UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _______ to _______

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 Street Muncie, IN	47305-2814
(Address of principal executive office)	(Zip code)

(765) 747-1500

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 1934 during 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 checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [x] No [ ]

As of October 29, 2004, there were 18,631,063 outstanding common shares, without par value, of the registrant.

FIRST MERCHANTS CORPORATION

FORM 10-Q

INDEX

Page No.

PART I. Financial Information:

FIRST MERCHANTS CORPORATION

FORM 10-Q
PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

	September 30, 2004 (Unaudited)	December 31, 2003
ASSETS:		
Cash and due from banks	$ 73,367	$ 77,112
Federal funds sold	22,700	32,415
Cash and cash equivalents	96,067	109,527
Interest-bearing deposits	12,204	8,141
Investment securities available for sale	415,138	348,860
Investment securities held to maturity	5,507	7,937
Mortgage loans held for sale	2,715	3,043
Loans, net of allowance for loan losses of $25,243 and $25,493.	2,370,063	2,328,010
Premises and equipment	38,170	39,639
Federal Reserve and Federal Home Loan Bank stock	22,750	15,502
Interest receivable	17,594	16,840
Goodwill	118,715	118,679
Core deposit intangibles	21,471	24,044
Cash surrender value of life insurance	41,700	37,927
Other assets	19,268	18,663
Total assets	$ 3,181,362	$ 3,076,812
LIABILITIES:		
Deposits:		
Noninterest-bearing	$ 373,548	$ 338,201
Interest-bearing	2,083,271	2,023,900
Total deposits	2,456,819	2,362,101
Borrowings	379,922	383,170
Interest payable	5,706	4,680
Other liabilities	25,253	22,896
Total liabilities	2,867,700	2,772,847
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY:		
Perferred stock, no-par value:		
Authorized and unissued - 500,000 shares		
Common Stock, $.125 stated value:		
Authorized --- 50,000,000 shares		
Issued and outstanding - 18,562,001 and 18,408,177 shares	2,320	2,314
Additional paid-in capital	148,993	150,310
Retained earnings	160,004	149,096
Accumulated other comprehensive income	2,345	2,245
Total stockholders' equity	313,662	303,965
Total liabilities and stockholders' equity	$ 3,181,362	$ 3,076,812

See notes to consolidated condensed financial statements.

FIRST MERCHANTS CORPORATION

FORM 10-Q
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Interest Income:				
Loans receivable				
Taxable	$35,342	$35,607	$103,590	$106,539
Tax exempt	143	185	443	512
Investment securities				
Taxable	2,146	1,342	6,147	4,621
Tax exempt	1,679	1,562	4,529	4,819
Federal funds sold	18	49	73	339
Deposits with financial institutions	154	13	388	54
Federal Reserve and Federal Home Loan Bank stock	319	201	954	610
Total interest income	39,801	38,959	116,124	117,494
Interest expense:				
Deposits	8,487	8,623	24,556	26,555
Borrowings	4,522	4,462	13,297	13,100
Total interest expense	13,009	13,085	37,853	39,655
Net Interest Income	26,792	25,874	78,271	77,839
Provision for loan losses	1,380	1,706	4,472	8,430
Net Interest Income After Provision for Loan Losses	25,412	24,168	73,799	69,609
Other Income:				
Net realized gains on sales of available-for-sale securities	332	512	732	950
Other income	8,079	8,364	25,151	27,365
Total other income	8,411	8,876	25,883	28,315
Total other expenses	22,790	22,960	67,976	67,336
Income before income tax	11,033	10,084	31,706	30,388
Income tax expense	3,380	2,735	9,763	8,636
Net Income	$ 7,653	$ 7,349	$21,943	$21,752
Per share:				
Basic	$ .41	$ .40	$ 1.18	$ 1.20
Diluted	.41	.39	1.18	1.19
Dividends	.23	.23	.69	.67

See notes to consolidated condensed financial statements.

FIRST MERCHANTS CORPORATION

FORM 10-Q
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net Income	$ 7,653	$ 7,349	$21,943	$21,752
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on securities available for sale:				
Unrealized holding gains (losses) arising during the period, net of income tax (expense) benefit of $(3,104), $2,753, $(359) and $1,590	4,656	(4,129)	539	(2,385)
Less: Reclassification adjustment for gains included in net income, net of income tax expense of $133, $205, $293 and $380	199	307	439	570
	4,457	(4,436)	100	(2,955)
Comprehensive income	$ 12,110	$ 2,913	$22,043	$18,797

See notes to consolidated condensed financial statements

FIRST MERCHANTS CORPORATION

FORM 10-Q
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands)
(Unaudited)

	2004	2003
Balances, January 1	$ 303,965	$ 261,129
Net income	21,943	21,752
Cash dividends	(12,777)	(12,302)
Other comprehensive income (loss), net of tax	100	(2,955)
Stock issued under employee benefit plans	903	819
Stock issued under dividend reinvestment and stock purchase plan	977	887
Stock options exercised	981	838
Stock Redeemed	(2,430)	(301)
Issuance of stock in acquisitions		31,218
Cash paid in lieu of fractional shares		116
Balances, September 30	$ 313,662	$ 301,201

See notes to consolidated condensed financial statements

FIRST MERCHANTS CORPORATION

FORM 10-Q
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Cash Flows From Operating Activities:		
Net income	$ 21,943	$ 21,752
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	4,472	8,430
Depreciation and amortization	3,810	3,495
Mortgage loans originated for sale	(66,111)	(190,639)
Proceeds from sales of mortgage loans	66,439	200,142
Change in interest receivable	(754)	1,069
Change in interest payable	1,026	(1,175)
Other adjustments	2,557	564
Net cash provided by operating activities	$ 33,382	$ 43,638
Cash Flows From Investing Activities:		
Net change in interest-bearing deposits	$ (4,063)	$ (221)
Purchases of Securities available for sale	(170,719)	(188,244)
Proceeds from maturities of Securities available for sale	76,414	144,172
Proceeds from sales of Securities available for sale	32,336	58,245
Purchase of Federal Reserve and Federal Home Loan Bank Stock	(7,248)	
Net change in loans	(46,525)	(49,331)
Other adjustments	(4,768)	(7,793)
Net cash paid in acquisition		(3,207)
Net cash used by investing activities	$ (124,573)	$ (46,379)
Cash Flows From Financing Activities:		
Net change in		
Demand and savings deposits	$ 20,514	$ 7,023
Certificates of deposit and other time deposits	74,204	(5,044)
Borrowings	(4,641)	(20,713)
Cash dividends	(12,777)	(12,604)
Stock issued under employee benefit plan	903	887
Stock issued under dividend reinvestment and stock purchase plan	977	838
Stock options exercised	981	819
Stock redeemed	(2,430)	
Cash paid in lieu of fractional shares		116
Net cash provided (used) by financing activities	77,731	(28,678)
Net Change in Cash and Cash Equivalents	(13,460)	(31,419)
Cash and Cash Equivalents, January 1	109,527	119,038
Cash and Cash Equivalents, September 30	$ 96,067	$ 87,619

See notes to consolidated condensed financial statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Table dollars in thousands)
(Unaudited)

NOTE 1. General

The significant accounting policies followed by First Merchants Corporation ("Corporation") and its wholly owned subsidiaries for interim financial reporting are consistent with the accounting policies followed for annual financial reporting. All adjustments which are of a normal recurring nature and are in the opinion of management necessary for a fair statement of the results for the periods reported have been included in the accompanying consolidated condensed financial statements.

The consolidated condensed balance sheet of the Corporation as of December 31, 2003 has been derived from the audited consolidated balance sheet of the Corporation as of that date. Certain information and note disclosures normally included in the Corporation's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Corporation's Form 10-K annual report filed with the Securities and Exchange Commission.

The results of operations for the three and nine month periods ended September 30, 2004 are not necessarily indicative of the results to be expected for the year.

Stock options are granted for a fixed number of shares to employees. 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. For all grants, no stock-based employee compensation cost is reflected in net income, as options granted under those plans had an exercise price equal to the market value of the underlying common stock on the grant date.

