreciation methods	754	896
Differences in accounting for loans and securities	173	305
Differences in accounting for loan fees	413	336
Differences in accounting for pensions and other employee benefits	177	
State income tax	256	238
Other	455	238
Total liabilities	2,228	2,013
Net deferred tax asset	$4,110	$5,991

NOTE 11

COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, there are outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Banks' exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Banks use the same credit policies in making such commitments as they do for instruments that are included in the consolidated balance sheet.

Financial instruments whose contract amount represents credit risk as of December 31, were as follows:

	2000	1999
Commitments to extend credit	$220,613	$228,598
Standby letters of credit	6,558	6,031

Commitments to extend credit are agreements to lend to a customer, as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Banks evaluate each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Banks upon extension of credit, is based on management's credit evaluation. Collateral held varies, but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party.

The Corporation and subsidiaries are also subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Corporation.

NOTE 12

STOCKHOLDERS' EQUITY

National and state banking laws restrict the maximum amount of dividends that a bank may pay in any calendar year. National and state banks are limited to the bank's retained net income (as defined) for the current year plus those for the previous two years. At December 31, 2000, the Banks' had no retained net profits available for 2001 dividends to the Corporation without prior regulatory approval.

Total stockholders' equity for all subsidiaries at December 31, 2000, was $143,903,000, of which $141,943,000 was restricted from dividend distribution to the Corporation.

The Corporation has a Dividend Reinvestment and Stock Purchase Plan, enabling stockholders to elect to have their cash dividends on all shares held and automatically reinvested in additional shares of the Corporation's common stock. In addition, stockholders may elect to make optional cash payments up to an aggregate of $2,500 per quarter for the purchase of additional shares of common stock. The stock is credited to participant accounts at fair market value. Dividends are reinvested on a quarterly basis. At December 31, 2000, there were 439,588 shares of common stock reserved for purchase under the plan.

On August 11, 1998, the Board of Directors of the Corporation declared a three-for-two stock split on its common shares. The new shares were distributed on October 23, 1998, to holders of record on October 16, 1998.

NOTE 13

REGULATORY CAPITAL

The Corporation and Banks are subject to various regulatory capital requirements administered by the federal banking agencies and are assigned to a capital category. The assigned capital category is largely determined by three ratios that are calculated according to the regulations: total risk adjusted capital, Tier 1 capital, and Tier 1 leverage ratios. The ratios are intended to measure capital relative to assets and credit risk associated with those assets and off-balance sheet exposures of the entity. The capital category assigned to an entity can also be affected by qualitative judgments made by regulatory agencies about the risk inherent in the entity's activities that are not part of the calculated ratios.

There are five capital categories defined in the regulations, ranging from well capitalized to critically undercapitalized. Classification of a bank in any of the undercapitalized categories can result in actions by regulators that could have a material effect on a bank's operations.

At December 31, 2000, the management of the Corporation believes that it meets all capital adequacy requirements to which it is subject. The most recent notifications from the regulatory agencies categorized the Corporation and Banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Banks must maintain a minimum total capital to risk-weighted assets, Tier I capital to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(table dollar amounts in thousands, except share data)

NOTE 13

REGULATORY CAPITAL continued

risk-weighted assets and Tier I capital to average assets of 10 percent, 6 percent and 5 percent, respectively. There have been no conditions or events since that notification that management believes have changed this categorization.

Actual and required capital amounts and ratios are listed below.

	2000				1999			
	ACTUAL		REQUIRED FOR ADEQUATE CAPITAL (1)		ACTUAL		REQUIRED FOR ADEQUATE CAPITAL (1)	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
December 31								
Total Capital (1)(to risk-weighted assets)								
Consolidated	$147,609	12.72%	$ 92,814	8.00%	$137,714	13.71%	$ 80,378	8.00%
First Merchants	62,220	10.92	45,600	8.00	86,350	14.90	46,323	8.00
Madison	19,860	12.24	12,979	8.00	24,267	16.40	11,826	8.00
First United	7,982	11.49	5,560	8.00	8,797	13.90	5,053	8.00
Randolph County	6,665	10.46	5,096	8.00	10,819	19.70	4,404	8.00
Union County	17,867	13.21	10,821	8.00	20,646	15.60	10,594	8.00
First National	9,386	11.12	6,750	8.00	16,030	21.20	6,049	8.00
Decatur	10,678	12.37	6,904	8.00				
Tier I Capital (1)(to risk-weighted assets)								
Consolidated	$135,155	11.65%	$ 46,407	4.00%	$127,586	12.70%	$ 40,189	4.00%
First Merchants	57,403	10.07	22,800	4.00	82,009	14.20	23,161	4.00
Madison	18,094	11.15	6,489	4.00	22,509	15.20	5,913	4.00
First United	7,306	10.51	2,780	4.00	8,196	13.00	2,527	4.00
Randolph County	5,868	9.21	2,548	4.00	10,128	18.40	2,202	4.00
Union County	16,227	12.00	5,411	4.00	19,124	14.40	5,297	4.00
First National	8,331	9.87	3,375	4.00	15,085	20.00	3,024	4.00
Decatur	9,593	11.12	3,452	4.00				
Tier I Capital (1) (to average assets)								
Consolidated	$135,155	8.72%	$ 62,023	4.00%	$127,586	9.15%	$ 55,773	4.00%
First Merchants	57,403	7.47	30,742	4.00	82,009	10.20	32,310	4.00
Madison	18,094	8.80	8,228	4.00	22,509	11.60	7,773	4.00
First United	7,306	8.12	3,597	4.00	8,196	10.50	3,119	4.00
Randolph County	5,868	7.13	3,293	4.00	10,128	14.90	2,723	4.00
Union County	16,227	7.26	8,946	4.00	19,124	8.80	8,728	4.00
First National	8,331	7.30	4,562	4.00	15,085	14.40	4,198	4.00
Decatur	9,593	7.49	5,123	4.00				

(1) as defined by regulatory agencies

NOTE 14

EMPLOYEE BENEFIT PLANS

The Corporation's defined-benefit pension plans cover substantially all of the Banks' employees. The benefits are based primarily on years of service and employees' pay near retirement. Contributions are intended to provide not only for benefits attributed to service-to-date, but also for those expected to be earned in the future.

(table dollar amounts in thousands, except share data)

NOTE 14

EMPLOYEE BENEFIT PLANS continued

The table below sets forth the plans' funded status and amounts recognized in the consolidated balance sheet at December 31:

	December 31 2000	December 31 1999
Change in benefit obligation		
Benefit obligation at beginning of year	$ 15,806	$ 16,319
Service cost	714	737
Interest cost	1,181	1,081
Actuarial (gain) loss	180	(1,542)
Benefits paid	(928)	(789)
Benefit obligation at end of year	16,953	15,806
Change in plan assets		
Fair value of plan assets at beginning of year	22,325	19,243
Actual return of plan assets	2,570	3,871
Benefits paid	(928)	(789)
Fair value of plan assets at end of year	23,967	22,325
Funded status	7,014	6,519
Unrecognized net actuarial gain	(6,315)	(6,184)
Unrecognized prior service cost	(119)	(132)
Unrecognized transition asset	(206)	(344)
Prepaid (accrued) benefit cost	$ 374	$ (141)

	2000	1999	1998
Pension benefit includes the following components:			
Service cost-benefits earned during the year	$ 714	$ 737	$ 688
Interest cost on projected benefit obligation	1,181	1,081	1,044
Actual return on plan assets	(2,570)	(3,871)	(1,038)
Net amortization and deferral	160	1,915	(946)
Total pension benefit	$ (515)	$ (138)	$ (252)

	2000	1999	1998
Assumptions used in the accounting as of December 31 were:			
Discount rate	7.70%	7.68%	6.77%
Rate of increase in compensation	4.00%	4.00%	4.00%
Expected long-term rate of return on assets	9.00%	9.00%	9.00%

On March 31, 1994, stockholders approved the 1994 Stock Option Plan, reserving 472,500 shares of Corporation common stock for the granting of options to certain employees and non-employee directors. The exercise price of the shares may not be less than the fair market value of the shares upon the grant of the option. Options become 100 percent vested when granted and are fully exercisable generally six months after the date of the grant, for a period of ten years. There were no shares available for grant at December 31, 1999.