The following table illustrates the effect on net income and earnings per share if the Corporation has applied the fair value provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net income, as reported	$ 7,653	$ 7,349	$ 21,943	$ 21,752
Add: Total stock-based employee compensation cost included in reported net income, net of income taxes..		2		12
Less: Total stock-based employee compensation cost determined under the fair value based method, net of income taxes	(140)	(149)	(599)	(641)
Pro forma net income	$ 7,513	$ 7,202	$ 21,344	$ 21,123
Earnings per share:				
Basic - as reported	$ .41	$ .40	$ 1.18	$ 1.20
Basic - pro forma	.41	.39	1.15	1.16
Diluted - as reported	.41	.39	1.18	1.19
Diluted - pro forma	.40	.39	1.14	1.16

(Table dollars in thousands)

NOTE 1. General (continued)

The Corporation makes its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, available on its website at www.firstmerchants.com without charge, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission. Additionally, upon request the Corporation will also provide without charge, a copy of its Form 10-Q to any shareholder by mail. Requests should be sent to Mr. Brian Edwards, Shareholder Relations Officer, First Merchants Corporation, P.O. Box 792, Muncie, IN 47308-0792.

NOTE 2. Impact of Accounting Changes

In March 2004, the SEC issued Staff Accounting Bulletin No. 105 (SAB 105), "Application of Accounting Principals to Loan Commitments". Current accounting guidance requires the commitment to originate mortgage loans to be held for sale be recognized on the balance sheet at fair value from inception through expiration or funding. SAB 105 requires that the fair-value measurement include only differences between the guaranteed interest rate in the loan commitment and a market interest rate, excluding any expected future cash flows related to the customer relationship or loan servicing. SAB 105 is effective for commitments to originate mortgage loans to be held for sale that are entered into after March 31, 2004. Its adoption did not have a material impact on the consolidated financial position or results of operations of the Corporation.

In March 2004, the FASB's Emerging Issues Task Force reached a consensus on EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments". The guidance prescribes a three-step model for determining whether an investment is other-than-temporarily impaired and requires disclosures about unrealized losses on investments. The accounting guidance is effective for reporting periods beginning after June 15, 2004, while the disclosure requirements are effective for annual reporting periods ending after June 15, 2004. The adoption of this EITF did not have a material effect on the consolidated financial position or results of operation of the Corporation.

NOTE 3. Investment Securities

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at September 30, 2004				
U.S. Treasury	$ 1,491	$	$ (1)	$ 1,490
Federal agencies..................	46,556	202	(78)	46,680
State and municipal	155,406	7,254	(78)	162,582
Mortgage-backed securities	191,492	752	(1,558)	190,686
Other asset-backed securities.....	518			518
Corporate obligations.............				
Marketable equity securities......	13,175	7		13,182
Total available for sale	408,638	8,215	(1,715)	415,138
Held to maturity at September 30, 2004				
State and municipal...............	5,452	204		5,656
Mortgage-backed securities........	55			55
Total held to maturity	5,507	204		5,711
Total investment securities ..	$414,145	$ 8,419	$ (1,715)	$420,849

(Table dollars in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at December 31, 2003				
U.S. Treasury	$ 1,498			$ 1,498
Federal agencies	38,290	$ 523	$ (52)	38,761
State and municipal	118,794	6,932	(86)	125,640
Mortgage-backed securities	174,208	813	(1,817)	173,204
Corporate obligations	500	16		516
Marketable equity securities	9,237	4		9,241
Total available for sale	342,527	8,288	(1,955)	348,860
Held to maturity at December 31, 2003				
State and municipal	7,860	389		8,249
Mortgage-backed securities	77			77
Total held to maturity	7,937	389		8,326
Total investment securities	$350,464	$ 8,677	$ (1,955)	$357,186

FIRST MERCHANTS CORPORATION

FORM 10-Q
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Table dollars in thousands)
(Unaudited)

NOTE 4. Loans and Allowance

	September 30, 2004	December 31, 2003
Loans:		
Commercial and industrial loans	$ 445,235	$ 443,140
Agricultural production financing and other loans to farmers	99,464	95,048
Real estate loans:		
Construction	154,711	149,865
Commercial and farmland	592,199	564,578
Residential	859,901	866,477
Individuals' loans for household and other personal expenditures	203,763	196,093
Tax-exempt loans	11,062	16,363
Other loans	28,971	21,939
	2,395,306	2,353,503
Allowance for loan losses	(25,243)	(25,493)
Total Loans	$ 2,370,063	$ 2,328,010

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Allowance for loan losses:		
Balances, January 1	$ 25,493	$ 22,417
Allowance acquired in acquisition		3,727
Provision for losses	4,472	8,430
Recoveries on loans	1,234	1,539
Loans charged off	(5,956)	(6,271)
Balances, September 30	$ 25,243	$ 29,842

Information on nonaccruing, contractually past due 90 days or more other than nonaccruing and restructured loans is summarized below:	September 30, 2004	December 31, 2003
Non-accrual loans	$ 16,852	$ 19,453
Loans contractually past due 90 days or more other than nonaccruing	6,664	6,530
Restructured loans	2,169	641
Total	$ 25,685	$ 26,624

FIRST MERCHANTS CORPORATION

FORM 10-Q
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Table dollars in thousands)
(Unaudited)

NOTE 5. Net Income Per Share

	Three Months Ended September 30, 2004			Three Months Ended September 30, 2003		
	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	$ 7,653	18,548,041	$ .41	$ 7,349	18,466,678	$ .40
Effect of dilutive stock options		110,418			155,628	
Diluted net income per share:						
Net income available to common stockholders and assumed conversions	$ 7,653	18,658,459	$ .41	$ 7,349	18,622,306	$ .39

Options to purchase 415,186 and 167,483 shares for the three months ended September 30, 2004 and 2003 were not included in the earnings per share calculation because the exercise price exceeded the average market price.

	Nine Months Ended September 30, 2004			Nine Months Ended September 30, 2003		
	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	$ 21,943	18,525,947	$ 1.18	$ 21,752	18,144,970	$ 1.20
Effect of dilutive stock options		123,632			128,352	
Diluted net income per share:						
Net income available to common stockholders and assumed conversions	$ 21,943	18,649,579	$ 1.18	$ 21,752	18,273,322	$ 1.19

Options to purchase 295,025 and 289,909 shares for the nine months ended September 30, 2004 and 2003 were not included in the earnings per share calculation because the exercise price exceeded the average market price.

(Table dollars in thousands)

Note 6. Defined Benefit Pension Costs

The Corporation has defined benefit pension plans covering substantially all employees. The plans provide benefits that are based on the employees' compensation and years of service. The Corporation uses an actuarial calculation to determine pension plan costs.

The following represents the pension cost for the three and nine months ended September 30.

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Pension Cost				
Service cost	$ 480	$ 391	$ 1,440	$ 1,173
Interest cost	697	654	2,091	1,962
Expected return on plan assets	(701)	(630)	(2,103)	(1,889)
Amortization of the transition asset	(37)	(37)	(113)	(113)
Amortization of prior service cost	34	34	103	103
Amortization of the net loss	88	65	264	194
Total Pension Cost	$ 561	$ 477	$ 1,682	$ 1,430

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

The Corporation from time to time includes forward-looking statements in its oral and written communication. The Corporation may include forward-looking statements in filings with the Securities and Exchange Commission, such as this Form 10-Q, in other written materials and in oral statements made by senior management to analysts, investors, representatives of the media and others. The Corporation intends these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and the Corporation is including this statement for purposes of these safe harbor provisions. Forward-looking statements can often be identified by the use of words like "believe", "continue", "pattern", "estimate", "project", "intend", "anticipate", "expect" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "might", "can", "may", or similar expressions. These forward-looking statements include:

* statements of the Corporation's goals, intentions and expectations;
* statements regarding the Corporation's business plan and growth strategies;
* statements regarding the asset quality of the Corporation's loan and investment portfolios; and
* estimates of the Corporation's risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors which could affect the actual outcome of future events:

* fluctuations in market rates of interest and loan and deposit pricing, which could negatively affect the Corporation's net interest margin, asset valuations and expense expectations;
* adverse changes in the economy, which might affect the Corporation's business prospects and could cause credit-related losses and expenses;
* adverse developments in the Corporation's loan and investment portfolios;
* competitive factors in the banking industry, such as the trend towards consolidation in the Corporation's market;
* changes in the banking legislation or the regulatory requirements of federal and state agencies applicable to bank holding companies and banks like the Corporation's affiliate banks;
* acquisitions of other businesses by the Corporation and integration of such acquired businesses;
* changes in market, economic, operational, liquidity, credit and interest rate risks associated with the Corporation's business; and
* the continued availability of earnings and excess capital sufficient for the lawful and prudent declaration and payment of cash dividends.