(table dollar amounts in thousands, except share data)

NOTE 14

EMPLOYEE BENEFIT PLANS continued

On April 14, 1999, stockholders approved the 1999 Long-term Equity Incentive Plan, reserving 1,542,328 shares of Corporation common stock for the granting of options to certain employees and non-employee directors. The maximum number of options granted in any given year cannot exceed 1.5% of the shares outstanding at the end of the prior fiscal year. Options,which have a ten year life, become 100 percent vested ranging from six month to two years and are fully exercisable when vested. There were 1,329,128 shares available for grant at December 31, 2000.

The table below is a summary of the status of the Corporation's stock option plans and changes in those plans as of and for the years ended December 31, 2000, 1999 and 1998. The number of shares and prices have been restated to give effect to the Corporation's 1998 stock split.

Year Ended December 31,	2000		1999		1998	
OPTIONS	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding, beginning of year	568,281	$ 19.56	497,004	$ 17.62	471,037	$ 14.59
Granted	121,200	21.30	136,400	22.21	113,915	25.83
Exercised	(47,902)	16.14	(63,848)	9.81	(87,086)	11.96
Cancelled	(80,673)	22.33	(1,275)	24.58	(862)	28.71
Outstanding, end of year	560,906	$ 19.83	568,281	$ 19.56	497,004	$ 17.62
Options exercisable at year end	434,601		443,006		397,221	
Weighted-average fair value of options granted during the year		$ 5.48		$ 5.77		$ 5.48

As of December 31, 2000, other information by exercise price range for options outstanding and exercisable is as follows:

	OUTSTANDING			EXERCISABLE	
EXERCISE PRICE RANGE	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
$ 0.00 - $16.56	197,497	$13.89	3.9 years	194,347	$14.11
16.67 - 22.75	259,950	21.39	8.4 years	137,745	21.45
23.69 - 30.44	103,459	27.25	7.9 years	102,509	27.28
	560,906	$19.83	6.7 years	434,601	$19.54

The Corporation's stock option plans are accounted for in accordance with Accounting Principles Board Opinion ("APB") No. 25, Accounting for Stock Issued to Employees, and related interpretations. APB No. 25 requires compensation expense for stock options to be recognized only if the market price of the underlying stock exceeds the exercise price on the date of the grant. Accordingly, the Company recognized compensation expense of $23,000 in 2000 and $35,000 in 1999. No compensation expense was required to be recognized in 1998.

Although the Corporation has elected to follow APB No. 25, SFAS No. 123 requires pro forma disclosures of net income and earnings per share as if the Corporation had accounted for its employee stock options under that Statement.

(table dollar amounts in thousands, except share data)

NOTE 14

EMPLOYEE BENEFIT PLANS continued

The fair value of each option grant was estimated on the grant date using an option-pricing model with the following assumptions:

	2000	1999	1998
Risk-free interest rates........	6.01%	5.72%	5.45%
Dividend yields.................	3.38%	3.23%	3.25%
Volatility factors of expected market price common stock...	22.86%	21.98%	17.19%
Weighted-average expected life of the options	8.50 years	8.50 years	8.50 years

Under SFAS No. 123, compensation cost is recognized in the amount of the estimated fair value of the options and amortized to expense over the options' vesting period. The pro forma effect on net income and earnings per share of this statement are shown on the right:

	2000	1999	1998
Net Income			
As reported....................	$19,940	$19,088	$17,907
Pro Forma......................	19,481	18,661	17,147
Earnings per share			
Basic:			
As reported....................	$1.76	$1.59	$ 1.50
Pro forma......................	1.72	1.55	1.44
Diluted:			
As reported....................	$1.75	$1.58	$ 1.48
Pro forma......................	1.71	1.54	1.42

In 1999, the stockholders approved the 1999 Employee Stock Purchase Plan, enabling eligible employees to purchase the Corporation's common stock. A total of 250,000 shares of the Corporation's common stock are reserved for issuance pursuant to the plan. The price of the stock to be paid by the employees is determined by the Corporation's compensation committee, but may not be less than 85 percent of the lesser of the fair market value of the Corporation's common stock at the beginning or at the end of the offering period. Common stock purchases are made annually and are paid through advance payroll deductions of up to 20 percent of eligible compensation. Participants under the plan purchased 26,778 in 2000 at $17.98 per share. The fair value on the purchase date was $21.16.

(table dollar amounts in thousands, except share data)

NOTE 14

EMPLOYEE BENEFIT PLANS continued

At December 31, 2000, there were 223,222 shares of Corporation common stock reserved for purchase under the plan, and $263,000 has been withheld from compensation, plus interest, toward the purchase of shares after June 30, 2001, the end of the annual offering period.

The Corporation's Employee Stock Purchase Plan is accounted for in accordance with APB No. 25. Although the Corporation has elected to follow APB No. 25, SFAS No. 123 requires pro forma disclosures of net income and earnings per share as if the Corporation had accounted for the purchased shares under that statement. The pro forma disclosures are included in the table above and were estimated using an option pricing model with the following assumptions for 2000, 1999 and 1998, respectively: dividend yield of 3.38, 3.23, and 3.25 percent; an expected life of one year for all years; expected volatility of 22.86, 21.98, and 17.19 percent; and risk-free interest rates of 6.01, 5.72 and 5.45 percent. The fair value of those purchase rights granted in 2000, 1999 and 1998 was $4.01, $4.50 and $12.69 respectively.

The Banks and FMIS have retirement savings 401(k) plans in which substantially all employees may participate. The Banks and FMIS match employees' contributions at the rate of 25-50 percent for the first 5-6 percent of base salary contributed by participants. The Corporations' expense for the plans was $182,000 for 2000, $191,000 for 1999 and $178,000 for 1998.

NOTE 15

NET INCOME PER SHARE

Year Ended December 31,	2000			1999			1998		
	INCOME	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT	INCOME	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT	INCOME	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT
Basic net income per share:									
Net income available to common stockholders	$19,940	11,342,340	$1.76	$19,088	12,008,152	$1.59	$ 17,907	11,922,879	$1.50
Effect of dilutive stock options .		78,832			108,756			164,287	
Diluted net income per share:									
Net income available to common stockholders and assumed conversions	$19,940	11,421,172	$1.75	$19,088	12,116,908	$1.58	$ 17,907	12,087,166	$1.48

NOTE 16

FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

CASH AND CASH EQUIVALENTS The fair value of cash and cash equivalents approximates carrying value.

INTEREST-BEARING TIME DEPOSITS The fair value of interest-bearing time deposits approximates carrying value.

INVESTMENT SECURITIES Fair values are based on quoted market prices.

MORTGAGE LOANS HELD FOR SALE The fair value of mortgages held for sale approximates carrying values.

LOANS For both short-term loans and variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair value for other loans is estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

INTEREST RECEIVABLE/PAYABLE The fair values of interest receivable/payable approximate carrying values.

FEDERAL RESERVE AND FEDERAL HOME LOAN BANK STOCK The fair value of FRB and FHLB stock is based on the price at which it may be resold to the FRB and FHLB.

CASH SURRENDER VALUE OF LIFE INSURANCE The fair value of cash surrender value of life insurance approximates carrying value.