Because of these and other uncertainties, the Corporation's actual future results may be materially different from the results indicated by these forward-looking statements. In addition, the Corporation's past results of operations do not necessarily indicate its future results.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations continued

CRITICAL ACCOUNTING POLICIES

Generally accepted accounting principles are complex and require management to apply significant judgments to various accounting, reporting and disclosure matters. Management of the Corporation must use assumptions and estimates to apply these principles where actual measurement is not possible or practical. For a complete discussion of the Corporation's significant accounting policies, see "Notes to the Consolidated Financial Statements" in the Corporation's 2003 Annual Report. Certain policies are considered critical because they are highly dependent upon subjective or complex judgments, assumptions and estimates. Changes in such estimates may have a significant impact on the financial statements. Management has reviewed the application of these policies with the Audit Committee of the Corporation's Board of Directors. For a discussion of applying critical accounting policies, see "Critical Accounting Policies" beginning on page 4 in the Corporation's 2003 Annual Report.

RESULTS OF OPERATIONS

Net income for the three months ended September 30, 2004, equaled $7,653,000, compared to $7,349,000 in the same period of 2003. Diluted earnings per share were $.41, an increase of 2.5 percent from the $.40 reported for the third quarter 2003.

Net income for the nine months ended September 30, 2004, equaled $21,943,000, compared to $21,752,000 during the same period in 2003. Diluted earnings per share were $1.18, a .8 percent decrease from the $1.19 reported in 2003.

Annualized returns on average assets and average stockholders' equity for the nine months ended September 30, 2004 were .95 percent and 9.50 percent, respectively, compared with .99 percent and 9.98 percent for the same period of 2003.

The decreases in diluted earning per share, return on equity and return on assets for the nine months ended September 30, 2004, are primarily due to a decrease in net interest margin of 21 basis points from the same period in 2003, decreased gains from the sale of mortgage loans of $2,790,000 mitigated by a reduction in the provision for loan losses of $3,958,000. For further analysis, see the respective sections of Management's Discussion and Analysis of Financial Conditions and Results of Operations.

CAPITAL

The Corporation's regulatory capital continues to exceed regulatory "well capitalized" standards. Tier I regulatory capital consists primarily of total stockholders' equity and trust-preferred securities, less non-qualifying intangible assets and unrealized net securities gains. The Corporation's Tier I capital to average assets ratio was 7.6 percent at September 30, 2004 and 7.4 percent at year end 2003. In addition, at September 30, 2004, the Corporation had a Tier I risk-based capital ratio of 9.5 percent and total risk-based capital ratio of 11.6 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's GAAP capital ratio, defined as total stockholders' equity to total assets, equaled 9.9 percent at September 30, 2004 and December 31, 2003. When the Corporation acquires other companies, GAAP capital increases by the entire amount of the purchase price.

The Corporation's tangible capital ratio, defined as total stockholders' equity less intangibles net of tax to total assets less intangibles net of tax, equaled 6.0 percent as of September 30, 2004, up from 5.8 percent as of December 31, 2003.

Management believes that all of the above capital ratios are meaningful measurements for evaluating the safety and soundness of the Corporation. Additionally, management believes the following table is also meaningful when considering performance measures of the Corporation. The table details and reconciles tangible earnings per share, return on tangible capital and tangible assets to traditional GAAP measures.

(Dollars in Thousands)	September 30, 2004	December 31, 2003
Average Goodwill	$ 112,281	$ 107,232
Average Core Deposit Intangible (CDI)	22,574	24,393
Average Deferred Tax on CDI	(8,254)	(8,951)
Intangible Adjustment	$ 126,601	$ 122,674
Average Stockholders' Equity (GAAP Capital)	$ 308,035	$ 293,603
Intangible Adjustment	(126,601)	(122,674)
Average Tangible Capital	$ 181,434	$ 170,929
Average Assets	$ 3,083,919	$ 2,960,195
Intangible Adjustment	(126,601)	(122,674)
Average Tangible Assets	$ 2,957,318	$ 2,837,521
Net Income	$ 21,943	$ 27,571
CDI Amortization, net of tax	1,626	2,341
Tangible Net Income	$ 23,569	$ 29,912
Diluted Earnings per Share	$ 1.18	$ 1.50
Diluted Tangible Earnings per Share	$ 1.26	$ 1.63
Return on Average GAAP Capital	9.50%	9.39%
Return on Average Tangible Capital	17.32%	17.50%
Return on Average Assets	0.95%	0.93%
Return on Average Tangible Assets	1.06%	1.05%

ASSET QUALITY/PROVISION FOR LOAN LOSSES

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 primarily 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 September 30, 2004, non-performing loans totaled $25,685,000, a decrease of $939,000 from December 31, 2003, as noted in the table on page 11.

At September 30, 2004, impaired loans totaled $54,969,000, a increase of $10,197,000 from December 31, 2003. At September 30, 2004, an allowance for losses was not deemed necessary for impaired loans totaling $44,139,000, but an allowance of $3,912,000 was recorded for the remaining balance of impaired loans of $10,830,000 and is included in the Corporation's allowance for loan losses. The increase in impaired loans was primarily the result of two loans totaling $9,272,000. The larger of the two credits totals $4,588,000 and is in the process of liquidation. The second totals $2,342,000 and is classified substandard due to weak cashflow. The average balance of impaired loans for the first nine months of 2004 was $54,166,000.

At December 31, 2003, impaired loans totaled $44,772,000. An allowance for losses was not deemed necessary for impaired loans totaling $32,047,000, but an allowance of $5,728,000 was recorded for the remaining balance of impaired loans of $12,725,000 and is included in the Corporation's allowance for loan losses. The average balance of impaired loans for 2003 was $50,245,000.

At September 30, 2004, the allowance for loan losses was $25,243,000, a decrease of $250,000 from year end 2003. As a percent of loans, the allowance was 1.05 percent at September 30, 2004 and 1.08 at December 31, 2003.

The provision for loan losses for the first nine months of 2004 was $4,472,000, a decrease of $3,958,000 from $8,430,000 for the same period in 2003. The Corporation's provision for loan losses reflects reduced specific reserves, net charge-offs and non-performing loans, resulting in decreased provision expense. Current declines in the amount of non-performing loans and average impaired loan balances indicate that loan asset quality has improved during the first nine months of 2004.

LIQUIDITY

Liquidity management is the process by which the Corporation ensures that adequate liquid funds are available for the Corporation and its subsidiaries. These funds are necessary in order for the Corporation and its subsidiaries to meet financial commitments on a timely basis. These commitments include withdrawals by depositors, funding credit obligations to borrowers, paying dividends to shareholders, paying operating expenses, funding capital expenditures, and maintaining deposit reserve requirements. Liquidity is monitored and closely managed by the asset/liability committees at each subsidiary and by the Corporation's asset/liability committee.

The liquidity of the Corporation is dependent upon the receipt of dividends from its bank subsidiaries, which are subject to certain regulatory limitations and access to other funding sources. Liquidity of the Corporation's bank subsidiaries is derived primarily from core deposit growth, principal payments received on loans, the sale and maturity of investment securities, net cash provided by operating activities, and access to other funding sources. The most stable source of liability-funded liquidity for both the long-term and short-term is deposit growth and retention in the core deposit base. In addition, the Corporation utilizes advances from the Federal Home Loan Bank ("FHLB") and a revolving line of credit with LaSalle Bank, N.A. as a funding source. At September 30, 2004, total borrowings from the FHLB were $227,209,000. The Corporation's bank subsidiaries have pledged certain mortgage loans and certain investments to the FHLB. The total available remaining borrowing capacity from the FHLB at September 30, 2004, was $152,843,000. At September 30, 2004, the Corporation's revolving line of credit had a balance of $3,000,000 and a remaining borrowing capacity of $17,000,000. The principal source of asset-funded liquidity is investment securities classified as available-for-sale, the market values of which totaled $415,138,000 at September 30, 2004, an increase of $66,278,000 or 19.0 percent over December 31, 2003. Securities classified as held-to-maturity that are maturing within a short period of time can also be a source of liquidity. Securities classified as held-to-maturity and that are maturing in one year or less totaled $880,000 at September 30, 2004. In addition, other types of assets such as cash and due from banks, federal funds sold and securities purchased under agreements to resell, and loans and interest-bearing deposits with other banks maturing within one year are sources of liquidity.