DEPOSITS The fair values of noninterest-bearing demand accounts, interest-bearing demand accounts and savings deposits are equal to the amount payable on demand at the balance sheet date. The carrying amounts for variable rate, fixed-term certificates of deposit approximate their fair values at the balance sheet date. Fair values for fixed-rate certificates of deposit and other time

(table dollar amounts in thousands, except share data)

NOTE 16

FAIR VALUES OF FINANCIAL INSTRUMENTS continued

deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on such time deposits.

FEDERAL FUNDS PURCHASED AND U.S. TREASURY DEMAND NOTES

These financial instruments are short-term borrowing arrangements. The rates at December 31, approximate market rates, thus the fair value approximates carrying value.

Securities sold under repurchase agreements and Federal home loan bank advances

The fair value of the these borrowings is estimated using a discounted cash flow calculation, based on current rates for similar debt.

Off-balance sheet commitments

Loan commitments and letters-of-credit generally have short-term, variable-rate features and contain clauses which limit the Banks' exposure to changes in customer credit quality. Accordingly, their carrying values, which are immaterial at the respective balance sheet dates, are reasonable estimates of fair value.

The estimated fair values of the Corporation's financial instruments are as follows:

	2000		1999	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Assets at December 31:				
Cash and cash equivalents	$ 67,463	$ 67,463	$ 84,293	$ 84,293
Interest-bearing time deposits	883	883	1,730	1,730
Investment securities available for sale	295,730	295,730	329,668	329,668
Investment securities held to maturity	12,233	12,328	14,303	14,284
Mortgage loans held for sale			61	61
Loans	1,163,132	1,157,723	988,767	983,147
FRB and FHLB stock	7,185	7,185	5,858	5,858
Interest receivable	13,135	13,135	11,279	11,279
Cash surrender of life insurance	6,312	6,312	3,227	3,227
Liabilities at December 31:				
Deposits	1,288,299	1,286,762	1,147,203	1,145,134
Borrowings:				
Securities sold under repurchase agreements	64,456	64,558	77,957	76,739
Federal funds purchased	975	975	28,885	28,885
U.S. Treasury demand notes	4,968	4,968	9,506	9,506
FHLB advances	93,182	92,387	73,514	73,093
Interest payable	6,335	6,335	4,599	4,599

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(table dollar amounts in thousands, except share data)

NOTE 17

CONDENSED FINANCIAL INFORMATION (parent company only)

Presented below is condensed financial information as to financial position, results of operations, and cash flows of the Corporation:

CONDENSED BALANCE SHEET

	December 31, 2000	1999
Assets		
Cash	$ 13,184	$ 212
Loans to affiliates		2,350
Investment in subsidiaries	143,903	155,460
Goodwill	485	535
Other assets	378	356
Total assets	$157,950	$158,913
Liabilities		
Borrowings from affiliates		$ 32,000
Other liabilities	$ 1,887	617
Total liabilities	1,887	32,617
Stockholders' equity	156,063	126,296
Total liabilities and stockholders' equity	$157,950	$158,913

CONDENSED STATEMENT OF INCOME

	December 31, 2000	1999	1998
Income			
Dividends from subsidiaries	$ 71,705	$ 9,894	$ 7,980
Gain on sale of available-for-sale securities		98	
Other income	174	112	112
Total income	71,879	10,104	8,092
Expenses			
Amortization of core deposit intangibles, goodwill, and fair value adjustments	50	43	71
Business combination expenses		804	36
Interest expence	788		
Other expenses	795	834	551
Total expenses	1,633	1,681	658
Income before income tax benefit and equity in undistributed income of subsidiaries	70,246	8,423	7,434
Income tax benefit	(496)	(321)	(216)
Income before equity in undistributed income of subsidiaries	70,742	8,744	7,650
Equity in undistributed (distributions in excess of) income of subsidiaries	(50,802)	10,344	10,257
Net Income	$ 19,940	$ 19,088	$ 17,907

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(table dollar amounts in thousands, except share data)

NOTE 17

CONDENSED FINANCIAL INFORMATION (parent company only)

CONDENSED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2000	1999	1998
Operating activities:			
Net income	$ 19,940	$ 19,088	$ 17,907
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	50	43	44
Distributions in excess of (equity in undistributed) income of subsidiaries	50,802	(10,344)	(10,257)
Security gains		(98)	
Net change in:			
Other assets	(36)	(53)	(115)
Other liabilities	1,270	349	154
Net cash provided by operating activities	72,026	8,985	7,733
Investing activities:			
Security purchased with an agreement to resell to an affiliate			2,000
Net change in loans	2,350	(850)	(1,500)
Proceeds from sales of securities available for sale		383	
Investment in subsidiary	(14,159)		(1,729)
Other investing activities		55	(272)
Net cash used by investing activities	(11,809)	(412)	(1,501)
Financing activities:			
Cash dividends	(10,331)	(9,759)	(7,934)
Borrowing from affiliates	13,000	32,000	
Repayment of borrowings from affiliates	(45,000)		
Stock issued under employee benefit plans	481	457	385
Stock issued under dividend reinvestment and stock purchase plan	811	722	679
Stock options exercised	510	271	482
Stock redeemed	(6,712)	(32,136)	(72)
Cash paid in lieu of issuing fractional shares	(4)		(6)
Net cash used by financing activities	(47,245)	(8,445)	(6,466)
Net change in cash	12,972	128	(234)
Cash, beginning of year	212	84	318
Cash, end of year	$ 13,184	$ 212	$ 84

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(table dollar amounts in thousands, except share data)

NOTE 18

QUARTERLY RESULTS OF OPERATIONS (unaudited)

The following table sets forth certain quarterly results for the years ended December 31, 2000 and 1999:

QUARTER ENDED	INTEREST INCOME	INTEREST EXPENSE	NET INTEREST INCOME	PROVISION FOR LOAN LOSSES	NET INCOME	AVERAGE SHARES OUTSTANDING BASIC	AVERAGE SHARES OUTSTANDING DILUTED	NET INCOME PER SHARE BASIC	NET INCOME PER SHARE DILUTED
2000:									
March	$ 26,574	$ 13,301	$ 13,273	$ 479	$ 4,820	10,904,050	11,007,394	$ .44	$ .44
June	28,097	14,307	13,790	665	5,003	11,091,226	11,158,772	.45	.45
Sept	30,616	16,202	14,414	603	5,275	11,688,699	11,761,020	.45	.45
Dec	31,241	16,736	14,505	878	4,842	11,680,372	11,762,705	.42	.41
	$ 116,528	$ 60,546	$ 55,982	$ 2,625	$ 19,940	11,342,340	11,421,172	$1.76	$1.75
1999:									
March	$ 23,770	$ 10,931	$ 12,839	$ 505	$ 4,643	11,978,451	12,098,414	$ .39	$ .38
June	24,916	11,453	13,463	522	4,649	12,004,475	12,101,757	.39	.39
Sept	25,380	11,804	13,576	590	4,863	12,043,381	12,146,080	.40	.40
Dec	26,397	12,710	13,687	624	4,933	12,005,285	12,125,563	.41	.41
	$ 100,463	$ 46,898	$ 53,565	$ 2,241	$ 19,088	12,008,152	12,116,908	$1.59	$1.58

NOTE 19

SUBSEQUENT EVENTS

On February 8, 2001, the Corporation signed a definitive agreement to acquire Francor Financial, Inc., Wabash, Indiana. The acquisition will be accounted for under the purchase method of accounting. Under the terms of the agreement, the Corporation will issue 1,191,000 shares of its common stock in exchange for all of the common stock of Francor Financial, Inc. The transaction is subject to approval by stockholders of Francor Financial, Inc., and appropriate regulatory agencies. The Corporation anticipates amortizing core deposit intangibles over eight years and goodwill over twenty years. As of December 31, 2000, Francor Financial, Inc., had total assets and shareholders' equity of $165,009,000 and $18,393,000 respectively.