In the normal course of business, the Corporation is a party to a number of other off-balance sheet activities that contain credit, market and operational risk that are not reflected in whole or in part in the Corporation's consolidated financial statements. Such activities include: traditional off-balance sheet credit-related financial instruments, commitments under operating leases and long-term debt.

The Corporation provides customers with off-balance sheet credit support through loan commitments and standby letters of credit. Summarized credit-related financial instruments at September 30, 2004 are as follows:

(Dollars in thousands)	At September 30, 2004
Amounts of commitments:	
Loan commitments to extend credit	$ 549,970
Standby letters of credit	27,522
	$ 577,492

Since many of the commitments are expected to expire unused or be only partially used, the total amount of unused commitments in the preceding table does not necessarily represent future cash requirements.

In addition to owned banking facilities, the Corporation has entered into a number of long-term leasing arrangements to support the ongoing activities of the Corporation. The required payments under such commitments and long-term debt at September 30, 2004 are as follows:

(Dollars in thousands)	2004 remaining	2005	2006	2007	2008	2009 and after	Total
Operating leases	$ 384	$ 1,443	$ 1,327	$ 1,112	$ 916	$ 3,255	$ 8,437
Long-term debt	70,507	29,727	27,882	24,995	51,653	175,158	379,922
Total	$ 70,891	$ 31,170	$ 29,209	$ 26,107	$ 52,569	$178,413	$388,359

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 review how changes in interest rates may 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.

Management believes that the Corporation's liquidity and interest sensitivity position at September 30, 2004, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk.

The Corporation places its greatest credence in net interest income simulation modeling. The GAP/Interest Rate Sensitivity Report is believed by the Corporation's management 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.

Net interest income simulation modeling, or earnings-at-risk, measures the sensitivity of net interest income to various interest rate movements. The Corporation's asset liability process monitors simulated net interest income under three separate interest rate scenarios; base, rising and falling. Estimated net interest income for each scenario is calculated over a 12-month horizon. The immediate and parallel changes to the base case scenario used in the model are presented below. The interest rate scenarios are used for analytical purposes and do not necessarily represent management's view of future market movements. Rather, these are intended to provide a measure of the degree of volatility interest rate movements may introduce into the earnings of the Corporation.

The base scenario is highly dependent on numerous assumptions embedded in the model, including assumptions related to future interest rates. While the base sensitivity analysis incorporates management's best estimate of interest rate and balance sheet dynamics under various market rate movements, the actual behavior and resulting earnings impact will likely differ from that projected. For mortgage-related assets, the base simulation model captures the expected prepayment behavior under changing interest rate environments. Assumptions and methodologies regarding the interest rate or balance behavior of indeterminate maturity products, e.g., savings, money market, NOW and demand deposits reflect management's best estimate of expected future behavior.

The comparative rising and falling scenarios for the period ended June 30, 2005 assume further interest rate changes in addition to the base simulation discussed above. These changes are immediate and parallel changes to the base case senario. In addition, total rate movements (beginning point minus ending point) to each of the various driver rates utilized by management in the base simulation for the period ended June 30, 2005 are as follows:

Driver Rates	RISING	FALLING
Prime	200 Basis Points	(200) Basis Points
Federal Funds	200	(100)
One-Year T-Bill	200	(157)
Two-Year T-Bill	200	(233)
Three-Year T-Bill	200	(290)
Interest Checking	100	(14)
MMIA Savings	100	(24)
First Flex	100	(24)
CD's	200	(200)
FHLB Advances	200	(200)

Results for the base, rising and falling interest rate scenarios are listed below, based upon the Corporation's rate sensitive assets at June 30, 2004. The net interest income shown represents cumulative net interest income over a 12-month time horizon. Balance sheet assumptions used for the base scenario are the same for the rising and falling simulations.

	BASE	RISING	FALLING
Net Interest Income (dollars in thousands)	$107,825	$116,032	$ 93,395
Variance from base		$ 8,206	$(14,431)
Percent of change from base		1.61%	(13.38)%

The comparative rising and falling scenarios for the period ended December 31, 2004 assume further interest rate changes in addition to the base simulation discussed above. These changes are immediate and parallel changes to the base case scenario. In addition, total rate movements (beginning point minus ending point) to each of the various driver rates utilized by management in the base simulation for the period ended December 31, 2004 are as follows:

Driver Rates	RISING	FALLING
Prime	200 Basis Points	(200) Basis Points
Federal Funds	200	(100)
One-Year T-Bill	200	(138)
Two-Year T-Bill	200	(194)
Interest Checking	100	(14)
MMIA Savings	100	(24)
First Flex	100	(24)
CD's	200	(59)
FHLB Advances	200	(117)

Results for the base, rising and falling interest rate scenarios are listed below. The net interest income shown represents cumulative net interest income over a 12-month time horizon. Balance sheet assumptions used for the base scenario are the same for the rising and falling simulations.

	BASE	RISING	FALLING
Net Interest Income (dollars in thousands)	$100,873	$102,792	$ 87,217
Variance from base		$ 1,919	$(13,655)
Percent of change from base		1.90%	(13.54)%

EARNING ASSETS

The following table presents the earning asset mix as of September 30, 2004, and December 31, 2003.

Loans increased approximately $16.2 million from December 31, 2003 to September 30, 2004, while investment securities increased by $63.8 million during the same period. The Corporation's interest sensitivity and liquidity position has allowed management to purchase securities resulting in increased net interest income from securities.

EARNING ASSETS (Dollars in Millions)	September 30, 2004	December 31, 2003
Federal funds sold and interest-bearing deposits	$ 34.9	$ 40.6
Investment securities available for sale	415.1	348.9
Investment securities held to maturity	5.5	7.9
Mortgage loans held for sale	2.7	3.0
Loans	2,370.1	2,353.6
Federal Reserve and Federal Home Loan Bank stock	22.8	15.5
Total	$ 2,851.1	$ 2,769.5

DEPOSITS AND BORROWINGS

The following table presents the level of deposits and borrowed funds (Federal funds purchased, repurchase agreements, U.S. Treasury demand notes, Federal Home Loan Bank advances, subordinated debentures and other borrowed funds)at September 30, 2004, and December 31, 2003.

(Dollars in Millions)	September 30, 2004	December 31, 2003
Deposits	$ 2,456.8	$ 2,362.1
Securities sold under repurchase agreements......	60.5	71.1
Federal Home Loan Bank advances	227.2	212.8
Subordinated debentures, revolving credit lines and term loans...............................	92.0	97.8
Other borrowed funds	.2	1.5

The Corporation has continued to leverage its capital position with Federal Home Loan Bank advances, as well as repurchase agreements which are pledged against acquired investment securities as collateral for the borrowings. The interest rate risk is included as part of the Corporation's interest simulation discussed in Management's Discussion and Analysis under the headings "LIQUIDITY" and "INTEREST SENSITIVITY AND DISCLOSURES ABOUT MARKET RISK".

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 presents the Corporation's asset yields, interest expense, and net interest income as a percent of average earning assets for the three and nine months ended September 30, 2004 and 2003.

Annualized net interest income (FTE) for the nine months ended September 30, 2004 increased by $319,000, or .3 percent over the same period in 2003. For the same period interest income and interest expense, as a percent of average earning assets, decreased 40 basis points and 19 basis points respectively. This resulted in a 21 basis point decline in net interest income, as a percent of average earning assets, from the first nine months 2003 margin of 4.10 percent. Federal Reserve Bank rate reductions during 2003 significantly contributed to this margin compression. Net interest margin for the trailing four quarters equaled 3.78, 3.87, 3.87 and 3.89 percent. Since June 28, 2004, 75 basis points of prime rate increases have aided third quarter margin improvement.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in Thousands)	2004	2003	2004	2003
Annualized Net Interest Income........................	$ 107,168	$ 103,496	$ 104,362	$ 103,785
Annualized FTE Adjustment.............................	$ 3,924	$ 3,809	$ 3,569	$ 3,827
Annualized Net Interest Income On a Fully Taxable Equivalent Basis.................	$ 111,092	$ 107,305	$ 107,931	$ 107,612
Average Earning Assets................................	$2,818,392	$2,712,070	$2,772,189	$2,628,319
Interest Income (FTE) as a Percent of Average Earning Assets...........................	5.79%	5.89%	5.71%	6.11%
Interest Expense as a Percent of Average Earning Assets...........................	1.85%	1.93%	1.82%	2.01%
Net Interest Income (FTE) as a Percent of Average Earning Assets...........................	3.94%	3.96%	3.89%	4.10%

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. In addition, annualized amounts are computed utilizing a 30/360 day basis.