STOCKHOLDER INFORMATION

First Merchants Corporation, a financial holding company based in Muncie, Indiana, was organized in September of 1982 as the bank holding company for Merchants National Bank of Muncie, now First Merchants Bank, N.A. Since its organization, First Merchants Corporation has grown to include seven affiliate banks, multi-line insurance agency and an offshore reinsurance company with over 40 locations in ten Indiana counties and one Ohio county.

Affiliates include First Merchants Bank, First Merchants Insurance Services, Madison Community Bank in Madison County, First United Bank in Henry County, the Randolph County Bank, First National Bank of Portland, Union County National Bank, and Decatur Bank & Trust Company. The Company also operates a "non-chartered" branch affiliate, First Merchants Bank-Hamilton County with five locations.

The Corporation's Trust Division, which operates through First Merchants Bank, is one of the ten largest trust departments in Indiana with fiduciary assets in excess of $1.4 billion dollars at market value through year-end 2000.

First Merchants Corporation is one of only two Indiana-based companies listed among America's Finest Companies, an investment guide published by The Staton Institute. The Corporation completed its 25th consecutive year of increased earnings at the end of 2000.

In addition, the Corporation continues to receive an A+ rating from Standard & Poor's for it's common stock (NASDAQ symbol FRME) and Blue Ribbon status for all affiliate banks from independent bank-rating service Veribanc.

First Merchants' operating philosophy is to be customer focused, value driven, plan disciplined and managed for achievers from both an employee and shareholder perspective.

Corporate Office
200 East Jackson Street
Muncie, Indiana 47305

765-747-1500
http://www.firstmerchants.com

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ANNUAL MEETING

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First Merchants Corporation currently provides services through offices located in Adams, Delaware, Fayette, Hamilton, Henry, Jay, Madison, Wayne, Randolph and Union counties in Indiana and Butler county in Ohio.

The Annual Meeting of Stockholders
of First Merchants Corporation
will be held...

Wednesday, April 11, 2001 at 3:30 p.m.

Horizon Convention Center
401 South High Street
Muncie, Indiana

STOCK INFORMATION

QUARTER	PRICE PER SHARE HIGH 2000	HIGH 1999	LOW 2000	LOW 1999	DIVIDENDS DECLARED 2000	DIVIDENDS DECLARED 1999
First Quarter	$ 26.63	$ 26.13	$ 19.88	$ 21.50	$ .220	$ .200
Second Quarter	22.88	24.75	18.50	21.50	.220	.200
Third Quarter	23.00	25.69	19.25	22.25	.230	.200
Fourth Quarter	23.88	29.25	21.75	21.88	.230	.200

The table above lists per share prices and dividend payments during 2000 and 1999. Prices are as reported by the National Association of Securities Dealers. Automated Quotation - National Market System.

Numbers rounded to nearest cent when applicable.

Common stock listing

First Merchants Corporation common stock is traded over-the-counter on the NASDAQ National Market System. Quotations are carried in many daily papers. The NASDAQ symbol is FRME (Cusip #320817-10-9). At the close of business on December 31, 2000, the number of shares outstanding was 11,611,732. There were 2,146 stockholders of record on that date.

General stockholder inquiries

Stockholders and interested investors may obtain information about the Corporation upon written request or by calling:

Mr. Douglas B. Harris
Vice President
Investor Services & Bank Investments

First Merchants Corporation
P. O. Box 792
Muncie, Indiana 47308-0792
765-741-7278
1-800-262-4261 Ext. 7278

Stock transfer agent and registrar

First Merchants Bank, N.A.
Corporate Trust Department
P. O. Box 792
Muncie, Indiana 47308-0792

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STOCK PRICE & DIVIDEND INFORMATION

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MARKET MAKERS

The following firms make a market in First Merchants Corporation stock:

Robert W. Baird & Co., Inc.
Keefe, Bruyette & Woods, Inc.
Knight Securities, L.P.
Herzog, Heine, Geduld, Inc.
Howe, Barnes & Johnson, Inc.
McDonald and Company
NatCity Investments, Inc.
Sherwood Securities Corp.
Spear, Leads, and Kellog

FORM 10-K AND FINANCIAL INFORMATION

First Merchants Corporation, upon request and without charge, will furnish stockholders, security analysts and investors a copy of Form 10-K filed with the Securities and Exchange Commission.