OTHER INCOME

Other income in the third quarter of 2004 was $465,000 or 5.2 percent lower than the same quarter of 2003. Gains on sales of mortgage loans decreased by $657,000 from the same period in 2003 as stabilizing mortgage rates caused reduced volume from refinancing of mortgage loans.

Other income in the first nine months of 2004 was $2,432,000 or 8.6 percent lower than the same period of 2003. Gains on sales of mortgage loans decreased by $2,790,000 from the same period in 2003 as stabilizing mortgage rates caused reduced volume from refinancing of mortgage loans.

OTHER EXPENSES

Total other expenses represent non-interest expenses of the Corporation. Total other expenses during the third quarter of 2004 decreased from the third quarter of 2003 by $170,000 or .7 percent.

Total other expenses during the first nine months of 2004 exceeded the same period in 2003 by $640,000 or .7 percent.

Two areas account for the change:

1. Salaries and benefit expense grew $1,284,000, due to normal salary increases and additional salary cost related to the March 1, 2003 acquisition of Commerce National Bank.

2. In 2003, the Corporation accrued $460,000 in anticipation of a settlement of a claim. The claim has been settled for $184,500 causing a reduction in other expenses of $275,500.

INCOME TAXES

Income tax expense, for the nine months ended September 30, 2004, increased by $1,127,000 from the same period in 2003. The effective tax rate was 30.8 and 28.4 percent for the 2004 and 2003 periods.

OTHER

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, and that address is (http://www.sec.gov).

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required under this item is included as part of Management's Discussion and Analysis of Financial Condition and Results of Operations, under the headings "LIQUIDITY" and "INTEREST SENSITIVITY AND DISCLOSURES ABOUT MARKET RISK".

Item 4. Controls and Procedures

At the end of the period covered by this report, the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's management, including the Corporation's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of it's disclosure controls and procedures. Based upon that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in Corporation reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There have been no changes in the Corporation's internal controls over financial reporting identified in connection with the evaluation referenced above that occurred during the Corporation's last fiscal quarter that have materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

FIRST MERCHANTS CORPORATION

FORM 10-Q

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

a. None

b. None

c. None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

a. None

b. On October 12, 2004, the Board of Directors of the Corporation amended and restated the Corporation's By-Laws. As part of the amendments, Article IV, Section 9 was amended to change the procedures by which shareholders of the Corporation may recommend nominees to the Corporation's Board of Directors. The new procedures are different than those set forth in the Corporation's March 5, 2004 Proxy Statement. The exact text of Article IV, Section 9 of the Corporation's By-Laws which sets forth those procedures is set forth below in its entirety:

Section 9. Nominations for Director. The Nominating and Governance Committee of the Board of Directors shall have the responsibility for nominating individuals to serve as members of the Board of Directors, including the slate of Directors to be elected each year at the annual meeting of shareholders. In so doing, the Committee shall maintain up-to-date criteria for selecting Directors and a process for identifying and evaluating prospective nominees. Shareholders may suggest a candidate for consideration by the Committee as a Director nominee by submitting the suggestion in writing and delivering or mailing it to the Secretary of the Corporation at the Corporation's principal office. Suggestions for nominees from shareholders must include: (a) the name, address and number of the Corporation's shares owned by the shareholder; (b) the name, address, age and principal occupation of the suggested nominee; (c) such other information concerning the suggested nominee as the shareholder may wish to submit or the Committee may reasonably request. The Committee shall evaluate suggestions for nominees from shareholders in the same manner as other candidates.

FIRST MERCHANTS CORPORATION

FORM 10-Q

PART II. OTHER INFORMATION

Item 6. Exhibits

a. Exhibits

Exhibit No.:	Description of Exhibit:	Form 10-Q Page No.:
3(ii)	Bylaws of First Merchants Corporation, as most recently amended on October 12, 2004 (Incorporated by reference to Exhibit 3(ii) to First Merchants Corporation's current report on Form 8-K filed October 15, 2004.)	
10a	First Merchants Corporation 1999 Long-Term Equity Incentive Plan, as most recently amended on August 10, 2004	29
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002	43
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002	44
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	45

FIRST MERCHANTS CORPORATION

FORM 10-Q

SIGNATURES

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

First Merchants Corporation
(Registrant)

Date 11/09/04

by /s/ Michael L. Cox
Michael L. Cox
President and Chief Executive Officer

Date 11/09/04

by /s/ Mark K. Hardwick
Mark K. Hardwick
Senior Vice President and
Chief Financial Officer
(Principal Financial and Chief
Accounting Officer)

FIRST MERCHANTS CORPORATION

FORM 10-Q

INDEX TO EXHIBITS

INDEX TO EXHIBITS

(a)3. Exhibits:

Exhibit No.:	Description of Exhibit:	Form 10-Q Page No.:
3(ii)	Bylaws of First Merchants Corporation, as most recently amended on October 12, 2004 (Incorporated by reference to Exhibit 3(ii) to First Merchants Corporation's current report on Form 8-K filed October 15, 2004.)	
10a	First Merchants Corporation 1999 Long-Term Equity Incentive Plan, as most recently amended on August 10, 2004	29
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002	43
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002	44
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	45

Exhibit 10a

FIRST MERCHANTS CORPORATION
1999 LONG-TERM EQUITY INCENTIVE PLAN

ARTICLE I

ESTABLISHMENT AND PURPOSE

Section 1.01. Establishment and Term of Plan. First Merchants Corporation, an Indiana corporation (the "Company"), hereby establishes the First Merchants Corporation 1999 Long-Term Equity Incentive Plan (the "Plan"), effective as of April 14, 1999, subject to the approval of the Plan at the Company's 1999 annual meeting of shareholders by the holders of a majority of the shares of the Company's common stock present and voting at that meeting in person or by proxy.

Section 1.02. Purpose. The Plan is designed to promote the interests of the Company, its subsidiaries, and its shareholders by providing stock-based incentives to selected Employees, Non-Employee Directors, Subsidiary Directors and Advisory Directors who are expected to contribute materially to the success of the Company and its subsidiaries. The purpose of the Plan is to provide a means of rewarding performance and to provide an opportunity to increase the personal ownership interest of Employees, Non-Employee Directors, Subsidiary Directors and Advisory Directors in the continued success of the Company. The Company believes that the Plan will assist its efforts to attract and retain quality Employees, Non-Employee Directors, Subsidiary Directors and Advisory Directors.

ARTICLE II

ADMINISTRATION

Section 2.01. Administrative Committee. The Plan shall be administered by the Committee, which shall serve at the pleasure of the Board of Directors. The Committee shall have full authority to administer the Plan, including authority to interpret and construe any provision of the Plan and to adopt such rules and regulations for administering the Plan as it may deem necessary to comply with the requirements of the Plan or any applicable law.

Section 2.02. Powers of the Committee. The Committee shall, subject to the terms of this Plan, have the authority to: (i) select the eligible Employees, Subsidiary Directors and Advisory Directors who shall receive Awards, (ii) grant Awards, (iii) determine the types and sizes of Awards to be granted to Employees, Subsidiary Directors and Advisory Directors under the Plan (but not to Non-Employee Directors, who shall receive Director Options in accordance with Article VI of this Plan), (iv) determine the terms, conditions, vesting periods, and restrictions applicable to Awards (other than Director Options), (v) adopt, alter, and repeal administrative rules and practices governing this Plan, (vi) interpret the terms and provisions of this Plan and any Awards granted under this Plan, (vii) prescribe the forms of any Award Agreements or other instruments relating to Awards, and (viii) otherwise supervise the administration of this Plan. The Committee may delegate any of its authority to any other person or persons that it deems appropriate with respect to Awards granted to Employees who are not officers of the Company.

Section 2.03. Actions of the Committee. All actions taken and all interpretations and determinations made in good faith by the Committee, or made by any other person or persons to whom the Committee has delegated authority, shall be final and binding upon all Participants, the Company, and all other interested persons. All decisions by the Committee shall be made with the approval of not less than a majority of its members. Members of the Committee who are eligible for Awards may vote on any matters affecting the administration of the Plan or the grant of any Awards pursuant to the Plan, except that no such member shall act upon the granting of an Award to himself or herself; but any such member may be counted in determining the existence of a quorum of the Committee.

ARTICLE III

ELIGIBILITY

Section 3.01. Employees, Subsidiary Directors and Advisory Directors. Any Employee of the Company or any of its Subsidiaries who is selected by the Committee to be a Participant under the Plan, and any Subsidiary Director or Advisory Director, shall be eligible for the grant of Awards (other than Director Options). The selection of the Employees, Subsidiary Directors and Advisory Directors to receive Awards (other than Director Options) shall be within the discretion of the Committee. More than one Award may be granted to the same Employee, Subsidiary Director or Advisory Director.

Section 3.02. Non-Employee Directors. All Non-Employee Directors are eligible for the grant of Director Options, as provided in Article VI of this Plan. Non-Employee Directors are not, however, eligible for the grant of any Awards other than Director Options.

ARTICLE IV

SHARES SUBJECT TO AWARDS

Section 4.01. Number of Common Shares. The shares subject to the Awards and other provisions of the Plan shall be the Company's authorized but unissued, or reacquired Common Shares. The aggregate number of Common Shares that may be subject to Awards granted under this Plan in any fiscal year shall be equal to the sum of (i) one percent (1%) of the number of Common Shares Outstanding as of the last day of the Company's prior fiscal year, plus (ii) the number of Common Shares that were available for the grant of Awards, but not granted, under this Plan in any previous fiscal year; provided that in no event will the number of Common Shares available for the grant of Awards in any fiscal year exceed one-and-one-half percent (1 1/2%) of the Common Shares Outstanding as of the last day of the prior fiscal year. The aggregate number of Common Shares that may be issued under the Plan upon the exercise of Incentive Stock Options is 1,200,000, as adjusted pursuant to Section 4.02. No fractional shares shall be issued under this Plan; if necessary, the Committee shall determine the manner in which the value of fractional shares will be treated.

The assumption of awards granted by an organization acquired by the Company, or the grant of Awards under this Plan in substitution for any such awards, shall not reduce the number of Common Shares available for the grant of Awards under this Plan. Common Shares subject to an Award that is forfeited, terminated or canceled without having been exercised shall again be available for grant under this Plan, subject to the limitations noted in the foregoing paragraph of this Section 4.01.

Section 4.02. Adjustment. In the event of any change in the Common Shares by reason of a merger, consolidation, reorganization, recapitalization or similar transaction, or in the event of a stock split, stock dividend or distribution to shareholders (other than normal cash dividends), spin-off or any other change in the corporate structure of the Company, the Committee shall adjust the number and class of shares that may be issued under this Plan, the aggregate number of Common Shares that may be issued under the Plan upon the exercise of Incentive Stock Options, the number and class of shares subject to outstanding Awards, the exercise price applicable to outstanding Awards, and the Fair Market Value of the Common Shares and other value determinations applicable to outstanding Awards, as appropriate. All determinations made by the Committee with respect to adjustments under this Section 4.02 shall be conclusive and binding for all purposes of the Plan.

ARTICLE V

AWARDS

Section 5.01. Grant of Awards. Awards authorized under this Article V may be granted pursuant to another incentive program which incorporates by reference the terms and conditions of this Plan. Awards may be granted singly or in combination or tandem with other Awards. Awards may also be granted in replacement of, or in substitution for, other awards granted by the Company whether or not such other awards were granted under this Plan; without limiting the foregoing, if a Participant pays all or part of the exercise price or taxes associated with an Award by the transfer of Common Shares or the surrender of all or part of an Award (including the Award being exercised), the Committee may, in its discretion, grant a new Award to replace the Common Shares that were transferred or the Award that was surrendered. The Company may assume awards granted by an organization acquired by the Company or may grant Awards in replacement of, or in substitution for, any such awards.

Section 5.02. Types of Awards. Awards may include, but are not limited to, the following:

(a) Director Option. A right to purchase Common Shares granted to a Non-Employee Director pursuant to Article VI of this Plan.

(b) Stock Award. An Award that is made in Common Shares or Restricted Stock or that is otherwise based on, or valued in whole or in part by reference to, the Common Shares. All or part of any Stock Award may be subject to conditions, restrictions and risks of forfeiture, as and to the extent established by the Committee. Stock Awards may be based on the Fair Market Value of the Common Shares, or on other specified values or methods of valuation, as determined by the Committee.

(c) Stock Option. A right to purchase a specified number of Common Shares, during a specified period and at a specified exercise price, all as determined by the Committee. A Stock Option may be an Incentive Stock Option or a Non-Qualified Stock Option. Incentive Stock Options may only be issued to Employees. In addition to the terms, conditions, vesting periods, and restrictions established by the Committee in the Award Agreement, Incentive Stock Options must comply with the requirements of Section 422 of the Code, Section 5.03(f), and this Article V.

Section 5.03. Terms and Conditions of Awards; Agreements. Awards granted under the Plan shall be evidenced by an Award Agreement executed by the Company and the Participant, which shall contain such terms and be in such form as the Committee may from time to time approve, subject to the following limitations and conditions:

(a) Number of Shares. The Award Agreement shall state, as appropriate, the type and total number of shares granted, and/or the type and total number of shares with respect to which Stock Options are granted.

(b) Award Prices. The Award Agreement shall state, as applicable, the price per share of the Common Shares with respect to which Stock Options are issued. The price or other value shall be determined by the Committee. For Incentive Stock Options, the exercise price shall satisfy all of the requirements of the Code and of Section 5.03(f) of this Plan.

(c) Payment of Exercise Price; Deferral. The exercise price of a Stock Option (other than an Incentive Stock Option), Director Option, and any Stock Award for which the Committee has established an exercise price, may be paid in cash, by the transfer of Common Shares, by the surrender of all or part of an Award (including the Award being exercised), or by a combination of these methods, as and to the extent permitted by the Committee. The exercise price of an Incentive Stock Option may be paid in cash, by the transfer of Common Shares, or by a combination of these methods, as and to the extent permitted by the Committee at the time of grant, but may not be paid by the surrender of all or part of an Award. The Committee may prescribe any other method of paying the exercise price that it determines to be consistent with applicable law and the purpose of this Plan.

With the approval of the Committee, the delivery of the Common Shares, cash, or any combination thereof subject to an Award (other than Director Options) may be deferred, either in the form of installments or a single future delivery. The Committee may also permit selected Participants to defer the payment of some or all of their Awards, as well as other compensation, in accordance with procedures established by the Committee to assure that the recognition of taxable income is deferred under the Code. The Committee may also establish rules and procedures for the crediting of interest on deferred cash payments and dividend equivalents on Awards.

(d) Issuance of Shares and compliance with Securities Laws. The Company may postpone the issuance and delivery of certificates representing shares until (a) the admission of such shares to listing on any stock exchange on which shares of the Company of the same class are then listed, and (b) the completion of such registration or other qualification of such shares under any state or federal law, rule or regulation as the Company shall determine to be necessary or advisable, which registration or other qualification the Company shall use it best efforts to complete; provided, however, a person purchasing shares pursuant to the Plan has no right to require the Company to register the Common Shares under federal or state securities laws at any time. Any person purchasing shares pursuant to the Plan may be required to make such representations and furnish such information as may, in the opinion of counsel for the Company, be appropriate to permit the Company, in light of the existence or non-existence with respect to such shares of an effective registration under the Securities Act of 1933, as amended, or any similar state statute, to issue the shares in compliance with the provisions of those or any comparable acts.

(e) Rights as a Shareholder. Unless otherwise provided by the Board of Directors or the Committee, a Participant shall have rights as a shareholder with respect to shares covered by an Award, including voting rights or rights to dividends, only upon the date of issuance of a certificate to him or her, and, if payment is required, only after such shares are fully paid.

(f) Incentive Stock Options. To the extent any Award granted pursuant to this Plan contains an Incentive Stock Option, the following limitations and conditions shall apply to such Incentive Stock Option and the Award Agreement relating thereto in addition to the terms and conditions provided herein:

(i) Price. The price of an Incentive Stock Option shall be an amount per share not less than the Fair Market Value per share of the Common Shares on the date of granting of the option. In the case of Incentive Stock Options granted to an Employee of the Company who is a 10% shareholder, the option price shall be an amount per share not less than one hundred ten percent (110%) of the Fair Market Value per share of the Common Shares on the date of the granting of the Incentive Stock Option.