The Securities and Exchange Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the commission, including the Corporation; that address is http://www.sec.gov

Please contact:
Mr. James Thrash
Senior Vice President
and Chief Financial Officer

First Merchants Corporation
P. O. Box 792
Muncie, Indiana 47308-0792

765-747-1390
1-800-262-4261 Ext. 1390

EXHIBIT 21--SUBSIDIARIES OF THE REGISTRANT

Name	State of Incorporation
First Merchants Bank, National Association	U.S.
Madison Community Bank	Indiana
First United Bank	Indiana
The Union County National Bank of Liberty	U.S.
The Randolph County Bank	Indiana
First National Bank, National Association	U.S.
Decatur Bank and Trust Company	Indiana

Exhibit 23 - Consent of Independent Accountants

We hereby consent to the incorporation by reference to the Registration Statement on Form S-8, File Numbers 333-50484, 333-80119, 333-80117 and 033-54065 of our report dated January 22, 2001, except for Note 19 as to which the date is February 8, 2001, on the consolidated financial statements of First Merchants Corporation which report is included in the Annual Report on Form 10-K of First Merchants Corporation.

Olive LLP

Indianapolis, Indiana
March 26, 2001

Consent of Crowe, Chizek and Company LLP

The Board of Directors
First Merchants Corporation

We consent to the inclusion in the December 31, 2000 Annual Report on Form 10-K of First Merchants Corporation of our reports dated January 8, 1999, on Jay Financial Corporation, and January 15, 1999, on Anderson Community Bank, relating to the statements of income, changes in shareholders' equity and cash flows of those organizations for the year ended December 31, 1998.

We also consent to the incorporation by reference in the registration statements of First Merchants Corporation on Form S-8 (File No. 33-28900 and 33-28901) of our reports dated January 8, 1999, on Jay Financial Corporation, and January 15, 1999, on Anderson Community Bank, relating to the statements of income, changes in shareholders' equity and cash flows of those organizations for the year ended December 31, 1998, which reports are included in the December 31, 2000 annual report on Form 10-K of First Merchants Corporation.

Crowe, Chizek and Company LLP

Indianapolis, Indiana
April 2, 2001

Report of Independent Auditors

Board of Directors and Shareholders
Jay Financial Corporation
Portland, Indiana

We have audited the consolidated statements of income, changes in shareholders' equity and cash flows of Jay Financial Corporation for the year ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Jay Financial Corporation for the year ended December 31, 1998, in conformity with generally accepted accounting principles. We have not audited the consolidated financial statements of Jay Financial Corporation for any period subsequent to December 31, 1998.

/s/Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP
Indianapolis, Indiana
January 8, 1999

Report of Independent Auditors

Board of Directors and Shareholders
Anderson Community Bank
Anderson, Indiana

We have audited the statements of income, changes in shareholders' equity and cash flows of Anderson Community Bank for the year ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Anderson Community Bank for the year ended December 31, 1998, in conformity with generally accepted accounting principles. We have not audited the consolidated financial statements of Anderson Community Bank for any period subsequent to December 31, 1998.

/s/Crowe, Chizek and Company

Crowe, Chizek and Company
Indianapolis, Indiana
January 15, 1999

EXHIBIT 99.1--FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR FIRST MERCHANTS CORPORATION EMPLOYEE STOCK PURCHASE PLAN

The annual financial statements and independent auditor's report thereon for First Merchants Corporation Employee Stock Purchase Plan for the year ending December 31, 2000, will be filed as an amendment to the 2000 Annual Report on Form 10-K no later than March 30, 2001.