(ii) Exercise Period. Unless terminated earlier pursuant to other terms and provisions of the Award Agreement, the term of each Incentive Stock Option shall expire within the period prescribed in the Agreement relating thereto, which shall not be more than five (5) years from the date the Incentive Stock Option is granted if the Participant is a ten percent (10%) shareholder, and not more than ten (10) years from the date the Incentive Stock Option is granted if the Participant is not a ten percent (10%) shareholder.

(iii) Limitation on Grants. No Incentive Stock Option shall be granted under this Plan after April 14, 2009.

(iv) Limitation on Transferability. No Incentive Stock Option shall be assignable or transferable except by will or under the laws of descent and distribution. Notwithstanding the foregoing, a Participant may, by delivering written notice to the Company in a form satisfactory to the Company, designate a person who, in the event of the Participant's death, shall thereafter be entitled to exercise the Option. During the lifetime of a Participant, the Incentive Stock Option shall be exercisable only by the Participant and may not be transferred or assigned pursuant to a qualified domestic relations order.

(v) Maximum Exercise Rule. The aggregate Fair Market Value (determined at the time the option is granted) of the shares with respect to which Incentive Stock Options are exercisable for the first time by an Employee during any calendar year under all such plans of the Company and any parent or Subsidiary of the Company shall not exceed One Hundred Thousand Dollars ($100,000).

(g) Termination of Awards Under Certain Conditions. The Committee may cancel any unexpired, unpaid or deferred Awards at any time, if the Participant is not in compliance with all applicable provisions of this Plan or with any Award Agreement, or if the Participant, whether or not he or she is currently employed by the Company, engages in any of the following activities without the prior written consent of the Company:

(i) Directly or indirectly renders services to or for an organization, or engages in a business that is, in the judgment of the Committee, in competition with the Company.

(ii) Discloses to anyone outside of the Company, or uses for any purpose other than the Company's business, any confidential or proprietary information or material relating to the Company, whether acquired by the Participant during or after employment with the Company.

The Committee may, in its discretion and as a condition to the exercise of an Award, require a Participant to acknowledge in writing that he or she is in compliance with all applicable provisions of this Plan and of any Award Agreement and has not engaged in any activities referred to in clauses (i) and (ii) above.

(h) Nontransferability. Unless otherwise determined by the Committee and provided in the Award Agreement, (i) no Award granted under this Plan may be transferred or assigned by the Participant to whom it is granted other than by will, pursuant to the laws of descent and distribution, or pursuant to a qualified domestic relations order, and (ii) an Award granted under this Plan may be exercised, during the Participant's lifetime, only by the Participant or by the Participant's guardian or legal representative. Notwithstanding the foregoing, a Participant may, by delivering written notice to the Company in a form satisfactory to the Company, designate a person who, the event of the Participant's death, shall thereafter be entitled to exercise the Award.

Section 5.04. Election to Defer Grant or Receipt of Award. Notwithstanding any provision herein to the contrary, the Committee may provide, in any Award Agreement or in any program granting Awards under this Plan, that the Participant may elect to defer receipt of the Award as provided in the Award Agreement or program.

ARTICLE VI

DIRECTOR OPTIONS

Section 6.01. Grant of Director Options.

(a) Administration. A committee formed by only those Directors other than Non-Employee Directors shall have full authority to administer Director Options, including authority to require that any Non-Employee Director sign an Award Agreement as a condition of receiving a Director Option.

(b) Granting of Director Options. Until this Plan is terminated, each individual serving as a Non-Employee Director on July 1 in any year after 1998 shall automatically receive a Director Option, effective on such date.

Section 6.02. Number of Common Shares Subject to Each Director Option. Each Director Option shall entitle the Non-Employee Director the right to purchase one thousand (1,000) Common Shares on the terms and conditions specified herein.

Section 6.03. Exercise Price. The exercise price of the Common Shares subject to each Director Option shall be the Fair Market Value of the Common Shares at the date of grant.

Section 6.04. Date Director Options Become Exercisable. Unless otherwise established by the Board of Directors, each Director Option shall become exercisable in full six (6) months after the date of grant; provided, however, all Director Options shall become exercisable in full (i) upon a Change of Control, (ii) in accordance with the terms of Section 6.06, or (iii) upon attainment by the Non-Employee Director of age 70.

Section 6.05. Expiration Date. Unless terminated earlier pursuant to the terms of this Plan, each Director Option shall terminate, and the right of the holder to purchase Common Shares upon exercise of the Director Option shall expire, at the close of business on the tenth anniversary date of the date of grant.

Section 6.06. Continuous Service as a Director. No Director Option may be exercised unless the Non-Employee Director to whom the Director Option was granted has continued to be a Non-Employee Director from the time of grant through the time of exercise, except as provided in Section 6.04 and this Section 6.06.

(a) Retirement or Disability. If the service in office of a Non-Employee Director is terminated due to the retirement or Disability of the Non-Employee Director, the Non-Employee Director (or his or her legal representative if he or she becomes incapacitated), shall have the right, on or after the date of such termination but in no event following the expiration of the Director Option, to exercise the Director Option in full, whether or not the Non-Employee Director would otherwise have been entitled to exercise the Director Option at such date.

(b) Death. If the service in office of a Non-Employee Director is terminated due to the death of the Non-Employee Director, the Non-Employee Director's estate, executor, administrator, personal representative or beneficiary shall have the right to exercise the Director Option in full prior to the earlier of (i) one (1) year after the date of his or her death, and (ii) the expiration of the Director Option.

(c) Employed by Company. If a Non-Employee Director ceases to be a Non-Employee Director by reason of his or her employment by the Company or his or her appointment as a Subsidiary Director or Advisory Director, the Director Option granted to that Non-Employee Director shall be treated the same as Non-Qualified Stock Options held by Employees, Subsidiary Directors or Advisory Directors, whichever is applicable, and shall continue to be exercisable prior to the expiration of the Director Option, subject to the limitations on exercise following termination of employment, or termination of service as a Subsidiary Director or Advisory Director, established by the Committee pursuant to Article VIII of this Plan.

ARTICLE VII

TAX WITHHOLDING OBLIGATIONS

Prior to the payment of an Award, the Company may withhold, or require a Participant to remit to the Company, an amount sufficient to pay any federal, state and local withholding taxes associated with the Award. The Committee may, in its discretion and subject to such rules as the Committee may adopt, permit a Participant to pay any or all withholding taxes associated with the Award in cash, by the transfer of Common Shares, by the surrender of all or part of an Award (including the Award being exercised), or by a combination of these methods.

ARTICLE VIII

TERMINATION OF EMPLOYMENT OR TERMINATION OF SERVICE AS SUBSIDIARY DIRECTOR OR ADVISORY DIRECTOR

Section 8.01. Termination of Employment. Unless the Committee provides otherwise in the Award Agreement, if a Participant's employment with the Company or a Subsidiary terminates for any reason other than Retirement, Disability or death of the Participant, he or she may, but only within the thirty (30)-day period immediately following such termination of employment, and in no event later than the expiration date specified in the Award Agreement, exercise his or her Award to the extent that he or she was entitled to exercise it at the date of such termination; provided, however, if a Participant's employment is terminated for deliberate, willful or gross misconduct, as determined by the Board of Directors, all rights under the Award shall expire upon receipt of the notice of such termination. The transfer of an Employee from the employ of the Company to a Subsidiary, or vice versa, or from one Subsidiary to another Subsidiary, shall not be deemed a termination of employment for purposes of the Plan.

Section 8.02. Retirement or Disability. Unless the Committee provides otherwise in the Award Agreement, if a Participant's employment with the Company or any Subsidiary, or his or her service as a Subsidiary Director or Advisory Director, terminates due to Retirement or Disability, the Participant (or his or her legal representative if he or she becomes incapacitated) may, on or after the date of such termination but in no event later than the expiration date of the Award, exercise in full each Award granted to the Participant prior to such termination, whether or not the Participant would otherwise have been entitled to exercise the Award at such date. However, if the Award being exercised under this Section is an Incentive Stock Option, it may be exercised as such only during (i) the three (3) month period immediately following a termination due to Retirement, or (ii) during the one (1) year period immediately following a termination due to Disability (but in no event later than the expiration date of the Award). During the remainder of the exercise period, if any, the option may be exercised as a Non-Qualified Stock Option.

Section 8.03. Death. Unless the Committee provides otherwise in the Award Agreement, if a Participant dies (whether prior to or after termination of employment or termination of service as a Subsidiary Director or Advisory

Director), the Participant's estate, executor, administrator, personal representative or beneficiary may, within the one (1) year period immediately following the Participant's death but in no event later than the expiration date of the Award, exercise in full each Award granted to the Participant prior to his or her death, whether or not the Participant would otherwise have been entitled to exercise the Award at such date. If the Award being exercised under this Section is an Incentive Stock Option and the Participant dies prior to termination of employment or within three (3) months following such termination, the Award may continue to be exercised as an Incentive Stock Option during the entire one (1) year period immediately following the Participant's death (but in no event later than the expiration date of the Award).

ARTICLE IX

CHANGE OF CONTROL

Unless and to the extent the terms and conditions of a Change of Control agreement between the Company and a Participant provide otherwise, in the event of a Change of Control of the Company, (i) all Stock Options then outstanding will become fully exercisable as of the date of the Change of Control, and (ii) all restrictions and conditions applicable to Restricted Stock and other Stock Awards will be deemed to have been satisfied as of the date of the Change of Control. Any such determination by the Board of Directors that is made after the occurrence of a Change of Control will not be effective unless a majority of the Directors then in office were in office at the beginning of a period of twenty-four (24) consecutive months and the determination is approved by a majority of such Directors.

ARTICLE X

AMENDMENT OF PLAN OR AWARDS

Section 10.01. Amendment, Suspension or Termination of Plan. The Board of Directors may, from time to time, amend, suspend or terminate this Plan at any time, and, in accordance with such amendments, may thereupon change terms and conditions of any Awards not theretofore issued. Shareholder approval for any such amendment will be required only to the extent necessary to satisfy the rules of NASDAQ or any national exchange on which the Common Shares are listed, or to satisfy any applicable federal or state law or regulation.

Section 10.02. Amendment of Outstanding Awards. The Committee may, in its discretion, amend the terms of any Award (other than a Director Option), prospectively or retroactively, but no such amendment may impair the rights of any Participant without his or her consent. Shareholder approval for any such amendment will be required only to the extent necessary to satisfy the rules of NASDAQ or any national exchange on which the Common Shares are listed, or to satisfy any applicable federal or state law or regulation. The Committee may, in whole or in part, waive any restrictions or conditions applicable to, or accelerate the vesting of, any Award (other than a Director Option).

ARTICLE XI

MISCELLANEOUS

Section 11.01. Governing Law. The interpretation, validity and enforcement of this Plan will, to the extent not otherwise governed by the Code or the securities laws of the United States, be governed by the laws of the State of Indiana.

Section 11.02. Rights of Employees. Nothing in this Plan will confer upon any Participant the right to continued employment by the Company or limit in any way the Company's right to terminate any Participant's employment at will.

ARTICLE XII

DEFINITIONS

Section 12.01. Definitions. When capitalized in this Plan, unless the context otherwise requires:

(a) "Advisory Director" means an advisory director of the Company or any of its Subsidiaries, who is not an Employee or Director of the Company or any of its Subsidiaries.

(b) "Award" means a grant made to a Participant pursuant to Article V of this Plan.

(c) "Award Agreement" means a written instrument between the Company and a Participant evidencing an Award and prescribing the terms, conditions, and restrictions applicable to the Award.

(d) "Board of Directors" means the Board of Directors of the Company, as constituted at any time.

(e) "Change of Control" means the first to occur of the following events:

(i) any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") other than the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company or First Merchants Bank, National Association (the "Bank") representing twenty-five percent (25%) or more of the combined voting power of the Company's or Bank's then outstanding securities;

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

(iii) the shareholders of the Company or the Bank approve a merger or consolidation of the Company or the Bank with any other company, other than (1) a merger or consolidation which would result in the voting securities of the Company 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 Company or the Bank or such surviving entity outstanding immediately after such merger or consolidation or (2) a merger or consolidation effected to implement a recapitalization of the Company or the Bank (or similar transaction) in which no person acquires fifty percent (50%) or more of the combined voting power of the Company's or the Bank's then outstanding securities; or

(iv) the shareholders of the Company approve a plan of complete liquidation of the Company or the Bank or an agreement for the sale or disposition by the Company or the Bank of all or substantially all of the Company's assets.

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Committee" means the Compensation and Human Resources Committee of the Board of Directors, consisting of two or more Non-Employee Directors who are "non-employee directors" as defined in paragraph (b)(3) of Rule 16b-3.

(h) "Common Share" means a share of common stock of First Merchants Corporation.

(i) "Common Shares Outstanding" means the total number of Common Shares outstanding as reflected in the Company's financial statements as of the most recent fiscal year-end.

(j) "Company" means First Merchants Corporation.

(k) "Director" means a director of the Company.

(l) "Director Option" means a right to purchase Common Shares granted to a Non-Employee Director pursuant to Article VI.

(m) "Disabled" or "Disability" means a permanent disability as defined in the applicable long-term disability plan of the Company; except that "Disabled" or "Disability" with respect to Director Options or Awards made to Subsidiary Directors or Advisory Directors shall mean total and permanent disability as defined in Section 22(e)(3) of the Code.

(n) "Employee" means any individual employed by the Company or any of its Subsidiaries, including officers and Employees who are members of the Board of Directors of the Company or any of its Subsidiaries.

(o) "Fair Market Value" of a Common Share means the value of the share on a particular date, determined as follows:

(i) the last reported sale price of a share of common stock on such date, or if no sale took place, the last reported sale price of a share on the most recent day on which a sale of a share of stock took place as reported by NASDAQ or a national securities exchange on which the Company's stock is listed on such date; or

(ii) if the Company's stock is not listed on NASDAQ or a national securities exchange on such date, the fair market value of a share on such date as determined in good faith by the Committee.

(p) "Incentive Stock Options" means stock options issued to Employees which qualify under and meet the requirements of Section 422 of the Code.

(q) "Non-Employee Director" means any Director of the Company who is not an Employee of the Company or any of its Subsidiaries.

(r) "Non-Qualified Stock Options" means stock options which do not qualify under or meet the requirements of Section 422 of the Code.

(s) "Participant" means any person to whom an Award has been granted under this Plan.

(t) "Plan" means this First Merchants Corporation 1999 Long-Term Equity Incentive Plan authorized by the Board of Directors at its meeting held on February 9, 1999, as such Plan from time to time may be amended as herein provided.

(u) "Restricted Stock" means an Award of Common Shares that are nontransferable and are subject to a substantial risk of forfeiture.

(v) "Retirement", in the case of an Employee, means the termination of all employment with the Company and its Subsidiaries for any reason other than death or Disability after the day on which the Employee has attained age 55.

(w) "Rule 16b-3" means Rule 16b-3 of the Securities and Exchange Commission, under the Securities Exchange Age of 1934, as amended.

(x) "Stock Options" means the Incentive Stock Options and the Non-Qualified Stock Options issued pursuant to the Plan.

(y) "Subsidiary" means a corporation or other form of business association of which shares (or other ownership interests) having fifty percent (50%) or more of the voting power are, or in the future become, owned or controlled, directly or indirectly, by the Company.

(z) "Subsidiary Director" means a director of a Subsidiary of the Company, who is not a Director of the Company or an Employee of the Company or any of its Subsidiaries.

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael L. Cox, President and Chief Executive Officer of First Merchants Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Merchants Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board or directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2004

/s/Michael L. Cox

Michael L. Cox
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Mark K. Hardwick, Senior Vice President and Chief Financial Officer of First Merchants Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Merchants Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board or directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2004

/s/Mark K. Hardwick

Mark K. Hardwick
Senior Vice President and
Chief Financial Officer
(Principal Financial and Chief
Accounting Officer)

Exhibit 32

CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of First Merchants Corporation (the "Corporation") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I Michael L. Cox, President and Chief Executive Officer of the Corporation, do hereby certify, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o (d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date 11/09/04 by /s/ Michael L. Cox

Michael L. Cox
President and Chief Executive Officer

A signed copy of this written statement required by Section 906 has been provided to First Merchants Corporation and will be retained by First Merchants Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

In connection with the quarterly report of First Merchants Corporation (the "Corporation") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I Mark K. Hardwick, Senior Vice President and Chief Financial Officer of the Corporation, do hereby certify, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o (d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date 11/09/04 by /s/ Mark K. Hardwick

Mark K. Hardwick
Senior Vice President and
Chief Financial Officer
(Principal Financial and Chief
Accounting Officer)

A signed copy of this written statement required by Section 906 has been provided to First Merchants Corporation and will be retained by First Merchants Corporation and furnished to the Securities and Exchange Commission or its staff upon request.